

CUMBERLAND PHARMACEUTICALS INC

Form DEF 14A

March 14, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

CUMBERLAND PHARMACEUTICALS INC.

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March 14, 2019

DEAR FELLOW SHAREHOLDERS:

You are invited to join us for the 2019 Annual Meeting of Shareholders of Cumberland Pharmaceuticals Inc. The meeting will be held on April 23, 2019 at 9:30 a.m. Central Time, at Cumberland's Corporate Offices located at 2525 West End Avenue, Nashville, Tennessee.

The enclosed Notice of Annual Meeting and Proxy Statement describe the formal business to be transacted at this year's Annual Meeting. The Board's recommendations on these items are included with the proposals, and your support is important.

Shareholders of record can vote their shares by marking the enclosed proxy, signing and dating the proxy card and mailing it in the enclosed envelope. Shareholders can also vote using the Internet or the telephone. Instructions for using these alternative voting methods are included in the enclosed proxy card.

Sincerely,

A. J. Kazimi

Chairman and Chief Executive Officer

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held April 23, 2019

The 2019 Annual Meeting of Shareholders of Cumberland Pharmaceuticals Inc., will be held on April 23, 2019 at 9:30 a.m. Central Time, at the Cumberland Pharmaceuticals Inc., Centennial Boardroom, 2525 West End Avenue, Suite 950, Nashville, Tennessee 37203. The items of business are:

(1) Election of four (4) Class III Directors to serve until the 2022 Annual Meeting of Shareholders, or until their successors are duly elected and qualified;

(2) Any other business that may properly come before our annual meeting.

Shareholders of record at the close of business on March 1, 2019 are entitled to receive notification and vote at the Annual Meeting and any adjournments or postponements of the meeting. If you were a shareholder at the close of business on March 1, 2019, you are entitled to vote.

We are furnishing our proxy materials to you under Securities and Exchange Commission rules that allow companies to deliver proxy materials to their shareholders on the Internet. We believe this approach allows us to provide shareholders with a timely and convenient way to receive proxy materials and vote, while lowering the costs of delivery and reducing the environmental impact of our Annual Meeting. On or about March 14, 2019, we will begin mailing a Notice of Internet Availability of Proxy Materials (“Notice”) to our shareholders. We have provided access to our proxy materials on the Internet. The proxy materials include our 2018 Annual Report to Shareholders, our Annual Report on Form 10-K for 2018 and the Proxy Statement and proxy card.

Whether or not you plan to attend the Annual Meeting, we ask that you carefully read through the proxy statement and the voting instructions to ensure that your shares are represented. If you attend the meeting you may withdraw any previously given proxy and vote your shares in person.

By order of the Board of Directors,

A. J. Kazimi

Chairman and Chief Executive Officer

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR
THE SHAREHOLDERS MEETING TO BE HELD ON April 23, 2019

This Proxy Statement, our 2018 Annual Report to Shareholders and our Annual Report on Form 10-K for 2018 are available at: <http://www.cstproxy.com/cumberlandpharma/2019>. Directions to attend the Annual Meeting and vote in person are available on our website, www.cumberlandpharma.com. From the homepage, link through the “Investor Relations” page to the “Events Calendar” page.

Voting Your Shares

You may vote if you owned shares of our common stock at the close of business on March 1, 2019. You may vote in person, or submit a proxy by the Internet, telephone or mail as follows:

Mail: Complete, sign, date and return your proxy card in the postage-paid envelope provided.

Internet: www.cstproxyvote.com

Telephone: 1 (866) 894-0537

In Person: Attend our annual meeting and vote by ballot

If you submit your proxy via telephone or Internet, you do not need to return your proxy card.

CUMBERLAND PHARMACEUTICALS INC.
2525 West End Avenue, Suite 950
Nashville, Tennessee 37203
(615) 255-0068
PROXY STATEMENT
FOR ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 23, 2019

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

This Proxy Statement accompanies the Notice of Annual Meeting of Shareholders of Cumberland Pharmaceuticals Inc., a Tennessee corporation (“we,” “our,” “the Company”), in connection with the solicitation of proxies by and on behalf of our Board of Directors for use at our Annual Meeting to be held on April 23, 2019 at 9:30 a.m. Central Time, at the offices of Cumberland Pharmaceuticals Inc., 2525 West End Avenue, Suite 950, Nashville, Tennessee 37203, and at any postponement or adjournment of the meeting.

We are furnishing proxy materials to our shareholders primarily via the Internet under rules adopted by the Securities and Exchange Commission, instead of mailing printed copies of those materials to each shareholder. These materials are available to stockholders via the Internet at the following website:

<http://www.cstproxy.com/cumberlandpharma/2019>. On March 14, 2019, we will begin mailing to our shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our 2018 Annual Report to Shareholders, our Annual Report on Form 10-K for 2018 and the Proxy Statement and proxy card. The Notice of Internet Availability of Proxy Materials also instructs you on how to access your proxy card or to vote via the Internet or by telephone. We pay the entire cost of soliciting your proxy, including the cost of preparing, assembling, printing, mailing or otherwise distributing the Notice of Internet Availability of Proxy Materials and these proxy materials. This process is designed to expedite the shareholders receipt of proxy materials, lower the cost of the Annual Meeting and help conserve natural resources. If you receive a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials in the mail unless you request a copy. Shareholders who would prefer to continue to receive printed proxy materials should follow the instructions included in the Notice of Internet Availability of Proxy Materials.

What is the Purpose of the 2019 Annual Meeting?

At the 2019 Annual Meeting, shareholders will act upon the matters outlined in the attached Notice of Annual Meeting and described in detail in this Proxy Statement, which are: (1) to elect four (4) Class III Directors to serve until the 2022 Annual Meeting of Shareholders, or until their successors are duly elected and qualified; (2) to transact such other business as may properly come before our annual meeting or any postponement or adjournment of the meeting. In addition, our management will report on our performance during the fiscal year ended December 31, 2018 and respond to questions from shareholders.

Although the Board does not anticipate that any other matters will come before the 2019 Annual Meeting, your executed proxy gives the official proxies the right to vote your shares at their discretion on any other matter properly brought before the Annual Meeting.

Who Is Entitled to Vote at the 2019 Annual Meeting?

Only shareholders of record at the close of business on March 1, 2019, or the “record date,” will be entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement of the meeting.

What Are the Voting Rights of the Holders of Our Common Stock?

Holders of our common stock are entitled to one vote per share with respect to each of the matters to be presented at the Annual Meeting. With regard to the election of directors, holders of common stock are entitled to vote for as many individuals as there are director seats to be elected, which for the 2019 Annual Meeting includes four (4) director seats. The election of directors is by plurality voting, meaning that the four nominees receiving the greatest number of votes cast will be elected provided a quorum is present.

Abstentions will not be counted towards the tabulation of votes cast on matters properly presented to the shareholders (except the election of directors). In the election of directors, if more votes are withheld than votes for the election of a director, that director must tender his or her resignation to the Board of Directors; the Board of Directors will have 90 days to consider the matter and act. Any director who tenders his or her resignation due to this process cannot participate in any decision, unless the election resulted in less than two directors.

What Constitutes A Quorum?

Our Bylaws provide that the presence, in person or by proxy, of the holders of a majority of shares entitled to vote at our Annual Meeting shall constitute a quorum. On the record date there were 15,448,043 shares of our common stock (excluding restricted shares) issued and outstanding and such shares are the only shares entitled to vote at the Annual Meeting.

Your Proxy may be sent directly to the broker that holds your shares. A broker may vote your shares on your behalf without instructions for routine matters. However, a broker must have instructions from you to vote your shares with respect to non-routine matters, such as the election of directors.

What Are the Board's Recommendations?

Unless you provide other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendations of the Board of Directors. The Board's recommendations are set forth together with the description of the Proposal in this Proxy Statement. In summary, the Board recommends a vote FOR election to the Board of Directors of the nominees for Class III directorship named in this Proxy Statement (See Proposal I).

The proxy holders will vote in their discretion with respect to any other matter that may properly come before the Annual Meeting.

Proxies

If the enclosed proxy card is executed, returned in time and not revoked, the shares represented thereby will be voted at the Annual Meeting and at any postponement or adjournment of the meeting in accordance with the instructions indicated on such proxy. **IF NO INSTRUCTIONS ARE INDICATED ON THE PROXY CARD, THE OFFICIAL PROXIES WILL VOTE (1) "FOR" PROPOSAL I DESCRIBED IN THIS PROXY STATEMENT; and (2) AS TO ANY OTHER MATTERS PROPERLY BROUGHT BEFORE THE ANNUAL MEETING OR ANY POSTPONEMENT OR ADJOURNMENT THEREOF, IN THE SOLE DISCRETION OF THE PROXY HOLDERS.** A shareholder who has returned a proxy card may revoke it at any time prior to its exercise at the Annual Meeting by (i) giving written notice of revocation to our Corporate Secretary, (ii) properly submitting to Cumberland Pharmaceuticals Inc. a duly executed proxy bearing a later date or (iii) appearing at the Annual Meeting and voting in person. All written notices of revocation of proxies should be addressed as follows: Cumberland Pharmaceuticals Inc., 2525 West End Avenue, Suite 950, Nashville, Tennessee 37203, Attention: Corporate Secretary.

PROPOSAL I
ELECTION OF DIRECTORS

The Board of Directors

Effective April 23, 2019, our Board of Directors consists of nine directors, divided into three classes, serving staggered three-year terms. One of three classes is elected each year to succeed the directors whose terms are expiring. At this 2019 Annual Meeting, the term of the Class III directors expire. The individuals nominated for election as director in Class III at this 2019 Annual Meeting would, if elected, hold office for a three-year term expiring in 2022.

Director Nominees

Mr. Kazimi, Mr. Cearnal, Mr. Bernard and Mr. Galante are currently serving as directors of the Company. There are currently seven independent directors serving on our Board.

Nomination to serve as Class III directors, for term expiring in 2022

A.J. Kazimi. Mr. Kazimi, 60, founded our company in 1999 and has served as the Chairman of our Board of Directors and Chief Executive Officer since inception. His career includes 30 years in the biopharmaceutical industry. At Cumberland, he has overseen the development and FDA approval of the company's Acetadote® and Caldolor® brands, while also leading the acquisition of the Company's six other commercial products. He was responsible for Cumberland's initial public offering and listing on the NASDAQ stock exchange. He also serves as Chairman and Chief Executive of Cumberland Emerging Technologies. Prior to joining our company, he spent eleven years helping to build Therapeutic Antibodies Inc., an international biopharmaceutical company. As President and Chief Operating Officer, he made key contributions to that company's growth from its start-up phase through its initial public offering and listing on the London stock exchange. Mr. Kazimi started his career at Brown-Forman Corporation, rising through a series of management positions and helping to launch several new products. Mr. Kazimi serves on the board of directors for the Nashville Health Care Council, an association of the largest concentration of healthcare companies in the U.S., as well as the Gettysburg Foundation which works with the National Park Service to preserve the historic military park. Mr. Kazimi is also a member of the board of directors of the Tennessee Historical Society and the Visiting Committee at Loyola University New Orleans' College of Business. He previously served on the board of Aegis Sciences Corporation, a federally certified forensic toxicology laboratory. He holds a B.S. from the University of Notre Dame and an M.B.A. from the Vanderbilt University Owen Graduate School of Management. The board believes that Mr. Kazimi brings strategic insight, leadership and a history of successful execution to the Company along with a wealth of experience in both the biopharmaceutical industry and the development of emerging companies.

Martin E. Cearnal. Mr. Cearnal, 74, has served as a member of our Board of Directors since 2004. In 2008, he joined our management team to head commercial development for Cumberland, currently serving as Executive Vice President and Chief Commercial Officer. He is the former President and Chief Executive Officer of Physicians World, which became the largest provider of continuing medical education during his tenure from 1985 to 2000. Physicians World was acquired by Thomson Healthcare in 2000, and Mr. Cearnal served as President of Thomson Physicians World from 2000 to 2003 and Executive Vice President-Chief Strategy Officer for Thomson Medical Education from 2003 through 2005. He then became Executive Vice President-Chief Strategy Officer for Jobson Medical Information. Mr. Cearnal has over 50 years of experience in the healthcare industry and has been involved with the launches of such noteworthy pharmaceutical products as Lipitor®, Actos®, Intron-A®, Straterra®, Botox® and Humira®. He spent 17 years at Revlon Healthcare in a variety of domestic and international pharmaceutical marketing roles culminating in his position as Vice President, Marketing for International Operations. He has a B.S. degree from Southeast Missouri State University. The board believes Mr. Cearnal brings significant marketing-related knowledge to the Company, which has and will help facilitate successful product launches and marketing plans, among other contributions.

Gordon R. Bernard. Dr. Bernard, 67, served as our Medical Director from 1999 until 2010 and currently serves as Chair of our Medical Advisory Board. He has served on our board of directors since 2010. Dr. Bernard is the Executive Vice President for Research at Vanderbilt University Medical Center, and also the Melinda Owen Bass Professor of Medicine and former Chief of the Division of Allergy, Pulmonary and Critical Care Medicine at Vanderbilt. In addition, he is Senior Associate Dean for Clinical Sciences and Chairman of Vanderbilt's Pharmacy and Therapeutics Committee, which is responsible for approving the Vanderbilt Medical Center Formulary of approved drugs and therapeutics. Dr. Bernard has been conducting national and international trials of pharmaceuticals since 1980 and he has been steering committee chair of the National Institutes of Health, Acute Respiratory Distress Syndrome Clinical Trials Network since its inception in 1994 through its conclusion in 2014. This network is the only federally supported ongoing system for the conduct of research in the hospital Intensive Care Unit, or ICU. He holds a B.S. from the University of Southwestern Louisiana and an M.D. from Louisiana State University. Dr. Bernard maintains an active practice as an Intensivist in the Medical ICU at Vanderbilt and is therefore in a position to observe, first hand, the pharmaceutical management issues surrounding the care of a wide variety of the most severely ill patients and identify their unmet medical needs. The board believes Dr. Bernard's medical background is extremely valuable as the Company seeks to continue expanding its pipeline with promising products that offer advancement to patient care and are well-positioned competitively.

Joseph C. Galante. Mr. Galante, 69, has served as a member of our Board of Directors since 2018. Mr. Galante is a music industry executive with extensive experience that spans a celebrated career. He is accredited with developing the careers of Alabama, Dave Mathews Band, Dolly Parton, Kenny Chesney, Brad Paisley, Martina McBride, Carrie Underwood, Clint Black, Miranda Lambert, and the Judds, among others. His successful business track record, entrepreneurial and public company experience make him a valuable member of our board. Mr. Galante began at RCA Records in New York, followed by a transfer to RCA Nashville where he served as a director at the label, followed by the role of Vice President Promotion and Marketing. At the age of 32 he became the youngest person ever named to run a major country record label. In 1990 he was appointed President of RCA Records US based in New York. He returned to Nashville as Chairman to run the RCA and BNA labels in Nashville. Under his leadership, RCA Records was the number one country label for eleven consecutive years. He then served as Chairman of Sony Music Nashville for six years. He was presented with the Bob Kingsley Living Legend Award by the Opry Trust to honor his work for country music. Mr. Galante is currently a member of the Board of Directors of Pinnacle Financial Partners whose shares are listed on the NASDAQ stock exchange, the Country Music Association, and the Chair of the CMA Foundation.

Class I Directors Expected to Stand For Re-Election in 2020

Joey A. Jacobs. Mr. Jacobs, 65, joined Cumberland's Board of Directors in 2011 and is Chairman of our Governance and Nominating Committee and Lead Independent Director. A healthcare veteran with more than 43 years of industry experience, Mr. Jacobs is the former Chairman and Chief Executive Officer of Acadia Healthcare, a rapidly growing behavioral health company. Mr. Jacobs is the former Chairman, President and Chief Executive Officer of Nashville-based Psychiatric Solutions, Inc. (PSI), which he co-founded in 1997 and grew into a \$2 billion behavioral healthcare system before the company's sale to Universal Health Services in 2010. Prior to founding PSI, Mr. Jacobs spent 21 years at Hospital Corporation of America, or HCA, where he served in various capacities. In addition to serving as the former Chairman of the Nashville Health Care Council, he is also a past director of the Federation of American Hospitals and the National Association of Psychiatric Health Systems. He is currently a board member of the Monroe Carell, Jr. Children's Hospital at Vanderbilt, Envision Corporation and Middle Tennessee State University. Mr. Jacobs holds a B.S. degree from Middle Tennessee State University. The board believes Mr. Jacobs' extensive hospital industry experience as well as his experience as chairman and CEO of a publicly traded healthcare company will be critical as the Company continues to develop its hospital acute care product line and navigate the responsibilities associated with being a public company. The Board believes Mr. Jacobs' extensive hospital industry experience as well as his experience as chairman and CEO of a publicly traded healthcare company will be critical as the Company continues to develop its hospital acute care product line and navigate the responsibilities associated with being a public company.

Jonathan I. Griggs. Mr. Griggs, 84, has served as a member of our Board of Directors since 2010. His career spans more than 41 years in the pharmaceutical and biotechnology industries and includes significant international experience.

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He spent 23 years at Warner Lambert Corporation in positions of increasing responsibility, culminating with his position as Vice President of Human Resources. During his tenure with Warner Lambert, he provided leadership for the successful integration of three pharmaceutical businesses into what became Parke Davis, the largest consolidation in the industry at that time. From 1992 to present he has been the CEO of Griggs & Associates, a management and human resources consulting firm assisting start-up companies and providing critical assistance in turnaround situations. Mr. Griggs also provided the leadership and strategic management for the formation and establishment of the AACA (Antique Auto Club of America) Museum, a leading transportation museum where he served as chairman and is currently a director. Mr. Griggs has his B.S. Degree from Penn State and attended the Wharton School of Management at the University of Pennsylvania. He has been an advisor to Cumberland Pharmaceuticals as a member of the company's Pharmaceutical Advisory Board since it began operations in 1999. The board believes Mr. Griggs' experience in strategic management and human resources consulting will be critical as the company continues to build a strong, effective management team.

Caroline R. Young. Ms. Young, 44, joined the Board of Directors of Cumberland Pharmaceuticals in 2016. Ms. Young was previously the President of the Nashville Health Care Council, a position she held from 2008 to 2015. Under her leadership, the Council's membership grew to encompass 300 diverse organizations and launched the one-of-a-kind Fellows initiative designed to further the skills of business executives. Additionally, the Council's innovative Leadership Health Care program expanded to consist of 1,000 members. Ms. Young joined the Council in 2004, serving as vice president. Prior to the Council, Ms. Young was the founding Executive Director of Life Science Tennessee from 2002 to 2004. She also served in communications roles for the State of Tennessee's Department of Economic and Community Development (ECD) from 1998 to 2002. Ms. Young is currently the Executive Director of NashvilleHealth, an initiative focused on improving the health of the citizens of Nashville-Davidson County. NashvilleHealth addresses area health equity issues and ensures Nashville continues to be a great place to live and work. Ms. Young has been recognized by the Nashville Business Journal as a "Healthcare Hero," and the Nashville Medical News as a "Woman to Watch." Currently, Ms. Young is a member of the Advisory Board of the Washington, DC-based Women Business Leaders of the U.S. Healthcare Industry. Ms. Young holds an M.S. from the University of Tennessee and a B.A. from the University of Mississippi. The Board believes Ms. Young's health care experience and her community activities will give the Board a dimension that will serve the Company well going forward.

Kenneth J. Krogulski. Mr. Krogulski, 61, joined Cumberland's Board of Directors in 2017. He has over 40 years of experience in security analysis and portfolio management and is currently the President and Chief Executive Officer of Berkshire Asset Management, LLC, as well as the company's Chief Investment Officer. Berkshire is a 33-year-old independent SEC registered Pennsylvania based investment advisory firm with over \$2.2 billion in assets under supervision. Prior to Berkshire, Mr. Krogulski began his career in financial services in 1979 at First Eastern Bank, N.A., now PNC Financial, as an investment analyst and portfolio manager, where he advanced to Chief Investment Officer of the Trust Department. He then joined Berkshire in 1990 and later led a management buy-out acquiring the company from Legg Mason. Under his leadership Berkshire's assets under supervision have grown from \$600 million in 2006 and are now over \$2.2 billion. Currently Mr. Krogulski serves on the board of Allied Services Rehabilitation Hospital, is Chairman of the Appleseed Foundation and is a Director of Landmark Community Bank (LDKB: NASDAQ). Previously he served as the Director of the Wyoming Valley Health Care System, on the board of the F.M. Kirby Center for the Performing Arts, the Luzerne Foundation and on various other community boards. Mr. Krogulski earned his M.B.A. from Wilkes University and a B.S. in finance from Indiana University of Pennsylvania. In addition, he holds the Chartered Financial Analyst designation. The Board believes Mr. Krogulski's financial acumen and extensive experience in financial management will give the Board additional depth for addressing financing and capitalization issues, among others.

Class II Director Expected to Stand For Re-Election in 2021

James R. Jones. Mr. Jones, 71, has served as a member of our Board of Directors since 2010 and is Chair of our Audit Committee. Mr. Jones' 36 year career in professional accounting at KPMG LLP included the role of Managing Partner at their Nashville, Tennessee office from 1999 to 2006. He served in various capacities during his career at KPMG which also included positions at their offices in Jackson, Mississippi, Washington, D.C. and Greenville, South Carolina. During his tenure with KPMG, Mr. Jones led a team of more than 100 individuals providing accounting services for an extensive client base. Following retirement in 2006, he has served as an advisor and provided various consulting services to several companies, including acting as liaison between management and the board of directors of a long-term care facility and serving as interim CEO of a charitable organization. He is currently a board director and member of the audit committees of Argent Trust Company of Tennessee and Belmont University. Mr. Jones also serves as a member of our Audit Committee and is our Audit Committee financial expert. Mr. Jones holds a B.S. from Mississippi College and an M.B.A from Mississippi State University. The board believes Mr. Jones' significant accounting background will strengthen Cumberland's existing financial capabilities and play a key role as the company is subject to increasingly stringent accounting and auditing regulations as a public entity.

Please refer to the section labeled "CORPORATE GOVERNANCE" for a discussion of the various committees of our Board of Directors and the composition and duties of these committees, as well as the nomination process for directors, and a discussion of other corporate governance and ethical considerations.

Based on their qualifications and experience, we believe the aforementioned nominees for directorship are suitable nominees to serve on the Board and we believe the nominees will be available and able to serve as directors. In the event that a nominee is unable to serve, the proxy holders will vote the proxies for such other nominee as they may determine.

THE BOARD OF DIRECTORS STRONGLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" THE ELECTION OF EACH OF THE DIRECTOR NOMINEES LISTED ABOVE.

AUDIT COMMITTEE REPORT

The Board of Directors appointed the undersigned directors as members of the Audit Committee and adopted a written charter setting forth the procedures and responsibilities of the Audit Committee. Each year, the Audit Committee Chairman reviews the charter and its adequacy in light of applicable Nasdaq Global Select Market rules.

During the last year, and earlier this year in preparation for the filing with the SEC of our Annual Report on Form 10-K for the year ended December 31, 2018 or the 10-K, the Audit Committee:

- reviewed and discussed the audited financial statements with management and the Company's independent registered public accounting firm;
- reviewed the overall scope and plans for the audit and the results of the independent registered public accounting firm's examinations;
- met with management periodically during the year to consider the adequacy of the Company's internal controls and the quality of its financial reporting and discussed these matters with the Company's independent registered public accounting firm and with appropriate Company financial personnel;
- discussed with the Company's senior management, independent registered public accounting firm and appropriate Company financial personnel the process used for the Company's chief executive officer and chief financial officer to make the certifications required by the SEC and the Sarbanes-Oxley Act of 2002 in connection with the 10-K and other periodic filings with the SEC;
- demonstrated independence from management and exhibited through directives, actions and behavior, the importance of integrity and ethical values in supporting the functioning of the system of internal control and financial reporting;
- reviewed and discussed with the independent registered public accounting firm (1) their judgments as to the quality (and not just the acceptability) of the Company's accounting policies, (2) the written communication required by the Public Company Accounting Oversight Board (PCAOB) Ethics and Independence Rule 3526, "Communication with Audit Committees Concerning Independence" and the independence of the independent registered public accounting firm and (3) the matters required to be discussed with the Audit Committee under auditing standards generally accepted in the United States, including PCAOB Auditing Standard No. 16, "Communication with Audit Committees"; and
- based on these reviews and discussions, as well as private discussions with the independent registered public accounting firm and appropriate Company financial personnel, recommended to the Board of Directors the inclusion of the audited financial statements of the Company and its subsidiaries in the Annual Report on Form 10-K.

Notwithstanding the foregoing actions and the responsibilities set forth in the Audit Committee charter, the charter clarifies that it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles. Management is responsible for the Company's financial reporting process including its system of internal controls, and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States. The independent registered public accounting firm is responsible for expressing an opinion on those financial statements. Audit Committee members are not necessarily accountants or auditors by profession or experts in the fields of accounting or auditing. Therefore, the Audit Committee has relied, without independent verification, on (i) management's representation that the consolidated financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States and (ii) the representations of the independent registered public accounting firm included in their report on the Company's consolidated financial statements.

The Audit Committee met regularly with management and the independent registered public accounting firm, including private discussions with the independent registered public accounting firm, and received the communications described above. The Audit Committee has also established procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by the Company's employees of concerns regarding

questionable accounting or

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auditing matters. However, this oversight does not provide us with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, our considerations and discussions with management and the independent registered public accounting firm do not assure that the Company's consolidated financial statements are presented in accordance with generally accepted accounting principles or that the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards.

The Audit Committee is responsible for recommending the independent registered public accounting firm to serve as the Company's auditors each year and for monitoring the auditor's qualifications, performance and independence. The Audit Committee maintains written procedures that require it to pre-approve the scope of all auditing services to be performed by the Company's independent registered public accounting firm. The Audit Committee's procedures prohibit the independent registered public accounting firm from providing any non-audit services unless the service is permitted under applicable law and is pre-approved by the Audit Committee or its Chair. Although applicable regulations waive these pre-approval requirements in certain limited circumstances, the Audit Committee reviews and pre-approves all non-audit services provided by the Company's independent registered public accounting firm. The Audit Committee has determined that the provision of non-audit services by the Company's independent registered accounting firm is compatible with maintaining such firm's independence.

If you would like additional information on the responsibilities of the Audit Committee, please refer to its charter, a copy of which is posted on the Company's website at www.cumberlandpharma.com and is also available in print to any shareholder who requests it.

Submitted by the Audit Committee

Mr. James R. Jones Mr. Kenneth J. Krogulski Mr. Jonathan I. Griggs Mr. Joseph C. Galante
(Chair)

Independent Registered Public Accounting Firm

The Audit Committee of the Board of the Company engaged BDO to serve as the Company's independent registered public accounting firm for the Company for the years ended December 31, 2018 and 2017.

Aggregate fees billed to us for professional services by BDO for the fiscal years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Audit Fees	\$315,434	\$340,808
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	\$315,434	\$340,808

In the above table, in accordance with the definitions and rules of the SEC, "Audit Fees" includes fees related to professional services for the audit of our consolidated financial statements included in our Form 10-K, the review of financial statements included in our Form 10-Q's and for services that are normally provided by auditors in connection

with statutory and regulatory filings or engagements. Audit fees also includes fees to BDO in connection with the Company's equity offerings. Those fees were \$25,509 and \$69,490 for the years December 31, 2018 and 2017, respectively.

The Audit Committee also has adopted a formal policy concerning approval of audit and non-audit services to be provided by the independent auditor to the Company. The policy requires that all services performed by the Company's independent registered public accounting firm for the Company, including audit services and permitted audit-related and non-audit services, be pre-approved by the Committee. The Committee approved all audit and non-audit services provided by BDO during fiscal years 2018 and 2017, respectively, prior to performing such services.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Based solely upon information made available to us, the following table sets forth information with respect to the beneficial ownership of our common stock as of March 1, 2019 (except as otherwise indicated) by (1) each person who is known by us to beneficially own more than five percent of our common stock (based solely on our review of SEC filings); (2) each of our directors and nominees; (3) our Chief Executive Officer, Chief Financial Officer and each of our other three most highly compensated executive officers, or the Named Executive Officers; and (4) all executive officers and directors as a group. Unless otherwise indicated, each of the persons below has sole vesting and investment power with respect to the shares beneficially owned by such person and the address of each beneficial owner listed on the table is c/o Cumberland Pharmaceuticals Inc., 2525 West End Avenue, Suite 950, Nashville, Tennessee 37203. To the knowledge of the Company, no other person or entity holds more than 5% of the outstanding shares of common stock, except as set forth in the following table.

Name of Beneficial Owner ⁽¹⁾	Shares of Common Stock Beneficially Owned	Percent of Outstanding Common Stock
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A. J. Kazimi⁽²⁾