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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2010

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission File Number: 001-33637

Cumberland Pharmaceuticals Inc.

(Exact name of registrant as specified in its charter)

Tennessee	**62-1765329**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2525 West End Avenue, Suite 950, Nashville, Tennessee	**37203**
(Address of principal executive offices)	(Zipcode)

(615) 255-0068
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ☑ (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 12, 2010
Common stock, no par value	20,253,767

CUMBERLAND PHARMACEUTICALS INC.
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PART I — FINANCIAL INFORMATION

Item 1: Financial Statements

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$71,495,305	$ 78,701,682
Accounts receivable, net of allowances	3,960,129	6,176,585
Inventories	7,967,089	4,822,873
Other current assets	3,238,151	3,472,455
Total current assets	86,660,674	93,173,595
Property and equipment, net	958,766	918,412
Intangible assets, net	7,705,084	7,956,009
Other assets	1,377,506	1,676,304
Total assets	$96,702,030	$103,724,320
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 6,000,000	$ 9,061,973
Current portion of other long-term obligations	24,592	144,828
Accounts payable	5,993,006	5,632,796
Other accrued liabilities	3,409,097	3,784,777
Total current liabilities	15,426,695	18,624,374
Revolving line of credit	1,825,951	1,825,951
Long-term debt, excluding current portion	5,938,027	8,938,027
Other long-term obligations, excluding current portion	209,327	184,632
Total liabilities	23,400,000	29,572,984
Commitments and contingencies		
Redeemable common stock	—	1,930,000
Equity:		
Shareholders' equity:		
Common stock — no par value; 100,000,000 shares authorized; 20,358,586 and 20,180,486(1) shares issued and outstanding as of June 30, 2010 and December 31, 2009, respectively	68,199,165	67,711,746
Retained earnings	5,153,008	4,542,126
Total shareholders' equity	73,352,173	72,253,872
Noncontrolling interests	(50,143)	(32,536)
Total equity	73,302,030	72,221,336
Total liabilities and equity	$96,702,030	$103,724,320

(1) Number of shares issued and outstanding represent total shares of common stock regardless of classification on the consolidated balance sheet. The number of shares of redeemable common stock at December 31, 2009 was 142,016.

See accompanying notes to unaudited condensed consolidated financial statements.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
Net revenues	$10,739,935	$ 9,820,613	$20,870,587	$19,225,212
Costs and expenses:				
Cost of products sold	863,725	777,076	1,723,013	1,510,294
Selling and marketing	5,848,123	4,383,802	11,455,635	8,523,989
Research and development	1,034,800	2,630,725	1,808,668	3,400,842
General and administrative	1,782,834	1,236,435	3,664,037	2,681,298
Amortization of product license right	171,726	171,726	343,452	343,452
Other	28,867	26,733	55,414	54,196
Total costs and expenses	9,730,075	9,226,497	19,050,219	16,514,071
Operating income	1,009,860	594,116	1,820,368	2,711,141
Interest income	50,334	10,160	111,013	27,756
Interest expense	(405,956)	(84,224)	(751,908)	(181,935)
Net income before income taxes	654,238	520,052	1,179,473	2,556,962
Income tax expense	(374,461)	(232,637)	(586,198)	(1,063,696)
Net income	279,777	287,415	593,275	1,493,266
Net loss at subsidiary attributable to noncontrolling interests	7,527	8,456	17,607	20,695
Net income attributable to common shareholders	$ 287,304	$ 295,871	$ 610,882	$ 1,513,961
Earnings per share attributable to common shareholders				
- basic	$ 0.01	$ 0.03	$ 0.03	$ 0.15
- diluted	$ 0.01	$ 0.02	$ 0.03	$ 0.09
Weighted-average shares outstanding				
- basic	20,445,560	10,467,781	20,340,000	10,394,883
- diluted	21,207,645	16,046,844	21,302,119	16,087,448

See accompanying notes to unaudited condensed consolidated financial statements.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net income	$ 593,275	$ 1,493,266
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization expense	463,676	398,341
Non-employee equity compensation	45,554	1,008,381
Stock-based compensation — employee stock options	318,139	313,064
Excess tax benefit derived from exercise of stock options	(462,814)	(2,842,825)
Non-cash interest expense	132,866	29,376
Net changes in assets and liabilities affecting operating activities:		
Accounts receivable	2,216,456	(125,024)
Inventory	(3,144,216)	654,400
Other current assets and other assets	349,777	743,951
Accounts payable and other accrued liabilities	337,995	(986,592)
Other long-term obligations	(95,541)	582,254
Net cash provided by operating activities	755,167	1,268,592
Cash flows from investing activities:		
Additions to property and equipment	(126,315)	(85,863)
Additions to patents	(80,734)	(34,551)
Net cash used in investment activities	(207,049)	(120,414)
Cash flows from financing activities:		
Costs of initial public offering	—	(154,179)
Principal payments on note payable	(6,061,973)	(416,667)
Costs of financing for long-term debt and credit facility	(55,000)	(15,475)
Proceeds from exercise of stock options	979,292	4,296
Excess tax benefit derived from exercise of stock options	462,814	2,842,825
Payments made in connection with repurchase of common shares	(3,079,628)	(2,707,419)
Net cash used in financing activities	(7,754,495)	(446,619)
Net (decrease) increase in cash and cash equivalents	(7,206,377)	701,559
Cash and cash equivalents at beginning of period	78,701,682	11,829,551
Cash and cash equivalents at end of period	$ 71,495,305	$ 12,531,110
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ 503,250	$ 116,848
Income taxes	50,650	93,969
Non-cash investing and financing activities:		
Increase in accounts payable and accrued expenses of initial public offering	—	119,646
Common shares repurchased during period but not paid as of the end of the period	203,802	—

See accompanying notes to unaudited condensed consolidated financial statements.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Equity and Comprehensive Income
(Unaudited)

	Common stock		Retained earnings	Non-controlling interests	Total equity
	Shares	Amount			
Balance, December 31, 2009	20,180,486	$67,711,746	$4,542,126	$(32,536)	$72,221,336
Stock-based compensation - nonemployees	5,636	80,604	—	—	80,604
Exercise of options and related tax benefit, net of mature shares redeemed for the exercise price	531,910	1,442,106	—	—	1,442,106
Stock-based compensation - employees	—	318,139	—	—	318,139
Repurchase of shares	(359,446)	(3,283,430)	—	—	(3,283,430)
Reclass of redeemable common stock	—	1,930,000	—	—	1,930,000
Net and comprehensive income	—	—	610,882	(17,607)	593,275
Balance, June 30, 2010	20,358,586	$68,199,165	$5,153,008	$(50,143)	$73,302,030

See accompanying notes to unaudited condensed consolidated financial statements.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Notes to condensed consolidated financial statements
(unaudited)

(1) BASIS OF PRESENTATION

In the opinion of management, the accompanying unaudited condensed consolidated financial statements ("condensed consolidated financial statements") of Cumberland Pharmaceuticals Inc. and its subsidiaries (collectively, the "Company" or "Cumberland") have been prepared on a basis consistent with the December 31, 2009 audited consolidated financial statements and include all adjustments, consisting of only normal recurring adjustments, necessary to fairly present the information set forth herein. All significant intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated financial statements have been prepared in accordance with the regulations of the Securities and Exchange Commission, or SEC, and omit certain information and footnote disclosure necessary to present the statements in accordance with U.S. generally accepted accounting principles. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009. The results of operations for the three and six months ended June 30, 2010 are not necessarily indicative of the results to be expected for the entire fiscal year or any future period.

Total comprehensive income was comprised solely of net income for the three and six months ended June 30, 2010 and 2009.

Accounting Policies:

In preparing the condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles, management must make decisions that impact the reported amounts and the related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, management applies judgments based on its understanding and analysis of the relevant circumstances, historical experience, and other available information. Actual amounts could differ from those estimated at the time the condensed consolidated financial statements are prepared.

The Company has evaluated events occurring subsequent to June 30, 2010 for accounting and disclosure implications.

(2) EARNINGS PER SHARE

The following tables reconcile the numerator and denominator used to calculate diluted earnings per share for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30,	
	2010	2009
Numerator:		
Net income attributable to common shareholders	$ 287,304	$ 295,871
Denominator:		
Weighted-average shares outstanding – basic	20,445,560	10,467,781
Convertible preferred stock shares	—	1,625,498
Dilutive effect of other securities	762,085	3,953,565
Weighted-average shares outstanding – diluted	21,207,645	16,046,844

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Notes to condensed consolidated financial statements — continued
(unaudited)

	Six Months Ended June 30,	
	2010	2009
Numerator:		
Net income attributable to common shareholders	$ 610,882	$ 1,513,961
Denominator:		
Weighted-average shares outstanding – basic	20,340,000	10,394,883
Convertible preferred stock shares	—	1,625,498
Dilutive effect of other securities	962,119	4,067,067
Weighted-average shares outstanding – diluted	21,302,119	16,087,448

As of June 30, 2010 and 2009, options to purchase 657,532 and 256,532 shares of common stock, respectively, were outstanding but were not included in the computation of diluted EPS because the effect would be antidilutive.

(3) SEGMENT REPORTING

We operate in one segment, specialty pharmaceutical products. Management has chosen to organize the Company based on the type of products sold. All of the Company's assets are located in the United States. The Company did not have any sales to non-U.S. customers during the three months ended June 30, 2010 and 2009, respectively. The Company had sales of less than $0.1 million to non-U.S. customers during the six months ended June 30, 2010 and $0.7 million during the six months ended June 30, 2009.

The Company's net revenues consisted of the following for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Products:				
Acetadote	$ 8,308,560	$ 7,239,776	$ 16,031,833	$ 14,373,206
Kristalose	2,271,418	2,518,728	4,581,401	4,747,344
Caldolor	45,776	—	65,081	—
Other	114,181	62,109	192,272	104,662
Total net revenues	$ 10,739,935	$ 9,820,613	$ 20,870,587	$ 19,225,212

(4) SHAREHOLDERS' EQUITY

In May 2010, the Company announced a share repurchase program to repurchase up to $10.0 million of its outstanding common shares. Pursuant to the plan, the Company repurchased 196,424 shares for approximately $1.4 million during the three months ended June 30, 2010.

During 2010, the Company repurchased 163,022 shares of common stock totaling approximately $1.9 million for the settlement of tax liabilities associated with the exercise of certain options in 2009. As of December 31, 2009, this amount was included in redeemable common stock in the condensed consolidated balance sheet. The repurchase amount was based on the fair-market value of common stock on the date of settlement.

During 2010, options to purchase 549,856 shares of common stock were exercised. In connection with an exercise, 17,946 shares of mature stock were tendered as consideration for the exercise price and minimum statutory tax withholding requirements. The exercise of these options created a tax deduction of approximately $4.4 million, of which approximately $0.9 million was used to offset the estimated tax liability arising from the results of operations for the six months ended June 30, 2010. As of June 30, 2010, the Company has unrecognized tax deductions of approximately $69.1 million that will be recognized when the deduction reduces income taxes payable.

CUMBERLAND PHARMACEUTICALS INC. AND SUBSIDIARIES
Notes to condensed consolidated financial statements — continued
(unaudited)

(5) INCOME TAXES

During the second quarter of 2010, the Internal Revenue Service completed its review of the Company's 2007 and 2008 federal tax returns. As a result of the audits, the Company does not have any federal tax returns open for audit.

(6) COLLABORATIVE AGREEMENTS

The Company is a party to several collaborative arrangements with certain research institutions to identify and pursue promising pre-clinical pharmaceutical product candidates. The Company has determined these collaborative agreements do not meet the criteria for accounting under Accounting Standards Codification 808, Collaborative Agreements. The agreements do not specifically designate each party's rights and obligations to each other under the collaborative arrangements. Except for patent defense costs, expenses incurred by one party are not required to be reimbursed by the other party. The funding for these programs is generally provided through private sector investments or federal Small Business (SBIR/STTR) grant programs. Expenses incurred under these collaborative agreements are included in research and development expenses in the condensed consolidated statements of income. Funding received from private sector investments and grants are recorded as net revenues in the condensed consolidated statements of income.

(7) SUBSEQUENT EVENTS

Pursuant to our share repurchase plan announced in May 2010, the Company repurchased an additional 104,819 for approximately $0.6 million subsequent to June 30, 2010. The weighted-average repurchase price was $6.12 per share.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains certain forward-looking statements which reflect management's current views of future events and operations. These statements involve certain risks and uncertainties, and actual results may differ materially from them. Forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We caution you that our actual results may differ significantly from the results we discuss in these forward looking statements. Some important factors which may cause results to differ from expectations include: availability of additional debt and equity capital required to finance the business model; market conditions at the time additional capital is required; our ability to continue to acquire branded products; product sales; and management of our growth and integration of potential acquisitions. Other important factors that may cause actual results to differ materially from forward-looking statements are discussed in "Risk Factors" on pages 20 through 32 and "Special note regarding forward-looking statements" on page 32 of our Annual Report on Form 10-K for the year ended December 31, 2009. The Company does not undertake to publicly update or revise any of its forward-looking statements, even in the event that experience or future changes indicate that the anticipated results will not be realized. The following presentation of management's discussion and analysis of financial condition and results of operations should be read in conjunction with the Company's unaudited condensed consolidated financial statements and related notes thereto included in this Form 10-Q.

OVERVIEW

Our Business

We are a profitable and growing specialty pharmaceutical company focused on the acquisition, development and commercialization of branded prescription products. Our primary target markets are hospital acute care and gastroenterology, which are characterized by relatively concentrated physician bases that we believe can be penetrated effectively by relatively small, targeted sales forces. Cumberland is dedicated to providing innovative products which improve quality of care for patients.

Our product portfolio includes Acetadote® (*acetylcysteine*) Injection for the treatment of acetaminophen poisoning, Caldolor® (*ibuprofen*) Injection, the first injectable treatment for pain and fever approved in the United States, and Kristalose® (*lactulose*) for Oral Solution, a prescription laxative. We market and sell our products through our dedicated hospital and field sales forces in the United States, and are working with partners to reach international markets.

We have both product development and commercialization capabilities, and believe we can leverage our existing infrastructure to support our expected growth. Our management team consists of pharmaceutical industry veterans experienced in business development, product development, sales and marketing and finance and accounting. Our internal product development and regulatory executives develop proprietary product formulations, design and manage our clinical trials, prepare all regulatory submissions and manage our medical call center. Cumberland's operations and quality affairs professionals play an active role in the manufacture of our products through our manufacturing partners. All aspects of commercialization are handled by our sales and marketing professionals, and we work closely with our distribution partner to make our products available across the United States.

We have been profitable since 2004, and have generated sufficient cash flows to fund our development and marketing programs. In 2009, we completed an initial public offering of our common stock to help facilitate further growth. Our strategy includes maximizing the potential of our existing products and continuing to build a portfolio of new, differentiated products. Our current products are approved for sale in the United States, and we are working to bring them to select international markets. We also look for opportunities to expand into additional patient populations with new product indications, whether through our own resources or by supporting investigator-initiated studies at research institutions. We actively pursue opportunities to acquire additional late-stage development product candidates as well as marketed products in our target medical specialties. Further, we are supplementing the aforementioned growth strategies with the early-stage drug development activities of Cumberland Emerging Technologies, Inc. (CET), our majority-owned subsidiary. CET partners with university research centers to

identify and cost-effectively develop promising, early-stage product candidates, which Cumberland has the opportunity to commercialize.

We were incorporated in 1999 and have been headquartered in Nashville, Tennessee since inception. Our website address is www.cumberlandpharma.com. We make available through our website our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments, as well as other documents, as soon as reasonably practicable after their filing with the SEC. These filings are also available to the public through the Internet by the SEC at www.sec.gov.

Recent Developments

Acetadote®

Supplemental New Drug Application

In March 2010, we submitted a supplemental new drug application (sNDA) to the U.S. Food and Drug Administration (FDA) for the use of Acetadote in patients with non-acetaminophen acute liver failure. The sNDA includes data from a clinical trial led by investigators at the University of Texas Southwestern Medical Center indicating that acute liver failure patients treated with Acetadote have a significantly improved chance of survival without a transplant. The study showed that these patients can also survive a significant number of days longer without transplant, which would provide patients requiring transplant increased time for a donor organ to become available.

Acute liver failure is associated with a high mortality rate and frequent need for liver transplantation. Approximately half of acute liver failure cases are caused by acetaminophen poisoning while the other half result from a variety of causes including hepatitis and alcohol. Currently, transplantation of the liver is the only treatment for patients with liver failure not caused by acetaminophen overdose.

In May 2010, the FDA officially accepted the sNDA and granted a priority review. In addition to expanded labeling for Acetadote, we have requested additional exclusivity for the product. If approved, we expect to begin marketing Acetadote with the new indication in 2011.

Australian Regulatory Approval

In April 2010, the Therapeutic Goods Administration (TGA) approved Acetadote for marketing in Australia. We previously granted an exclusive license to Phebra Pty Ltd., an Australian-based specialty pharmaceutical company, to commercialize Acetadote in Australia. Phebra is now preparing for the Australian launch of the product, which it expects to commence this year.

Under our agreement, Phebra is responsible for ongoing regulatory requirements, marketing, distribution and sales of Acetadote in Australia while we maintain responsibility for product formulation, development and manufacturing. In exchange for the product license, Cumberland receives upfront and milestone payments, a transfer price and royalties on future sales.

Caldolor®

License Agreement for Canada

In April 2010, we entered into an exclusive agreement with Alveda Pharmaceuticals Inc., a Toronto-based specialty pharmaceutical company, for the commercialization of Caldolor in Canada. Under the agreement, Alveda will seek Canadian regulatory approval for Caldolor and, upon approval, will handle ongoing regulatory requirements as well as product marketing, distribution and sales throughout Canada. Cumberland will maintain responsibility for product formulation, development and manufacturing. In exchange for the license to the product, Cumberland will receive royalties on future sales of Caldolor in addition to upfront and milestone payments as well as a transfer price.

Compassionate Use in Australia

In December 2009, we entered into an exclusive agreement with Phebra Pty Ltd. for distribution of Caldolor in Australia and New Zealand. As of April 2010, Phebra made the product available in Australia on a limited, compassionate use basis. The TGA, which regulates drugs and medical devices in Australia, operates compassionate use programs that allow patients with critical clinical needs to access products not yet approved through their medical practitioner. Phebra is also planning to submit an application to the TGA for regulatory approval of Caldolor.

RECENT LEGISLATION

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act, or PPACA. On March 30, 2010, the Health Care and Education Reconciliation Act of 2010, or HCERA, was enacted into law, which modified the revenue provisions of the PPACA. The PPACA as amended by the HCERA constitutes the healthcare reform legislation. The following highlights certain provisions of the legislation that may affect us in the future.

Pharmaceutical Industry Fee

Beginning in calendar-year 2011, an annual fee will be imposed on pharmaceutical manufacturers and importers that sell branded prescription drugs to specified government programs (e.g., Medicare Part D, Medicare Part B, Medicaid, Department of Veterans Affairs programs, Department of Defense programs and TRICARE). The annual fee will be allocated to companies based on their previous calendar-year market share using sales data that the government agencies that purchase the pharmaceuticals will provide to the Treasury Department. Although we participate in governmental programs that would subject us to this fee, our sales volume in such programs is less than $10 million, with the first $5.0 million of sales being exempt from the fee. We do not anticipate this fee will have a material impact on our results of operations.

Medicaid Rebate Rate

We currently provide rebates for Kristalose sold to Medicaid beneficiaries. Effective January 1, 2010, the rebate increased from 11 percent to 13 percent of the average manufacturer price. Our sales of Kristalose under the Medicaid program have been increasing. We expect the increased rebate percentage will impact our net revenue for Kristalose by less than $0.1 million for the year ended December 31, 2010.

Therapeutic Discovery Project Credit

The legislation established a 50 percent nonrefundable investment tax credit or grant for qualified investments in qualifying therapeutic discovery projects. The provision allocates $1 billion during the two-year period (2009-2010) for the program. The credit is available only to companies with 250 or fewer employees. The qualified investment for any tax year is the aggregate amount of the costs paid or incurred in that year for expenses necessary for and directly related to the conduct of the qualifying therapeutic discovery project. We submitted our applications for four of our research projects prior to the deadline of July 21, 2010, and expect to receive a response from the Internal Revenue Service in the fourth quarter of 2010.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

Please see a discussion of our critical accounting policies and significant judgments and estimates on pages 39 through 42 in “Management’s discussion and analysis” of our Annual Report on Form 10-K for the year ended December 31, 2009.

Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. We base our estimates on past experience and on other factors we deem reasonable given the circumstances. Past results help form the basis of our judgments about the carrying value of assets and liabilities that are not determined from other sources. Actual results could differ from these estimates. These estimates, judgments and assumptions are most critical with respect to our accounting for revenue recognition, provision for income taxes, stock-based compensation, research and development accounting and intangible assets.

RECENTLY ISSUED ACCOUNTING STANDARDS

In March 2010, the Financial Accounting Standards Board, or FASB, issued guidance providing for the recognition of revenue using the milestone method. Under this new guidance, an entity can recognize revenue associated with milestones if the milestones are substantive and there is substantive uncertainty about whether the milestone will be achieved. To meet the definition of a substantive milestone, the consideration earned by achieving the milestone (1) would have to be commensurate with either the level of effort required to achieve the milestone or the enhancement in the value of the item delivered, (2) would have to relate solely to past performance and (3) should be reasonable relative to all deliverables and payment terms in the arrangement. The new guidance is effective for our third quarter ended September 30, 2010. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on our consolidated financial position or results of operations.

In October 2009, the FASB issued guidance setting forth requirements that must be met for an entity to recognize revenue from the sale of a delivered item that is part of a multiple-element arrangement when other items have not yet been delivered. The overall arrangement fee will be allocated to each element based on their relative selling prices. If an entity does not have a selling price for an element, then management must estimate the selling price. This guidance is effective for us for all revenue arrangements entered into or materially modified after January 1, 2011. Early adoption is permitted. The future impact of adopting this standard will depend on the nature and extent of transactions covered by this standard.

RESULTS OF OPERATIONS

Three months ended June 30, 2010 compared to the three months ended June 30, 2009

Net revenues. Net revenues for the three months ended June 30, 2010 totaled approximately $10.7 million, representing an increase of approximately $0.9 million, or 9%, over the same period in 2009. With overall sales volume remaining consistent between the two periods, increased gross sales were partially offset with gross-to-net revenue adjustments from increased rebate expense associated with state and managed care activity, as well as additional fee-for-service expense due to additional agreements in 2010.

During the second quarter of 2009, we expanded our hospital sales force in connection with the commercial launch of Caldolor. In addition to the expansion of our hospital sales force, we realigned our field sales force to enable them to also promote Caldolor in the surgery-center market. The sales forces have been working diligently in the continued launch of Caldolor while maintaining a consistent level of focus on Acetadote and Kristalose, which is evidenced by consistent sales volume of those two products.

Cost of products sold. Cost of products sold as a percentage of net revenues increased slightly from 7.9% for the three months ended June 30, 2009 to 8.0% for the same period in 2010. The increase in cost of products sold as a percentage of net revenues was primarily due to (1) the weakening of the U.S. dollar during the second quarter ended June 30, 2010 as compared to the same period in 2009 and (2) an increase in our gross-to-net revenue adjustments previously discussed.

Selling and marketing. Selling and marketing expense for the three months ended June 30, 2010 totaled approximately $5.8 million, representing an increase of approximately $1.5 million, or 33%, over the same period in 2009. The increase was primarily due to the expansion of our hospital sales force which occurred in the third quarter of 2009, and the resulting increases in payroll and related taxes, travel, meals and promotional activities.

Research and development. Research and development expense for the three months ended June 30, 2010 totaled approximately $1.0 million, representing a decrease of approximately $1.6 million, or 61%, over the same period in 2009. The decrease was primarily due to the inclusion in the second quarter of 2009 of approximately $2.0 million of milestone expenses incurred upon the FDA approval of Caldolor in June 2009. This decrease was offset by additional costs incurred in 2010 related to annual FDA product and establishment fees and increased costs related to development efforts for our products and product candidates.

General and administrative. General and administrative expense for the three months ended June 30, 2010 totaled approximately $1.8 million, representing an increase of approximately $0.5 million, or 44%, over the same period in 2009. The increase is primarily due to additional expenses associated with being an SEC registrant, including legal and accounting-related costs and insurance. In addition, we incurred additional foreign currency expense associated with our products bought from overseas suppliers.

Interest expense. Interest expense for the three months ended June 30, 2010 totaled approximately $0.4 million, representing an increase of approximately $0.3 million as compared to the same period in 2009. The increase is primarily attributable to the increase in our average term debt balance in 2010 as compared to 2009.

Income tax expense. Income tax expense for the three months ended June 30, 2010 totaled approximately $0.4 million, representing an increase of $0.1 million over the same period in 2009. As a percentage of net income before income taxes, income tax expense increased from 44.7% for the three months ended June 30, 2009 to 57.2% for the three months ended June 30, 2010. The increase, in percentage of net income before income taxes, was due to an increase in our projected tax rate for 2010 as a result of an increase in our permanent differences relative to our net income before income taxes.

During 2009 and 2010, significant stock options were exercised that resulted in an excess tax benefit to us. As of June 30, 2010, we have approximately $69.1 million of these tax deductions available to us that will be used to offset future income tax liabilities. In accordance with current accounting pronouncements, these deductions have not been recognized in the condensed consolidated balance sheet as of June 30, 2010. We will recognize the tax benefits in future periods when they are used to offset taxes payable. We expect our cash outflow related to income tax payments to be minimal during 2010 and 2011.

Six months ended June 30, 2010 compared to the six months ended June 30, 2009

Net revenues. Net revenues for the six months ended June 30, 2010 totaled approximately $20.9 million, representing an increase of approximately $1.6 million, or 9%, over the same period in 2009. With overall sales volume remaining consistent between the two periods, increased gross sales were partially offset with gross-to-net revenue adjustments from increased rebate expense associated with state and managed care activity, as well as additional fee-for-service expense due to additional agreements in 2010.

During the third quarter of 2009, we expanded our hospital sales force in connection with the commercial launch of Caldolor. In addition to the expansion of our hospital sales force, we realigned our field sales force to enable them to also promote Caldolor in the surgery-center market. The sales forces have been working diligently in the continued launch of Caldolor while maintaining a consistent level of focus on our other products, which is evidenced by consistent sales volume of Acetadote and Kristalose.

Cost of products sold. Cost of products sold as a percentage of net revenues increased slightly from 7.9% for the six months ended June 30, 2009 to 8.3% for the same period in 2010. The increase in cost of products sold as a percentage of net revenues was primarily due to an increase in our gross-to-net revenue adjustments previously discussed.

Selling and marketing. Selling and marketing expense for the six months ended June 30, 2010 totaled approximately $11.5 million, representing an increase of approximately $2.9 million, or 34%, over the same period in 2009. The increase was primarily due to the expansion of our hospital sales force in the third quarter of 2009, and the resulting increases in payroll and related taxes, travel, meals and promotional activities.

Research and development. Research and development expense for the six months ended June 30, 2010 totaled approximately $1.8 million, representing a decrease of approximately $1.6 million, or 47%, over the same period in 2009. The decrease was primarily due to the inclusion in the second quarter of 2009 of approximately $2.0 million of milestone expenses incurred upon the FDA approval of Caldolor in June 2009. This decrease was offset by additional costs incurred in 2010 related to annual FDA product and establishment fees and increased costs related to development efforts for our products and product candidates.

General and administrative. General and administrative expense for the six months ended June 30, 2010 totaled approximately $3.7 million, representing an increase of approximately $1.0 million, or 37%, over the same period in 2009. The increase is primarily due to additional expenses associated with being an SEC registrant, including legal and accounting-related costs and insurance. In addition, we incurred additional foreign currency expense associated with our products bought from overseas suppliers.

Interest expense. Interest expense for the six months ended June 30, 2010 totaled approximately $0.8 million, representing an increase of approximately $0.6 million as compared to the same period in 2009. The increase is primarily attributable to the increase in our average term debt balance in 2010 as compared to 2009.

Income tax expense. Income tax expense for the six months ended June 30, 2010 totaled approximately $0.6 million, representing a decrease of approximately $0.5 million, over the same period in 2009. As a percentage of net income before income taxes, income tax expense increased from 41.6% for the six months ended June 30, 2009 to 49.7% for the six months ended June 30, 2010. The decrease, in dollars, was due to lower earnings for the six months ended June 30, 2010 as compared to the same period in 2009 offset by an increase in our projected tax rate for 2010 as a result of an increase in our permanent differences relative to our net income before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Our primary sources of liquidity are cash flows provided by our operations, our borrowings and the cash proceeds from our initial public offering of common stock that was completed in August 2009. We believe that our internally generated cash flows, amounts available under our credit facilities and cash on hand will be adequate to service existing debt, finance internal growth and fund capital expenditures. As of June 30, 2010 and December 31, 2009, cash and cash equivalents was $71.5 million and $78.7 million, respectively, working capital (current assets minus current liabilities) was $71.2 million and $74.5 million, respectively, and our current ratio (current assets to current liabilities) was 5.6x and 5.0x, respectively. As of June 30, 2010, we had an additional $2.2 million available to us on our line of credit.

Our term debt agreement with Bank of America requires an additional loan fee of $440,000 based on certain metrics as of September 30, 2010, which would be due on or before November 15, 2010. We are in negotiations with the bank to amend certain terms and conditions of the debt agreement, and are evaluating other options available to us, including the prepayment of the term debt. Currently, any prepayment prior to December 31, 2010 shall be accompanied by a prepayment fee of 4% of the amount prepaid. In addition, if we prepay the term debt, we would write off the remaining deferred loan costs, which was approximately $0.3 million as of June 30, 2010. If we elect to prepay the term debt prior to September 30, 2010, we would not be subject to any additional loan fee. Any additional loan fee would be a component of interest expense.

The following table summarizes our net changes in cash and cash equivalents for the six months ended June 30, 2010 and 2009:

	Six Months Ended June 30,	
	2010	2009
	(in thousands)	
Net cash provided by (used in):		
Operating activities	$ 755	$ 1,269
Investing activities	(207)	(120)
Financing activities	(7,754)	(447)
Net (decrease) increase in cash and cash equivalents (1)	$ (7,206)	$ 702

(1) The sum of the individual amounts may not agree due to rounding.

The net decrease in cash and cash equivalents of $7.2 million for the six months ended June 30, 2010 was primarily due to cash used in financing activities, which included (1) principal payments on our term debt of approximately $6.1 million, (2) the repurchase of common stock of approximately $3.1 million, (3) proceeds from the exercise of stock options of approximately $1.0 million and (4) the excess tax benefit derived from the exercise of nonqualified options of approximately $0.5 million.

The share repurchase program discussed in Part II, Item 2, is incorporated by reference into this Item.

OFF-BALANCE SHEET ARRANGEMENTS

During the six months ended June 30, 2010, the Company did not engage in any off-balance sheet arrangements.

Item 3: Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

We are exposed to market risk related to changes in interest rates on our revolving credit facility and our term note payable. We do not utilize derivative financial instruments or other market risk-sensitive instruments to manage exposure to interest rate changes. The main objective of our cash investment activities is to preserve principal while maximizing interest income through low-risk investments.

The interest rate related to borrowings under our revolving credit facility and term debt is a variable rate of LIBOR plus an applicable margin, as defined in the debt agreement (5.85% at June 30, 2010). As of June 30, 2010, we had outstanding borrowings of approximately $13.8 million under our revolving credit facility and term debt combined. If interest rates increased by 1.0%, our annual interest expense on our borrowings would increase by approximately $0.1 million.

Exchange Rate Risk

While we operate primarily in the U.S., we are exposed to foreign currency risk. Acetadote is manufactured by a supplier that denominates supply prices in Canadian dollars. One of our supply agreements for Caldolor is denominated in Australian dollars. Additionally, some of our research and development is performed abroad. As of June 30, 2010, our outstanding payables denominated in a foreign currency totaled $0.3 million.

Currently, we do not utilize financial instruments to hedge exposure to foreign currency fluctuations. We believe our exposure to foreign currency fluctuation is minimal as our purchases in foreign currency have a maximum exposure of 90 days based on invoice terms, with much of the exposure being limited to 30 days based on the due date of the invoice. Foreign currency exchange gains and losses were not significant for the six months ended June 30, 2010. Neither a 10% increase nor decrease from current exchange rates would have a significant effect on our operating results or financial condition.

Item 4T: Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2010. Based on that evaluation, they have concluded that the Company's disclosure controls and procedures are effective to ensure that material information relating to the Company and the Company's consolidated subsidiaries is made known to officers within these entities in order to allow for timely decisions regarding required disclosure.

During the Company's second quarter of 2010, there have been no changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f)).

PART II – OTHER FINANCIAL INFORMATION

Item 1a: Risk Factors

Information regarding risk factors appears on pages 20 through 32 in our Annual Report on Form 10-K for the year ended December 31, 2009 under the sections titled "Risk Factors." There have been no material changes from the risk factors previously discussed therein.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Use of Proceeds

On August 10, 2009, our Registration Statement on Form S-1 (File No. 333-142535) for 5,000,000 shares of common stock was declared effective for the Company's initial public offering. As of June 30, 2010, we have used approximately $4.2 million of the net proceeds to pay off the existing term debt with Bank of America, approximately $6.7 million for the commercialization of Caldolor, approximately $4.9 million for the expansion of our sales force and approximately $1.5 million for ongoing clinical work, product development and other costs related to Caldolor. The remaining proceeds have been invested in money market accounts. There have been no material changes in the planned expected use of the net proceeds from the offering.

Purchases of Equity Securities

The following table summarizes the purchase of equity securities by the Company during the three months ended June 30, 2010:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plan or Programs
April 1 – April 30	9,479(1)	$ 10.55	—	—
May 1 – May 31	—	—	—	—
June 1 – June 30	196,424	$ 6.86	196,424	$ 8,653,124(2)
Total	205,903			

(1) The purchase of 9,479 shares of common stock was made pursuant to a put right held by an executive to provide for the settlement of the remaining tax liability associated with the exercise of stock options in 2009. The purchase price of this transaction was the then-current fair market value of common stock on the date of the transaction.

(2) On May 13, 2010, we announced a share repurchase program to purchase up to $10 million of our common stock pursuant to Rule 10b-18 of the Securities Act.

Item 6: Exhibits

No.	Description
10.7†	Exclusive Distribution Agreement, effective as of July 1, 2010, by and between Cardinal Health 105, Inc. and Cumberland Pharmaceuticals Inc.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13-14(a) of the Securities Exchange Act of 1934 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

† Confidential treatment has been requested for portions of this exhibit. These portions have been omitted from Exhibit 10.7 and submitted separately to the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Cumberland Pharmaceuticals Inc.

Dated: August 16, 2010

By: */s/ A.J. Kazimi*
A. J. Kazimi
Chief Executive Officer

Dated: August 16, 2010

By: */s/ David L. Lowrance*
David L. Lowrance
Vice President and
Chief Financial Officer

*Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment which has been filed separately with the SEC.

EXCLUSIVE DISTRIBUTION AGREEMENT

This Exclusive Distribution Agreement (the "**Agreement**") is made as of this 1st day of July, 2010 (the "**Effective Date**"), between Cumberland Pharmaceuticals, Inc., a Tennessee corporation, with an address of 2525 West End Avenue, Suite 950, Nashville, Tennessee 37203 ("**Client**"), and Cardinal Health 105, Inc., an Ohio corporation, with a place of business at 15 Ingram Boulevard, Suite 100, LaVergne, Tennessee, 37086 ("**Cardinal Health**") each individually a ("**Party**") and collectively (the "**Parties**").

RECITALS

A. Client is, among other things, in the business of developing and marketing pharmaceutical products in the United States and its territories, possessions and commonwealths including the District of Columbia and Puerto Rico and such other countries as mutually agreed upon by the Parties from time to time ("**Territory**").

B. Cardinal Health is, among other things, in the business of distributing pharmaceutical products to wholesalers, specialty distributors, physicians, clinics, hospitals, pharmacies, and other health care providers in the Territory, and of providing information systems and other services that support its clients' use of its distribution capabilities.

C. Client desires to engage Cardinal Health as its exclusive distribution agent and as an authorized distributor of record for commercial sales of Acetadote®, Caldolor® and Kristalose® in all formulations (collectively, "**Product**"), and such other pharmaceutical products agreed to by the Parties in the Territory and to perform certain other services described in this Agreement, all upon the terms and conditions set forth in this Agreement.

THEREFORE, in consideration of the mutual covenants, terms and conditions set forth below, the Parties agree as follows:

ARTICLE 1
APPOINTMENT/AUTHORIZATION

1.1 Appointment. Subject to the terms and conditions set forth in this Agreement, during the term of this Agreement, Client appoints Cardinal Health as its exclusive distribution agent and as an authorized distributor of record of Product in the Territory to Client's customers, including, but not limited to, wholesalers, specialty distributors, physicians, clinics, hospitals, pharmacies and other health care providers in the Territory (collectively, "**Customers**").

1.2 Acceptance of Appointment. Subject to the terms and conditions set forth in this Agreement, Cardinal Health accepts the appointment to represent Client as its exclusive distribution agent and as an authorized distributor of record of Product to Customers in the Territory.

1.3 Future Opportunities.

Right of First Negotiation. Client shall provide Cardinal Health with a right of first negotiation with respect to the distribution of new pharmaceutical products acquired or promoted by Client in the Territory after the Effective Date. Client shall promptly notify Cardinal Health of any such new product which will be available for distribution and shall provide Cardinal Health an exclusive right of negotiation with respect to the distribution of such new product for a period of sixty (60) days after Client's notice to Cardinal Health. If the Parties have not reached an agreement with respect to the distribution of the new product within sixty (60) days from the date of Client's notice, and entered into a definitive agreement within sixty (60) days thereafter, or if Cardinal Health notifies Client in writing at any point during such negotiation period that it is not interested or is unable to distribute such new product, then Client shall have no further obligation with respect to that new product under this Article 1.3A.

ARTICLE 2
SERVICES

2.1 Services. Cardinal Health shall provide the services set forth in the Operating Guidelines, which include, without limitation, storage, distribution, returns, customer support, financial support, EDI and system access support ("**Services**"). A copy of the Operating Guidelines is attached hereto as **Exhibit A** and incorporated by reference.

2.2 Operating Guidelines. The Operating Guidelines may be amended from time to time upon the mutual written agreement of both Parties; provided, however, that any change, modification or amendment to the Operating Guidelines may result in a mutually acceptable adjustment in the Fees (as defined in Article 5). In the event of a conflict between the provisions contained in this Agreement and the Operating Guidelines, the terms of this Agreement shall prevail.

2.3 Compliance to Operating Guidelines. Cardinal Health's Services shall comply with the Operating Guidelines. If (i) Client's shipments of the Product to Cardinal Health exceed Client's Forecast (as defined in Section 3.3) by more than twenty-five percent (25%), then Cardinal Health shall use commercially reasonable efforts to meet the requirements of the Operating Guidelines with respect to such excess shipments or orders, *provided, however*, that Client acknowledges that Cardinal Health may not be able to meet all guidelines relating to response and shipping times with respect to such excess shipments or orders.

2.4 Product Returns. All Product returns shall be processed and handled by Cardinal Health in accordance with the Operating Guidelines; and any customization or additional non-routine return services requested by Client shall be performed at an additional fee as agreed in advance and in writing by the Parties.

2.5 Product Recalls. Client is solely responsible for all Product recalls. In the event Product is subject to recall, or Client, on its own initiative, recalls any Product, Cardinal Health shall provide assistance to Client as set forth in the Operating Guidelines, provided that Client shall pay to Cardinal Health an amount equal to Cardinal Health's actual costs incurred with any such recall services. Such cost shall be in addition to the Fees described in Article 5 below.

ARTICLE 3
PRODUCT SUPPLY/CLIENT RESPONSIBILITIES

3.1 Facility. Client shall deliver Product to Cardinal Health at Cardinal Health's facility located at 15 Ingram Boulevard, Suite 100, LaVergne, TN 37086, or to such other distribution facility as may be designated by Cardinal Health to Client in writing ("**Facility**") and agreed upon by Client.

3.2 Delivery and Title. Client shall be responsible for delivery of Product to the Facility, including all costs, expenses and risk of loss associated with such delivery. Title to Product shall remain with Client at all times, even when Product is stored or warehoused at the Facility. Client shall at all times insure the Product for damage, loss, destruction, theft or any such other property damage ("**Loss**") as further set forth in Article 13 below. Except for Loss resulting solely from the gross negligence or willful misconduct of Cardinal Health for which Cardinal Health shall maintain appropriate levels of insurance, Client shall bear all risk of loss or damage with respect to the Product stored or warehoused at the Facility.

3.3 Forecast and Price List.

A. Forecast. Client shall provide Cardinal Health with a forecast of the volume of Product to be handled by Cardinal Health under this Agreement, not less often than semi-annually ("**Forecast**"). The Forecast is used for the express purpose of operational planning. In the event of a significant variance from the Forecast or a change in core business that could reasonably be expected to have an adverse material effect upon the benefits to or obligations of either Party hereunder, the Party so affected may notify the other Party that it wishes to negotiate an appropriate adjustment to the Fees. The Parties must meet within thirty (30) days of such notification to discuss the merits and implementation of any such adjustment. During such meeting and for a period of thirty (30) days thereafter, the Parties shall negotiate in good faith. If the Parties are unable to come to a resolution regarding any such adjustment, the Party originally proposing the adjustment may terminate this Agreement upon thirty (30) days' notice in accordance with Article 6 of this Agreement.

B. Price List. Upon execution of this Agreement, Client shall deliver to Cardinal Health a customer list, which sets forth the Product prices (the "**Customer Price List**"). Client shall notify Cardinal Health of any change in the Customer Price List not less than seventy-two (72) hours prior to the effective date of any such change. Cardinal Health shall use commercially reasonable efforts to implement such price change in accordance with Client's instruction.

3.4 Shipment Inspection. Cardinal Health shall visually inspect each shipment of Product for external damage or loss in transit and notify Client of any such damage or loss within a commercially reasonable period of time following discovery.

ARTICLE 4
INFORMATION SYSTEM ACCESS

4.1 Access. During the term of this Agreement and subject to the terms herein, Client may use password(s) and identification number(s) provided by Cardinal Health to remotely access Client's data maintained on Cardinal Health's web enabled Operating System Base and certain support services associated therewith, as further set forth in the Operating Guidelines (collectively, the "**System**") provided that such access is used solely by Client's employees and for Client's own internal business purposes. Client shall use that access solely to access Client's data and shall not access or attempt to access any other data, systems or software. Client shall be responsible for all use of the passwords and identification elements and shall ensure that they are used solely to effect the limited access authorized herein. The limited license to access the System granted herein does not include the right to copy, download or otherwise use any software or non-Client data maintained on the System.

4.2 Fees. The System shall be made available to Client at the fees set forth in the Fee Schedule. If Cardinal Health agrees to perform any custom enhancements to the System requested in writing by Client, such customization services shall be billed separately based on an hourly rate set forth in the Fee Schedule (as defined in Article 5) and prior to such performance, Cardinal Health shall notify Client in writing of any related increase in the periodic fees hereunder relative to the ongoing support of the customizations.

4.3 Security. During the term of this Agreement, Cardinal Health shall employ reasonable security measures and policies designed to safeguard the integrity, accessibility, and confidentiality of Client's data resident on the System and establish and maintain reasonable disaster and emergency recovery plans designed to minimize disruption from System operation interruptions.

4.4 Client Obligations. Client shall not reverse engineer, reverse assemble, decompile, create derivative works, modify, or otherwise attempt to derive the source code of any software on the System or copy, download, modify, or create derivative works of such software. Also, Client shall not permit access to the System or related documentation to any other person or entity. The System and all parts thereof, in all of their tangible and intangible manifestations, all existing or new enhancements, developments, derivative works, and other modifications to the System (or any part thereof), and all related proprietary rights, are and shall remain the exclusive property of Cardinal Health.

4.5 Disclaimer. **THE SYSTEM, THE SOFTWARE THEREON AND ANY RESULTS OBTAINED THEREFROM ARE PROVIDED ON AN "AS IS" BASIS, WITHOUT WARRANTY OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE. CARDINAL HEALTH MAKES NO REPRESENTATIONS OR WARRANTIES, AND HEREBY EXPRESSLY DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, RELATING DIRECTLY OR INDIRECTLY TO THE SYSTEM OR ANY PART THEREOF INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY, NONINFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE.**

4.6 System Availability. Cardinal Health shall use reasonable efforts to make the System available for access twenty-four (24) hours a day, seven (7) days a week absent scheduled and emergency maintenance periods.

4.7 Suspension of Access. Notwithstanding anything to the contrary, in the event of a breach or a threatened breach of any term in this Article 4 or breach of the security of the System by Client or the unauthorized disclosure of any information relative to the System by Client, Cardinal Health may revoke or suspend any or all passwords and identification numbers provided to Client hereunder. Upon written request and as mutually agreed upon, Cardinal Health shall provide Client's data to Client during such period of revocation or suspension within three (3) business days.

ARTICLE 5
PRICING AND PAYMENT TERMS

5.1 Fees. As compensation for the Services, Client shall pay to Cardinal Health the fees ("**Fees**") set forth on **Exhibit B** ("**Fee Schedule**").

5.2 Invoices. Cardinal Health shall issue an invoice to Client for the Services rendered under this Agreement or for any other amounts due on a monthly basis. Payment is due within [***] days of the invoice date. If the invoice is not paid within [***] days of the invoice date, Cardinal Health may, at its option elect to (i) impose a service charge on the unpaid amount calculated at the rate of 1.5% per month (or the maximum rate permitted by law if such rate is less than 1.5% per month) until such amount is paid in full and/or (ii) suspend any further Services until such invoice is paid in full.

5.3 Fee Adjustment.

A. The Fees shall be held firm for the first Contract Year (as defined herein). Thereafter, Cardinal Health may evaluate and adjust the price not more often than once per contract year by the greater of (i) the increase in the Producer Price Index — All Commodities ("**PPI**") published by the United States Department of

Labor, Bureau of Statistics, as amended from time to time, and (ii) five percent (5%). Cardinal Health shall provide written notice of any such annual adjustment along with relevant supporting documentation for such adjustment and a calculation thereof. For purposes of determining the increase in the PPI, the base point shall be the index level on the first day of the contract year. For purposes hereof, "**Contract Year**" means the period from the Effective Date until the first anniversary thereof and each annual period thereafter, beginning on the day after the anniversary of the Effective Date and ending on the following anniversary of the Effective Date.

B. Notwithstanding the terms set forth above in Article 5.3A, if Cardinal Health can reasonably demonstrate that the costs for providing the Services have increased at least fifteen percent (15%) over previous year's costs ("**Material Increase**" or "**Materially Increased**") or are likely to Materially Increase in the coming year due to the adoption of any applicable law or regulation (or any material change in the interpretation or administration thereof), or due to unforeseen circumstances beyond Cardinal Health's reasonable control then upon notice from Cardinal Health, the Parties agree to meet in good faith and negotiate a mutually acceptable adjustment to the Fees. Similarly, if Client can reasonably demonstrate that due to a decrease in the level of service that is required by Client, the costs for providing the Services should have Materially Decreased, or are likely to Materially Decrease in the coming year, then upon notice from Client, the Parties agree to meet in good faith and negotiate a mutually acceptable downward adjustment to the Fees. If the Parties cannot agree on a mutually acceptable Fee adjustment, either Party may terminate this Agreement in accordance with Section 6.2 of the Agreement.

5.4 Taxes. Client shall pay when due all sales, use, gross receipts, excise and personal property taxes associated with the Product (excluding any personal property tax associated with Cardinal Health's equipment used in connection with the Services), and other taxes now or hereafter imposed as a result of the transactions contemplated by this Agreement, none of which have been included in the fees payable to Cardinal Health under this Agreement; provided that the amounts payable by Client under this section shall not include taxes based on the net income of Cardinal Health.

ARTICLE 6
TERM AND TERMINATION

6.1 Term. The initial term of this Agreement shall begin on the Effective Date and shall continue for a period of three (3) years ("**Initial Term**"), unless terminated earlier pursuant to this Agreement. Thereafter, this Agreement shall automatically renew for additional terms of one (1) year each, unless written notice of termination is given by either Party at least ninety (90) days prior to the end of the Initial Term, or such other term, in which case this Agreement shall terminate at the end of the then current term.

6.2 Termination. Either Party shall have the right to terminate this Agreement upon one hundred twenty (120) days prior written notice to the other Party, provided that in the event Client terminates this Agreement, without cause or Cardinal Health terminates this Agreement for cause, prior to the end of the Initial Term, such termination shall be effective only upon payment to Cardinal Health of all remaining fixed Fees set forth on the Fee Schedule for the remainder of the Initial Term.

6.3 Immediate Termination. Either Party shall have the right to immediately terminate this Agreement if:

(A) the other Party files a petition in bankruptcy, or enters into an agreement with its creditors, or applies for or consents to the appointment of a receiver or trustee, or makes an assignment for the benefit of creditors, or suffers or permits the entry of any order adjudicating it to be bankrupt or insolvent and such order is not discharged within thirty (30) days; or

(B) the other Party materially breaches any of the provisions of this Agreement, and such breach is not cured within thirty (30) days after the giving of written notice; provided, however, that in the case of a failure of Client to make payments in accordance with the terms of this Agreement, Cardinal Health may terminate this Agreement if such payment breach is not cured within ten (10) days of receipt of notice from Cardinal Health.

6.4 Effect of Termination. Expiration or termination of this Agreement shall be without prejudice to any rights or obligations that accrued to the benefit of either Party prior to such expiration or termination. Client shall pay Cardinal Health for all Services performed up to the date of termination plus any applicable fixed Fees under Article 6.2, and shall reimburse Cardinal Health for all costs and expenses incurred, and all non-cancelable commitments made, in the performance of Services. Upon termination or expiration of this Agreement, all Product shall be returned to Client or a designee of Client, at Client's sole cost and expense.

ARTICLE 7
REGULATORY

7.1 Quality Audits. Client or its designee shall have the right no more than once per calendar year, during normal hours (*i.e.*, 8:00 a.m. to 5:00 p.m. local Facility time), to conduct a complete quality audit upon thirty (30) business days prior written notice to Cardinal Health; provided, however, that no notice shall be required if the audit pertains to recalls, product safety or potential product safety.

7.2 Compliance with Laws. Each Party shall conduct its activities in connection with this Agreement in compliance with all applicable laws, rules, regulations, and orders of governmental entities.

ARTICLE 8
REPRESENTATIONS AND WARRANTIES

8.1 Cardinal Health. Cardinal Health represents and warrants to Client that, unless otherwise agreed to by the Parties, Cardinal Health shall perform Services in accordance with this Agreement, the Operating Guidelines, and applicable law within the Territory.

8.2 Client. Client represents and warrants to Cardinal Health that:

A. Product. The Product is and shall be manufactured in conformity with the Food, Drug and Cosmetic Act, as amended from time to time, and all other applicable laws, rules, regulations and orders of governmental entities relating to the manufacture, promotion, sale or distribution of the Product;

B. No Infringement. It has all necessary authority and right, title and interest in each Product or that is otherwise provided by Client under this Agreement;

C. Safe Handling Instructions. It has provided all safe handling instruction, health and environmental information and material safety data sheets applicable to the Product or to any materials supplied by Client in writing in sufficient time for review and training by Cardinal Health prior to delivery; and

8.3 Mutual. Each Party represents and warrants to the other Party that:

A. Existence and Power. Such Party (i) is duly organized, validly existing and in good standing under the laws of the state in which it is organized, (ii) has the power and authority and the legal right to own and operate its property and assets, and to carry on its business as it is now being conducted, and (iii) is in compliance with all

requirements of applicable laws, except to the extent that any noncompliance would not materially adversely affect such Party's ability to perform its obligations under the Agreement;

B. Authorization and Enforcement of Obligations. Such Party (i) has the power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder and (ii) has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder;

C. Execution and Delivery. This Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against such Party in accordance with its terms;

D. No Consents. All necessary consents, approvals and authorizations of all regulatory authorities and other persons required to be obtained by such Party in connection with the Agreement have been obtained; and

E. No Conflict. The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (i) do not conflict with or violate any requirement of applicable laws; and (ii) do not materially conflict with, or constitute a material default or require any consent under, any contractual obligation of such Party.

8.4 Limitations. THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS ARTICLE 8 ARE THE SOLE AND EXCLUSIVE REPRESENTATIONS AND WARRANTIES MADE BY EACH PARTY TO THE OTHER AND NEITHER PARTY MAKES ANY OTHER REPRESENTATIONS, WARRANTIES OR GUARANTEES OF ANY KIND WHATSOEVER, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE 9
TRADEMARKS

Neither Party shall have the right to use the name of the other Party or any Affiliate of the other Party, or the other Party's or such Affiliates' trademarks, service marks, logos, or other similar marks in any manner except with the prior written approval of that Party; provided that the foregoing shall not prohibit Cardinal Health's use of Client's names or marks in connection with the performance of the Services in a manner consistent with this Agreement. "**Affiliate**," as used in this Agreement, means any legal entity which, during the term hereof, controls, is controlled by, or is under common control with, such Party. For purposes of this definition, an entity shall be deemed to control another entity if it owns or controls, directly or indirectly, at least fifty percent (50%) of the voting interest of all equity interests of the other entity (or other such comparable ownership interest for an entity other than a corporation).

ARTICLE 10
CONFIDENTIALITY AND NON-USE

10.1 Mutual Obligation. Cardinal Health and Client agree that they shall not use the other Party's Confidential Information (defined below) except as necessary for the receiving Party to perform its obligations under this Agreement or disclose the other Party's Confidential Information to any third Party without the prior written consent of the other Party except as required by law, regulation or court or administrative order; provided, however, that prior to making any such legally required disclosure, the Party making such disclosure shall give the other Party as much prior notice of the requirement for and contents of such disclosure as is practicable under the circumstances. Notwithstanding the foregoing, each Party may disclose the other Party's Confidential Information

to any of its Affiliates that (A) need to know such Confidential Information for the purpose of performing under this Agreement, (B) are advised of the contents of this Article, and (C) agree to be bound by the terms of this Article.

10.2 Definition. As used in this Agreement, the term "**Confidential Information**" includes all such information furnished by Cardinal Health or Client, or any of their respective representatives or Affiliates, to the other or its representatives or Affiliates, whether furnished before, on or after the date of this Agreement and furnished in any form, including but not limited to written, verbal, visual, electronic or in any other media or manner. Confidential Information includes all proprietary technologies, know-how, trade secrets, discoveries, inventions and any other intellectual property (whether or not patented), analyses, compilations, business or technical information and other materials prepared by either Party, or any of their respective representatives, containing or based in whole or in part on any such information furnished by the other Party or its representatives. Confidential Information also includes the existence of this Agreement and its terms.

10.3 Exclusions. Notwithstanding Article 10.2, Confidential Information does not include information that (A) is or becomes generally available to the public or within the industry to which such information relates other than as a result of a breach of this Agreement, or (B) is already known by the receiving Party at the time of disclosure as evidenced by the receiving Party's written records, or (C) becomes available to the receiving Party on a non-confidential basis from a source that is entitled to disclose it on a non-confidential basis, or (D) was or is independently developed by or for the receiving Party without reference to the Confidential Information, as evidenced by the receiving Party's written records.

10.4 No Implied License. The receiving Party shall obtain no right of any kind or license under any patent application or patent by reason of this Agreement. All Confidential Information shall remain the sole property of the Party disclosing such information or data.

10.5 Return of Confidential Information. Upon termination of this Agreement, the receiving Party shall, upon request, promptly return within thirty (30) days all such information, including any copies thereof, and cease its use or, at the request of the disclosing Party, shall promptly destroy the same and certify such destruction to the disclosing Party; except for a single copy thereof, which may be retained for the sole purpose of determining the scope of the obligations incurred under this Agreement.

10.6 Survival. The obligations of this Article 10 shall terminate five (5) years from the expiration of this Agreement.

ARTICLE 11
INDEMNIFICATION

11.1 Indemnification by Cardinal Health. Cardinal Health shall indemnify and hold harmless Client, its Affiliates, and their respective directors, officers, employees and agents ("**Client Indemnitees**") from and against any and all suits, claims, losses, demands, liabilities, damages, costs and expenses (including reasonable attorney' fees) in connection with any suit, demand or action by any third party ("**Liabilities**") arising out of or resulting from (A) any breach of its representations, warranties or obligations set forth in this Agreement or (B) any gross negligence or willful misconduct by Cardinal Health, except to the extent that any of the foregoing arises out of or results from any Client Indemnitee's negligence, willful misconduct or breach of this Agreement.

11.2 Indemnification by Client. Client shall indemnify and hold harmless Cardinal Health, its Affiliates, and their respective directors, officers, employees and agents ("**Cardinal Health Indemnitees**") from and against all Liabilities arising out of or resulting from (A) any breach of its representations, warranties or obligations set forth in this Agreement; (B) any manufacture, sale, promotion, use of or exposure to the Product or any materials

supplied by Client, including, without limitation, product liability; (C) Client's exercise of control over the Services to the extent that Client's instructions or directions violate applicable law; (D) any actual or alleged infringement or violation of any patent, trade secret, copyright, trademark or other proprietary rights concerning the Product or provided by Client; or (E) any gross negligence or willful misconduct by Client, except to the extent that any of the foregoing arises out of or results from any Cardinal Health Indemnitee's negligence, willful misconduct or breach of this Agreement.

11.3 Indemnification Procedures. All indemnification obligations in this Agreement are conditioned upon the Party seeking indemnification: (A) promptly notifying the indemnifying Party of any claim or liability of which the Party seeking indemnification becomes aware (including a copy of any related complaint, summons, notice or other instrument); provided, however, that failure to provide such notice within a reasonable period of time shall not relieve the indemnifying Party of any of its obligations hereunder except to the extent the indemnifying Party is prejudiced by such failure; (B) reasonably cooperating with the indemnifying Party in the defense of any such claim or liability (at the indemnifying Party's expense); and (C) not compromising or settling any claim or liability without prior written consent of the indemnifying Party.

ARTICLE 12
LIMITATIONS OF LIABILITY

12.1 CARDINAL HEALTH'S TOTAL LIABILITY UNDER THIS AGREEMENT, WHETHER IN CONTRACT OR TORT, INCLUDING, WITHOUT LIMITATION, ANY OF CARDINAL HEALTH'S INDEMNITY OR OTHER FINANCIAL OBLIGATIONS UNDER ARTICLE 11, SHALL NOT EXCEED THE TOTAL FEES PAID BY CLIENT TO CARDINAL HEALTH FOR THE SERVICES WHICH WERE INVOLVED IN CAUSING ANY CLAIMS, DAMAGES, LOSSES, COSTS OR EXPENSES.

12.2 NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF PERFORMANCE UNDER THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, LOSS OF REVENUES, PROFITS OR DATA, WHETHER IN CONTRACT OR TORT, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

12.3 NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, THE LIMITATIONS IN THIS ARTICLE 12 SHALL NOT LIMIT CLIENT'S LIABILITY OR RESPONSIBILITY RELATING TO A BREACH OF ITS OBLIGATIONS UNDER ARTICLE 4 HEREIN.

ARTICLE 13
INSURANCE

13.1 Insurance Policies. During the term of this Agreement, Client shall obtain and maintain the following insurance with limits not less than those specified below:

A. Products Liability Insurance covering the Products included in this Agreement with a limit of $10,000,000 per occurrence;

B. All-Risk Property Insurance, including transit coverage, in an amount equal to full replacement value covering Client's property while it is at the Facility or in transit to or from the Facility. Client's all-risk property insurance shall apply to all losses and be primary (with respect both to any insurance issued to Cardinal Health and to any deductible amount or self-insured amount retained by Cardinal Health) except for losses resulting solely from the gross negligence or intentional misconduct of Cardinal Health.

In the event that any of the required policies of insurance are written on a claims made basis, then such policies shall be maintained during the entire term of this Agreement and for a period of not less than three (3) years following the termination or expiration of this Agreement.

13.2 Waiver. Client shall obtain a waiver from any insurance carrier with whom Client carries Property Insurance releasing its subrogation rights against Cardinal Health except for losses resulting solely from the gross negligence or intentional misconduct of Cardinal Health. Client shall not seek reimbursement for any property claim, or portion thereof that is not fully recovered from Client's property insurance except for losses resulting solely from the gross negligence or intentional misconduct of Cardinal Health.

13.3 Additional Insured Status. Cardinal Health, Inc., and its Affiliates shall be named as additional insureds under the Products Liability insurance policies as respects the Products outlined in this Agreement. Such insurance shall be primary (with respect both to any insurance issued to Cardinal Health and to any self-insured amount retained by Cardinal Health) with regard to Cardinal Health's liability for damage arising out of those products, for which they have been added as additional insureds. Such additional insurance status shall continue during the term and, if the policies are written on a claims made basis, shall continue for not less than three (3) years following termination or expiration of this Agreement.

13.4 Certificates. Client shall furnish certificates of insurance to Cardinal Health evidencing the required insurance and additional insured status as soon as practicable after the Effective Date and within thirty (30) days after renewal of such policies. Such certificates shall state that Client's insurers will endeavor to provide thirty (30) days written notice of any cancellation prior to the policy(ies) expiration date(s). Each insurance policy that is required under this Article shall be obtained from an insurance carrier with an A.M. Best rating of at least B+.

ARTICLE 14
NOTICES

All notices and other communications hereunder shall be in writing and shall be deemed given: (A) when delivered personally; (B) when delivered by facsimile transmission (receipt verified); (C) when received or refused, if mailed by registered or certified mail (return receipt requested), postage prepaid; or (D) when delivered if sent by express courier service, to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice; provided, that notices of a change of address shall be effective only upon receipt thereof):

To Client:	Cumberland Pharmaceuticals Inc. Senior Vice President, Administrative Services 2525 West End Ave, Suite 950 Nashville, TN 37203 Facsimile: 615-255-0094
With a copy to:	Martin S. Brown, Esquire Adams & Reese 424 Church Street, Suite 2800 Nashville, TN 37219 Facsimile: 615-259-1470
To Cardinal Health:	Cardinal Health 105, Inc.1 Specialty Pharmaceutical Services 15 Ingram Boulevard, Suite 100 LaVergne, TN 37086 Attn: Vice President of Sales
With a copy to:	Cardinal Health, Inc. 7000 Cardinal Place Dublin, Ohio 43017 Attn: Associate General Counsel Facsimile: (614) 757-8919

ARTICLE 15
MISCELLANEOUS

15.1 Entire Agreement; Amendments. This Agreement, the attachments and any amendments thereto constitute the entire understanding between the Parties and supersede any contracts, agreements or understanding (oral or written) of the Parties with respect to the subject matter hereof. No term of this Agreement may be amended except upon written agreement of both Parties, unless otherwise provided in this Agreement.

15.2 Captions. The captions in this Agreement are for convenience only and are not to be interpreted or construed as a substantive part of this Agreement.

15.3 Further Assurances. The Parties agree to execute, acknowledge and deliver such further instruments and to take all such other incidental acts as may be reasonably necessary or appropriate to carry out the purpose and intent of this Agreement.

15.4 No Waiver. Failure by either Party to insist upon strict compliance with any term of this Agreement in any one or more instances shall not be deemed to be a waiver of its rights to insist upon such strict compliance with respect to any subsequent failure.

15.5 Severability. If any term of this Agreement is declared invalid or unenforceable by a court or other body of competent jurisdiction, the remaining terms of this Agreement shall continue in full force and effect.

15.6 Independent Contractors. The relationship of the Parties is that of independent contractors, and neither Party shall incur any debts or make any commitments for the other Party except to the extent expressly provided in this Agreement. Nothing in this Agreement is intended to create or shall be construed as creating between the Parties the relationship of joint venturers, co-partners, employer/employee or principal and agent.

15.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties, their successors and permitted assigns. Neither Party may assign this Agreement, in whole or in part, without the prior written consent of the other Party, except that either Party may, without the other Party's consent, assign this Agreement to an Affiliate or to a successor to substantially all of the business or assets of the assigning company.

15.8 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Tennessee, excluding its conflicts of law provisions. **The United Nations Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.**

15.9 Dispute Resolution. If any dispute, controversy or disagreement arises between the Parties ("**Dispute**"), such Dispute shall be presented to the respective presidents or senior executives of Cardinal Health and Client for their consideration and resolution. If such Parties cannot reach a resolution of the Dispute, then such Dispute shall be submitted to a court of appropriate jurisdiction.

15.10 Prevailing Party. In any dispute resolution proceeding between the Parties in connection with this Agreement, the prevailing Party shall be entitled to its reasonable attorney's fees and costs in such proceeding.

15.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Any photocopy, facsimile or electronic reproduction of the executed Agreement shall constitute an original.

15.12 Publicity. Neither Party shall make any press release or other public disclosure regarding this Agreement or the transactions contemplated hereby without the other Party's express prior written consent, except as required under applicable law or by any governmental agency, in which case the Party required to make the press release or public disclosure shall use commercially reasonable efforts to obtain the approval of the other Party as to the form, nature and extent of the press release or public disclosure prior to issuing the press release or making the public disclosure.

15.13 Survival. The rights and obligations of the Parties shall continue under Articles 10 (Confidentiality and Non-Use), to the extent expressly stated therein, 11 (Indemnification), 12 (Limitations of Liability), 13 (Insurance), to the extent expressly stated therein, 14 (Notice) and 15 (Miscellaneous) and Article 6.4 (Effect of Termination), notwithstanding expiration or termination of this Agreement.

15.14 Force Majeure. Except as to payments required under this Agreement, neither Party shall be liable in damages for, nor shall this Agreement be terminable or cancelable by reason of, any delay or default in such Party's performance hereunder if such default or delay is caused by events beyond such Party's reasonable control including, but not limited to, acts of God, regulation or law or other action or failure to act of any government or agency thereof, war or insurrection, civil commotion, destruction of production facilities or materials by earthquake, fire, flood or storm, labor disturbances, epidemic, or failure of suppliers, public utilities or common carriers; provided however, that the Party seeking relief hereunder shall immediately notify the other Party of such cause(s) beyond such Party's reasonable control. The Party that may invoke this section shall use all reasonable endeavors to reinstate its ongoing obligations to the other. If the cause(s) shall continue unabated for one hundred

eighty (180) days, then both Parties shall meet to discuss and negotiate in good faith what modifications to this Agreement should result from this force majeure.

IN WITNESS WHEREOF, the undersigned have caused their duly authorized representative to execute this Agreement effective as of the date first written above.

CARDINAL HEALTH 105, INC.	**CUMBERLAND PHARMACEUTICALS, INC.**
By /s/ Rob Betchley	By /s/ A.J. Kazimi
Rob Betchley	Name: A.J. Kazimi
Vice President of Operations	Title CEO
Date: 8/3/10	Date: 8/9/10

Exhibit A

Client / Cardinal Health 105, Inc.
Specialty Pharmaceutical Services

Operating Guidelines

The Operating Guidelines will be incorporated into the Exclusive Distribution Agreement between Cumberland Pharmaceuticals Inc. **("Client")**, and Cardinal Health 105, Inc. ("**Cardinal Health**"), dated July 1, 2010 (the "**Agreement**"). Capitalized terms not otherwise defined in these Operating Guidelines have the same meaning as set forth in the Agreement.

1.0 WAREHOUSING

1.1 Cardinal Health maintains its warehouse facility in compliance with 21CFR205 and applicable federal, state and local laws, as well as rules and regulations supporting applicable cGMPs.

1.2 With reference to those regulations set forth in 21CFR203, SPS supports Client PDMA programs related to storage and distribution. Other PDMA compliance elements remain the sole responsibility of the Client.

1.3 Cardinal Health will maintain SOPs appropriate for a pharmaceutical distribution center operating environment. SOPs are appropriately approved and controlled under the Cardinal Health controlled document management system.

1.4 Cardinal Health maintains compliant documented training programs including DEA, cGMP, and OSHA. These training programs include training on SOPs and the Operating Guidelines. Client will have the authorization to audit the training records.

1.5 Cardinal Health complies with storage, handling and shipping conditions mutually agreed to by the Client and Cardinal Health for the Product.

1.6 The Product will be stored by Cardinal Health. Client will ensure that the storage requirements are in human readable format and the Product NDC number, lot number, carton quantity, and expiry date will be in the standard HDMA barcode format. Product is stored in areas designed to be continuously monitored for the temperature range specified for the Product. Cardinal Health maintains daily temperature recordings. Cardinal Health will provide such records to Client upon written request.

1.7 Cardinal Health reports temperature excursions that last more than sixty (60) minutes to Client, and in no event, more than forty-eight (48) hours from the point of discovery of the excursion.

1.8 Product will be stored in an approved warehouse facility with secured access, accessible only to authorized Cardinal Health personnel.

2.0 RECEIVING

2.1 Client, Client's contract manufacturing agent, or mutually agreed upon Cardinal Health transportation agent, will arrange transportation services to transfer the Product to Cardinal Health. Client will notify Cardinal Health of the specific delivery schedule.

2.2 Client's carrier will contact Cardinal Health seventy-two (72) hours prior to expected delivery date to arrange a delivery appointment.

2.3 Client will retain title and ownership to the Product at all times. Cardinal Health's signature on the carrier's bill of lading is an acknowledgement only of Cardinal Health's receipt of Product.

2.4 Prior to first receipt of Product, Client will provide Cardinal Health with a Finished Goods Material Safety Data Sheet.

2.5 Client's Product will meet the following standards for carton identification, documentation, palletization, and uniformity:

2.5.1 Client will provide the bill of lading, notice of release, packing list, and other documentation necessary. Cardinal Health will follow its SOP for receiving Product.

2.5.2 Pallets will meet GMA standards of 40"W x 48"D x 46"H dimensions with four-way entry; will be free of broken boards, treated for pests, and clean.

2.5.3 Receipt of Product on non-standard pallets may require restacking onto conforming pallets at Client's expense.

2.5.4 Palletized Product must be uniform and consistent with specifications set up in the Product master for the number of cartons and eaches.

2.6 Cardinal Health will receive each shipment into a secure receiving area and perform requirements as detailed in Cardinal Health's receiving SOP.

2.7 Cardinal Health will count and inspect the exterior packaging of the Product, noting evident shortages, overages, or damage on the carrier bill of lading. Cardinal Health will obtain the carrier's signature on the bill of lading acknowledging the condition of the Product upon receipt by Cardinal Health.

2.8 Cardinal Health compares the Client documentation to Cardinal Health's receiving report. Discrepancies are noted. Cardinal Health investigates and reports discrepancies to Client within twenty-four (24) hours of receipt. Client and Cardinal Health will determine corrective actions, if any.

2.9 At Client's request, Cardinal Health will send via fax or email, necessary receiving documents and temp tale data to Client Quality Assurance for official lot release. Product is kept in a "system hold" status in Cardinal Health's Operating System until released in writing or email by Client Quality Assurance.

2.10 Cardinal Health will provide Client with a designated, single point of contact for all Product release requests. Client Quality Assurance will fax or email to designated contact at the appropriate facility (LaVergne or Reno), signed documentation to Cardinal Health to release the lot from "system hold" Product status to "approved" Product status.

2.11 Cardinal Health will post receipts in the Warehouse Management System within twenty-four (24) hours of delivery unless count discrepancies, missing paperwork, damage investigation, and/or other receiving anomalies interfere with efficient receiving and documentation. Upon request by Client, Cardinal Health will provide a report of any unresolved receiving discrepancies.

3.0 IMPORT SERVICES

3.1. Cardinal Health will arrange for transportation and applicable import services on the Client's behalf as identified in the agreed upon International Import/Export Fee Schedule.

3.2. Client acknowledges and accepts its designation and responsibilities as the Importer of Record in these transactions.

3.3. At Client's request, Cardinal Health will, on behalf of its Client, make recommendation for brokerage services and will assist with document management including the execution of customs, entry formalities and other government agency clearances.

3.4. At Client's request, Cardinal Health will, on behalf of Client, arrange for transportation and applicable services to transfer product to the designated Cardinal Health facility and will use commercially reasonable efforts to ensure that product is transferred as required.

3.5. Cardinal Health will use commercially reasonable efforts to ensure that product is transferred in a timely and effective manner to meet delivery requirements and that required government releases are granted prior to product delivery; provided, however that Cardinal Health will not be responsible for any loss, liability or expense resulting from delays or other acts or omissions of any governmental entity relating to the import of the Product unless directly caused by Cardinal Health's gross negligence or willful misconduct.

3.6. Client or Client's agent will provide to Cardinal Health all necessary details for completion of required documentation.

3.7. Cardinal Health will prepare and have ready at time of transfer, all required documentation, including but not limited to: Commercial Invoice, Packing list, Certificate of origin, Parties to the Transaction, HTS, FDA Product Code, CBP and FDA Country of Origin, FDA Manufacturer, Product Valuation, Quantities, TSCA Statements, DEA Import Permits, USDA Certifications or Vet Certificates and any other applicable OGA documentation, to comply with applicable export and import regulations.

3.8. Client will ensure that product meets shipping and packaging standards set by the applicable mode of transportation, all local, state and federal regulations and Section 2.5 of the Operating Guidelines.

3.9. For all other instruction related to Import Services please refer to Section 2.0 of the Operating Guidelines regarding Receiving.

4.0 INVENTORY

4.1 Inventory is received, tracked and controlled on Cardinal Health's Warehouse Management System by item number, lot number, expiration date, quantity, and status. Cardinal Health's Warehouse Management System meets regulatory requirements for lot traceability and accountability, from receipt of Product at Cardinal Health to shipment of Product to Client's Customer.

4.2 Cardinal Health performs a daily cycle count on forward pick locations that have had activity during a given day. Cardinal Health will use commercially reasonable efforts to maintain accurate and timely inventory records. Cardinal Health will report on cycle count accuracy at the request of Client.

4.3 Inventory variances are investigated by Cardinal Health and reported promptly to Client and in no event later than forty-eight (48) hours from discovery. Corrective actions will be determined jointly by Cardinal Health and Client.

4.4 Client may conduct a complete physical inventory once per calendar year. Thirty (30) days advance written notice is required prior to the start of a physical inventory. More frequent physical inventories may occur if inventory variances exceed the standard of 100% accuracy, as set forth in Section 22 of the Operating Guidelines

4.5 Monthly or quarterly, Cardinal Health notifies Client of expired or short dated Product, as specified by Client. Client will have up to thirty (30) days to provide Cardinal Health disposition of said Product. In the event Client does not disposition said Product within thirty (30) days, Cardinal Health reserves the right to assess excessive storage charges.

4.6 Cardinal Health receives returned Product according to Cardinal Health SOP and Client's Returned Goods Policy. Client will determine appropriate disposition of the returned Product. Client must be notified prior to disposition of the Product. If the disposition is to destroy the Product, Cardinal Health will subcontract the destruction through a third party supplier. Cardinal Health will provide Client with the Certificate of Disposal.

5.0 DISTRIBUTION

5.1 Orders approved and available for processing (pick & pack) by the agreed upon time, **2:00 p.m.** Central Time, Monday through Thursday, and on Fridays if approved by Client, will be shipped before the close of business the same day ("**Standard Hours**") in accordance with section 5.2 and section 5.8 below. Orders received and processed after the agreed upon time, **2:00 p.m.** Central Time, will be handled on an exception basis. Every attempt will be made to ship orders in the allotted time. Any remaining volume not shipped will be communicated to the customer along with recommendations and schedules for completion. For orders received after Standard Hours, **2:00 p.m.,** Cardinal Health will consider these orders as the following day's business. If the day the Product is to be received by the Customer falls on a holiday or weekend, then the order will be shipped on the next business day, which will ensure the Product will not be delivered to the Customer on a holiday or weekend.

5.2 Orders placed within Standard Hours will be shipped to Customer via **standard ground** delivery service unless otherwise specified in the Agreement.

5.3 Client will make best commercial efforts to encourage customers to submit orders to Cardinal Health and/or authorize the release of orders placed on system hold in a fashion that allows for an even distribution of work recognizing normal start times of 8:00 a.m. Central Time. Cardinal Health will use commercially reasonable efforts to meet the requested shipping schedule. However, if orders received and/or released from system hold do not allow for an even distribution of work, Cardinal Health cannot commit to agreed upon "on time shipping" metric per Section 22 of the Operating Guidelines.

5.4 Orders that have Drop Ship requirements within Standard Hours will be shipped and assessed any special charges or handling fees according to Client's directions.

5.5 Orders placed outside Standard Hours and in which the Customer has requested delivery for the next day will be defined as emergency orders and will be shipped via priority overnight delivery. All emergency orders will be billed to client as set forth on Fee Schedule.

5.6 When a Customer requests upgraded shipping service for an order placed during Standard Hours, Cardinal Health will process per Client's direction. Applicable upgrade charges will be assessed per an agreed upon flat fee.

5.7 Client is responsible for monitoring customer ordering practices.

5.8 Recognizing that order volume may fluctuate from time to time, Cardinal Health staffs to meet 125% of the rolling average number of Client orders processed over the previous three (3) calendar months. Cardinal Health uses commercially reasonable efforts to meet the shipping schedule outlined herein when order or unit volume exceeds 125% of the rolling average number of orders or units; provided, however, that Cardinal Health cannot guarantee daily on-time shipping standards will be achieved during such increased activity periods.

5.9 Cardinal Health measures the timeliness of shipments and will report this attribute periodically according to Section 22 of the Operating Guidelines.

5.10 Cardinal Health personnel are available for emergency Product shipments, via phone request, twenty-four (24) hours per day, three hundred sixty-five (365) days per year. For shipments called in after the carrier's cutoff time (approximately 6:00 p.m. Central Time for overnight airfreight), Cardinal Health will ship the Product the following day.

5.11 Cardinal Health's inventory system complies with First-to-Expire, First-Out ("**FEFO**") inventory allocation. Exceptions from FEFO must be approved by the Client in writing prior to shipment.

5.12 Cardinal Health performs quality verification on Client shipments by an individual other than the employee who picked the order. Cardinal Health uses commercially reasonable efforts to pick, pack, and ship Customer orders accurately. Cardinal Health measures picking and shipping accuracy and reports this attribute periodically according to Section 22 of the Operating Guidelines.

5.13 Cardinal Health and Client mutually determine and agree in writing on the packaging requirements for shipping the Product. Cardinal Health and Client will issue appropriate guidelines and pack-out training to the distribution department to assure compliance with Client's specifications. These specific Client specifications are controlled in the Cardinal Health controlled document management system.

5.14 Cardinal Health provides shipment confirmation information to Client through Cardinal Health's information System. Such information is available the same business day on which the shipment occurs.

5.15 Cardinal Health manages shipping supplies — including ordering, inventory record keeping, and storage. Cardinal Health will invoice Client for mutually agreed upon shipping materials; corrugated cartons, insulated coolers (if specified), address labels, inner packing; as may be requested by Client's packing specifications.

6.0 PATIENT ASSISTANCE PROGRAM – *Client specific

6.1 Product allocated for Client's Patient Assistance Program ("PAP") is physically segregated from trade stock and has a unique inventory part number and forward pick location in the warehouse. Client designates an initial PAP inventory of **"X"** units. Client will monitor PAP inventory and when this inventory hits a balance of **"X"** units, Client will provide written approval to restock inventory with **"X"** units. It is intended that Cardinal Health should have to restock not more frequently than monthly.

6.2 Cardinal Health identifies Product allocated to PAP in its Warehouse Management System as the NDC# followed by the letters "P-A-P" if unique NDC# is not provided.

6.3 Client or Client's reimbursement vendor is responsible for placing PAP orders. Cardinal Health does not accept orders for PAP Product by any Customers or Physicians. Client's reimbursement vendor provides to Cardinal Health the Physician name or Pharmacy, address, License #, expiry, patient ID#, number of units to be shipped and the order type (i.e. PAP). Cardinal Health enters this information into its System including the patient ID# on the instruction or PO# line.

6.4 If documentation received identifies the Physician and patient ID#, Cardinal Health will include this information during returns processing as per Cardinal Health's SOPs.

7.0 TRANSPORTATION

7.1 Cardinal Health and Client mutually agree upon a common carrier(s) based on shipment size, destination, freight rates, availability of standard and special services, reliability of delivery, and claim history among other requirements.

7.2 If the carrier supplies one and if Client agrees, Cardinal Health will provide its discounted rate.

7.3 Shipping charges, including special charges for insurance, proof of delivery, hazardous materials, service upgrades, and so forth, are billed directly to Cardinal Health's account with the carrier and passed through, including a handling fee, to Client.

7.4 Client will designate Freight terms as **Freight on Board (Origin) or Freight on Board (Destination)**.

7.5 Cardinal Health, at the request of the Client, will provide proof of delivery for specific Customer shipments. Fees, if any, charged by carriers for proof of delivery will be passed directly to Client.

8.0 CUSTOMER SERVICE

8.1 Cardinal Health provides a dedicated, inbound phone and fax line for Client's Customers to submit purchase orders and phone in general inquiries.

8.2 Cardinal Health staffs the inbound phone line from 7:00 a.m. — 6:00 p.m. Central Time, Monday through Friday, except for the following holidays: Christmas Day, New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, the day after Thanksgiving and any other days as mutually agreed to.

8.3 Cardinal Health is responsible for training Cardinal Health's client service specialists and backup representative(s). Client will provide company and Product specific information for training of the client service specialists.

8.4 Cardinal Health is responsible for initial set up and on-going maintenance of Customer master files. The initial Customer master file will be approved and signed by Client. Client may add Customers by completing the Customer maintenance profile form and forwarding to Cardinal Health for system entry.

8.5 Cardinal Health accepts Customer orders by electronic data interchange ("**EDI**"), mail or fax. Cardinal Health maintains Customer records. Customer orders must be in writing or by EDI. Cardinal Health will not accept telephone orders without a mail or fax confirmation.

8.6 Cardinal Health uses commercially reasonable efforts to answer inbound phone calls within the first thirty (30) seconds, and will report this attribute at the request of Client.

8.7 As a backup to the client service specialists, a voice mail system is maintained to collect messages from Customers.

8.8 Cardinal Health's client service specialists re-route, via warm transfer, misdirected calls to the appropriate vendors designated by Client In the event a call cannot be re-routed to a particular vendor (e.g., due to a system outage), the client service specialist warm transfers the call to the Client's operator at **(xxx) xxx-xxxx**.

9.0 ORDER ENTRY

9.1 Client will designate minimum and multiple order quantities. Order entry requests are maintained by Cardinal Health through its Operating System.

9.2 Client will instruct its Customers to place orders based on the contract between Client and Customer.

9.3 Client will determine when Customers will pay for premium freight, special handling, and emergency order processing.

9.4 Cardinal Health uses commercially reasonable efforts to enter orders accurately. Cardinal Health measures such accuracy, and reports this attribute periodically according to Section 22 of the Operating Guidelines.

10.0 CUSTOMER CREDIT

10.1 Client will establish credit limits for each Customer or group of Customers.

10.2 Cardinal Health's Operating System monitors orders and outstanding accounts receivable against the Customer's credit limit and holds orders when credit limits are exceeded.

10.3 Client may elect, with written authorization, to place a Customer's account on credit hold so that orders are reviewed prior to shipment.

10.4 Client will review and approve Customer orders held for credit limits prior to shipment. Client must release orders or provide written and/or email authorization to release.

11.0 PRICING AND TERMS

11.1 Client will publish terms and conditions of sale to all Customers. Standard terms are **2% -30 days, net 31 days**. Contracted Customers may have non-standard terms.

11.2 Client will publish list prices for Customers, which are subject to change from time to time at the sole discretion of Client.

11.3 Cardinal Health will perform system maintenance of Product pricing and terms. Client will provide to Cardinal Health, in no less than seventy-two (72) business hours, written changes to Product pricing or terms to the following pricing mailbox:

GMB-CORD-PriceIncrease@cordlogistics.com.

Cardinal Health will be responsible for updating the Cardinal Health system within twenty-four (24) hours of effective date and time of the price increase.

11.4 Cardinal Health employees are bound by the confidentiality provisions of the Agreement between Cardinal Health and Client and, as such, will not disclose Client sales data or pricing information outside the specific Cardinal Health employees who have a need to know this information in the course of performing their routine job responsibilities.

11.5 Cardinal Health provides the necessary reports within stipulated time frames to ensure Client can comply with the reporting requirements of Medicaid, Veterans HealthCare Act, PHS Covered Entities, Deficit Reduction Act (DRA), and state rebate programs. Client will define reporting requirements against which Cardinal Health will produce the required reports.

12.0 INVOICING

12.1 Cardinal Health will exercise commercially reasonable effort to mail invoices the morning following shipment of Product, or, when applicable, transmit by electronic data interchange (EDI) to Customer's billing address the same day of Product shipment.

12.2 For any order shipped after the close of business, the invoice is prepared and mailed the following business day.

12.3 Cardinal Health will make commercially reasonable efforts to process invoices as timely and accurately as possible. Cardinal Health measures invoice accuracy and processing timeliness and will report this attribute periodically according to Section 22 of the Operating Guidelines.

13.0 CHARGEBACKS

13.1 Client may enter into prime vendor arrangements for select contract or government mandated pricing arrangements.

13.2 On behalf of Client, Cardinal Health processes chargebacks within forty-eight (48) hours of receipt and reconciles chargeback discrepancies within five (5) working days. Cardinal Health's chargeback SOPs will define the parameters for resolution between Clients' contract terms and conditions and the chargeback submitted by the wholesaler.

13.3 Chargebacks will be processed according to the chargeback policy for Client.

13.4 Client will determine contracted, chargeback pricing on a contract-by-contract basis. Client will notify Cardinal Health ten (10) days prior to effective date of such price changes in order to update the Cardinal Health system files. Client will forward contract pricing forms to Cardinal Health's mailbox, **cord.contracts@cordlogistics.com**. Client or Cardinal Health will notify Customers of contract price changes.

13.5 Client is responsible for providing Cardinal Health with accurate Membership Lists before any chargeback can be processed.

13.6 Validated chargeback submissions are settled via credit invoice or electronic reconciliation.

13.7 Cardinal Health will make commercially reasonable efforts to process chargebacks as timely and accurately as possible.

14.0 ACCOUNTS RECEIVABLE

14.1 Client will open and maintain a bank lockbox. The bank will receive Customer remittance and invoice information on behalf of Client. Customers may remit payment via electronic funds transfer ("**EFT**") or wire transfer.

14.2 Payments not received through the lockbox will be routed to the Client's bank for deposit into the appropriate account.

14.3 Cardinal Health will reconcile and apply the cash receipt(s) to the outstanding account receivable within one (1) business day of receipt from the bank or the Client, or as soon as commercially reasonable.

14.4 Cardinal Health will not allow discounts for payments received beyond the payment terms, as indicated by the postmark date on remittance envelope. Cardinal Health will handle the amount of the discount as a balance due on the Accounts Receivable account.

14.5 Cardinal Health will manage the Accounts Receivable according to the guidelines outlined in the SOPs.

14.6 Cardinal Health will maintain notes related to collection activities in an Accounts Receivable system file, or on excel spreadsheet that will be accessible to Client authorized personnel.

14.7 Cardinal Health will use commercially reasonable efforts to process accounts receivable as timely and accurately as possible. Cardinal Health will measure accounts receivable and collections activity and report these attributes periodically according to Section 22 of the Operating Guidelines.

15.0 GOVERNMENT REPORTING

15.1 Client may access data as needed through Cardinal Health's reporting system. Various reports are available for client use to complete government reporting calculations.

16.0 MONTH-END CLOSE

16.1 Cardinal Health will use commercially reasonable efforts to complete its close by the second working day after the last business day of the month being closed. Cardinal Health will exercise commercially reasonable efforts to record all transactions for the month being closed by the close of business on the first working day ("**Day 1**") of the following month. (i.e. March activity is posted by the end of the first working day in April.). Cardinal Health will measure and report this attribute at the request of Client.

16.2 Cash received by the bank or Client on the final day of the month is applied to the open receivable for the prior month within one (1) business day.

16.3 Noted exceptions that cannot be resolved by the close of business on Day 1 will be communicated to the Client and is carried over into the following month.

17.0 RETURNED GOODS

17.1 Returns are processed in accordance with Client's Returned Goods Policy.

17.2 If the client makes an exception to their Returned Goods Policy, the client must submit written direction prior to returns being processed.

17.3 Client is responsible for providing all pertinent pricing and lot information. Cardinal Health will use commercially reasonable efforts to complete the processing of returns and, if applicable, credit issuance within ten (10) business days of receipt of the return.

17.4 The Client is responsible for ensuring all vendors are provided with and are following the Returned Goods Policy.

17.5 Cardinal Health will use commercially reasonable efforts to process returned goods as timely and accurately as possible.

17.6 Monthly or quarterly, Cardinal Health will notify Client of returned product. Client will have up to thirty (30) days to provide Cardinal Health disposition of said product. In the event Client does not disposition said product within thirty (30) days, Cardinal Health reserves the right to assess excessive storage charges.

17.7 Cardinal Health will subcontract the destruction of returned product through a third party supplier. Cardinal Health will provide Client with the Certificate of Disposal.

18.0 PRODUCT COMPLAINT RETURNS

18.1 Client or designated vendor will handle product complaints and determine the appropriate action to be taken. Cardinal Health may ship replacement product or issue credit at Client's direction. Cardinal Health will follow its SOPs with regard to executing these requirements.

19.0 RECALL ASSISTANCE

19.1 Client is responsible for decision to initiate recall or product withdrawal.

19.2 Client is responsible for notification of recall or product withdrawal to appropriate regulatory agencies.

19.3 Client is responsible for management of a recall event.

19.4 If there is a recall or withdrawal of Product, then Cardinal Health agrees to stop shipping recalled lots promptly, and in no event later than twenty-four (24) hours after Cardinal Health receives written notification of such recall from Client.

19.5 If mutually agreed upon, Cardinal Health will provide assistance to Client and cooperate fully in any such recall. Client will pay to Cardinal Health an amount equal to Cardinal Health's actual costs incurred with any such recall services. Such cost will be in addition to the fees set forth in the Fee Schedule. Such assistance will include but not be limited to:

a) Contacting consignees (wholesaler, ship to locations) who may have received affected Product and requesting prompt quarantine of all affected lots pending further disposition instructions from Cardinal Health or Client.

b) Storage and control of on-hand inventory of recalled Product.

c) Receipt, storage and control of returned recalled Product.

d) Documentation of recalled Product used, destroyed or returned to the distributor through established document systems at Cardinal Health.

e) Assistance in preparation of final Recall Report including a copy of all communications, if any, with FDA concerning the recall.

f) Shipment of samples of recalled Product to Client or a designated testing site for analysis, if applicable.

g) Cardinal Health will maintain appropriate SOPs, and to the extent that they are not in conflict with the Operating Guidelines, Cardinal Health will follow its SOPs with regard to executing these requirements.

19.6 Cardinal Health will provide the necessary recall reports within two (2) hours of notification by Client. Reports will contain, but not be limited to, the following information for each recalled Product and lot number: Customer shipments by date, item number, quantity, lot number, and ship to address.

19.7 Cardinal Health will provide Client Quality Assurance with signed and dated records documenting final disposition of the Product(s). In addition, Cardinal Health will assist with the following information:

a) Name and location of distributors involved in the execution of the final disposition of the recalled Product.

b) Name and location of drug destruction sites (if applicable).

c) List of applicable State or Federal licenses currently required and held for drug transport and/or disposal for all drug destruction sites (if applicable).

d) Product disposition method.

e) Amount of Product dispositioned.

f) Date of Product disposition.

g) Documentation from each affected Distributor(s) head of Quality Assurance or designee attesting to the completion of the Product disposition functions and requirements set forth by Client's Recall Committee.

20.0 OPERATING SYSTEMS

20.1 Client retains ownership to Client Data in the Cardinal Health System but grants Cardinal Health a limited right to use such Client Data in the performance of its Services.

20.2 Cardinal Health will use commercially reasonable efforts to maintain security of the Client Data in our systems, to segregate them and render them inaccessible to all third parties except those providing services or systems support hereunder.

20.3 Cardinal Health will provide Client with on-line access to account receivable, customers, general ledger, inventory, invoices, orders, returns, sales, shipping, and other business critical data as defined in Cardinal Health's standard reports output.

20.4 Additional reporting and interfaces may be jointly defined by Client and Cardinal Health.

20.5 Cardinal Health will use commercially reasonable efforts to maintain all Systems within the change control SOPs.

20.6 Cardinal Health will use commercially reasonable efforts to make Cardinal Health's System accessible to the Client twenty-four (24) hours per day seven (7) days per week and guaranteed between the hours of 7:00 a.m. — 9:00 p.m. Central Time, Monday through Friday ("**Accessible Hours**"), except for routine, scheduled or emergency maintenance. Cardinal Health will provide forty-eight (48) hours advance notification to Client of a scheduled maintenance, which would affect Client's ability to access the System.

20.7 Cardinal Health will use commercially reasonable efforts to ensure that unscheduled System downtime for Cardinal Health Systems, will not exceed two percent (2%) of the Accessible Hours per calendar quarter. Cardinal Health will promptly notify Client of any System problem that might affect services and if possible an estimated time for restoration of System access.

20.8 System backups will be generated on a nightly basis in conjunction with Cardinal's corporate standard Backup and Recovery policy. These backup tapes will be stored either off-site or in a fireproof cabinet as indicated by the policy.

20.9 Cardinal Health may upgrade, enhance, modify, or convert the System and will notify the Client of System changes as appropriate. Initial training will be provided as agreed. Any additional training will be provided at Client expense.

20.10 System development work may be undertaken by Cardinal Health on behalf of the Client. Such work will be billed at the hourly development rate specified in the Fee Schedule plus any applicable travel expenses. This applies but is not limited to Web Reporting enhancements, EDI transaction implementations, and enhancements to the System.

20.11 Enhancements to the System may from time to time be requested by the Client. Requests will be evaluated and undertaken at Cardinal Health's discretion. Costs of design, quote, development, testing, and validation of system enhancements will be borne as mutually agreed to by the parties in writing.

21.0 AUDITS

21.1 Client or its designee shall have the right from time to time in its sole discretion, exercised reasonably during normal hours (i.e., 8:00 a.m. to 5:00 p.m. local Facility time), to conduct a complete quality audit upon thirty (30) days prior written notice to Cardinal Health; provided, however, that no notice shall be required if the audit pertains to recalls, product safety or potential product safety.

22.0 MEASURED ATTRIBUTES

22.1 Cardinal Health will provide Client with reports on measurable attributes including but not limited to those identified in Section 22.5 below. Such reports ("**Specialty Pharmaceutical Services Scorecard**" or "**SPS Scorecard**") will be used to track and benchmark performance.

22.2 Client and Cardinal Health will agree to meet not less than once per year to review performance and to develop methods, policies, practices, and procedures that may improve the quality and efficiency of the Cardinal Health/Client relationship.

22.3 Cardinal Health will use commercially reasonable efforts to meet or exceed the Client's expectation for performance based on the measured attributes.

22.4 Cardinal Health will notify Client in writing if there are changes to the attributes used to track and benchmark performance.

22.5 Measured Attributes and Performance Standards According to the SPS Scorecard.

Measured Performance Attribute	Operational Definition
Order/Shipment Accuracy	Any order not shipped to manufacturer order requirements (such as mispick quantity, mispick item, keying error etc.)
Late to Standard Orders	Any order that is received by cut-off or agreed upon time and is not shipped by agreed upon time.
SPS Inventory Exceptions	Measures Inventory Overages, Inventory Shortages, SPS Damages, Unexplained Product Damages and Missing Labels.
Inbound Receiving Exceptions	Measures Inbound Broken or Missing Seal, Inbound Damages, Inbound Incorrect Documentation, Inbound Missing Documentation, Inbound Overages, Inbound Shortages, Inbound Temperature Excursions, Inbound Missing Labels and Inbound Partial Cases.
Invoice Collection Process Lead Time	Measures from the date the invoice is created to the date the invoice is cleared from Accounts Receivable. **Please Note:** If an account is in a credit balance position or terms are extended beyond the initial terms invoiced, these transactions will be included in the metric and may increase the count of invoices collected greater than 10 business days.
Chargeback Process Lead Time	Measures from the date the chargeback is available to process to the date the credit is issued. This metric includes manual and EDI Chargebacks.
Return Authorization Process Lead Time	Measures from the date the Return Authorization is requested by the customer to the date the Return Authorization is issued.
Return Process Lead Time	Measures from the date of the physical return to the date the Return Credit is issued.

23.0 RECORD RETENTION GUIDELINES (Customer Operations)

The objective of these guidelines is to establish uniform procedures for the maintenance, storage and destruction of company records under the control of Cardinal Health. The records are documentation produced through order management, accounts receivable, returns management and chargeback management. The records do not include transactions that are electronically preserved in the Enterprise Resource Planning (ERP) System, Elite Series System or the Bid and Contract Chargeback System (BACCS). Electronic systems are maintained by the EIT group and that group has responsibility for coordinating any appropriate record purge with any and all affected parties.

Procedures

1. Records are locally housed in file cabinets or in storage boxes that have been labeled for content. Labeling of boxes is uniform, by client, by function and by date. Boxes are numbered and recorded on a record retention list that is maintained in customer operations.
2. Records should be retained for the period designated on the attached Records Retention Schedule. The retention periods have been established based on business need and/or requirements under applicable state and federal laws and regulations. Retention periods are based upon the calendar year in which the records are created.
3. Records should be discarded/destroyed at the conclusion of the applicable retention period. Cardinal Health will participate in regularly scheduled clean-up sessions to ensure that unnecessary records are destroyed on a timely basis. Cardinal Health will provide the client with a listing of records that are eligible for destruction. Destruction must be approved by the client and fees assessed as set forth in the Fee Schedule.
4. Records that are not ordinarily subject to retention but need to be retained due to unusual circumstances, such as litigation or government investigation will be maintained as directed by the client or as directed by the Cardinal Health Legal Department. The Client will notify the Relationship Manager or the Customer Operations Director in writing stipulating which records are affected and the requirements for the records affected.
5. If services are terminated, Customer Operations records will be sent to the client within sixty (60) days of the termination date.

RECORD RETENTION SCHEDULE

Document Type	Document Retention Period	Storage Method
I. Customer Service		
Customer order records	7 years	Cabinet/boxed/daily folder
Patient Assistance Orders	10 years	Locked cabinet
Price Notifications	6 years	Cabinet/boxed/analyst
Adverse Events Notifications	10 years	Cabinet/boxed
Freight Claims	7 years	Cabinet/boxed/daily folder
Bills of Lading	4 years	Cabinet/boxed
Customer Set-up & Maintenance	7 years	Cabinet/boxed/daily folder
PAP Customer Set-Up	10 years	Locked cabinet
Invoice Adjustments	7 years	Cabinet/boxed

Document Type	Document Retention Period	Storage Method
II. Accounts Receivable		
Customer Invoices	7 years	Cabinet/boxed
Invoice collection documentation	7 years	Cabinet/boxed
Cash Receipts	7 years	Cabinet/boxed
Deduction documentation/resolution	7 years	Cabinet/boxed
Month end Close Records	7 years	Cabinet/boxed
Related correspondence	7 years	Cabinet/boxed
III. Returns Management		
Return Authorizations	10 years	Cabinet/boxed/daily folder
Return paperwork & credit memo	10 years	Cabinet/boxed/daily folder
Related correspondence	10 years	Cabinet/boxed/daily folder
Return Policy	6 years	Cabinet/boxed/kept at desk 3 copies
Pricing Notification	10 years	Cabinet/boxed/kept at desk 3 copies
IV. Contracts & Chargebacks		
Contract Set-up/Contract Change	10 years	Cabinet/boxed
Contract Price Changes	10 years	Cabinet/boxed
Pricing Notifications	10 years	Cabinet/boxed
Chargeback Submissions	10 years	Cabinet/boxed
Chargeback Rejections	10 years	Cabinet/boxed
Credit Feed Report	10 years	Cabinet/boxed
Membership Rosters	10 years	Cabinet/boxed
Membership changes/notifications	10 years	Cabinet/boxed

24.0 LINE EXTENSIONS

24.1 Client will provide Cardinal Health Account Management notification not less than thirty (30) days prior to receipt of a new product and forty-five (45) days prior to receipt of an acquired product.

24.2 Client will provide the following information twenty (20) days prior to receipt of a new product and thirty-five (35) days prior to receipt of an acquired product:

a) Complete RFI

b) Item Set Up

c) Trade Letter

d) MSDS

e) Packing schematics (if applicable)

f) Storage / shipping forecast

24.3 Cardinal Health will use commercially reasonable efforts to launch new product within seventy-two (72) hours of initial receipt unless count discrepancies, missing paperwork, damage investigation, and other receiving anomalies interfere with efficient receiving and documentation.

25.0 RELATIONSHIP MANAGEMENT

25.1 Appointment of Relationship Managers. Each Party will forthwith upon execution of this Agreement appoint one of its employees to be responsible for all aspects of the relationship between the Parties (the "**Relationship Manager**") and will promptly thereafter notify the other Party of such appointment. Each Party may replace its Relationship Manager at any time and will fill a vacancy for its Relationship Manager as soon as reasonably practicable. Each Party will promptly notify the other Party of any substitution of another person as its Relationship Manager. Each Party's Relationship Manager will be available throughout the Term to answer any reasonable questions from the other Party's Relationship Manager.

25.2 Biannual Review by Relationship Managers. The Relationship Manager may communicate as frequently as they deem necessary; provided that there is a formal meeting no less than biannually to review the status of the relationship. The biannual business review meetings may take place in person, by videoconference or by telephone conference, as mutually agreed to by the Parties. There will be an agenda for each meeting, and written minutes of each meeting will be taken and will include the issues discussed and action items, if any, arising from such meeting.

EXHIBIT B
FEE SCHEDULE
CONFIDENTIAL

1/5/2010

CUMBERLAND, PHARMACEUTICALS
FEE SCHEDULE

Program Implementation

Line Extension Fee (3)	$	[***]	
Distribution Services	$	[***]	
Storage Fee			
Ambient storage fee (5)			Per pallet per month
Pick, pack and ship fee **(1)**			Per month
Monthly distribution & sample account management fee **(6)**	$	[***]	
Ambient product pick / pack / stage (Includes sales rep samples)	$	[***]	Per line, per first case
Ambient product pick / pack / stage (Includes sales rep samples)	$	[***]	Per each additional case
Return goods processing	$	[***]	Per first unit
Return goods processing	$	[***]	Per each additional unit
Freight Charges	Cost plus [***]% handling fee		
Packing/Shipping materials **(4)**	Cost plus [***]% handling fee		
Destruction Charges	Cost plus [***]% handling fee		Per order
Emergency / International Orders	$	[***]	
Information System			Per month
System access and support fee **(2)**	$	[***]	
Special reports, connectivity or other IT requests (per hour charge)	$	[***]	Per hour
Customer Service			Per month
Customer Service Management fee	$	[***]	
Per order processing fee (Includes sales rep samples)	$	[***]	Per order
Per credit memo	$	[***]	Per credit memo
Financial Services			Per month
Accounts Receivable Management Fee	$	[***]	
AR per order processing fee	$	[***]	Per order
Chargeback Management fee	$	[***]	Per month (0 - 50 lines)
Chargeback Management fee	$	[***]	Per month (51 - 100 lines)
Chargeback Management fee	$	[***]	Per month (101+ lines)
Chargeback per line fee	$	[***]	Per line
Secondary Distribution Services (7)			Per month
Warehouse management fee (6)	$	[***]	
Ambient storage fee **{5)**	$	[***]	Per pallet per month

Note (1): This amended fee schedule is based on distribution services for Cumberland Pharmaceuticals.

Note (2): System access fee includes licenses for two concurrent users to access the Impromptu Web Reporting system. Additional licenses will increase the monthly fee by $[***] per concurrent user. The system access fee also supports the collection, maintenance and housing of data and IT Staff support of the Elite WMS and DMS systems.

Note (3): Should Cumberland Pharmaceuticals require an additional product or service implementation, excluding the product/SKU noted, SPS reserves the right to assess additional Program Implementation Fees. The first payment would be due after the initial implementation meeting. In addition distribution, customer service and financial service monthly fees could increased accordingly per implementation.

Note (4): Supplies include boxes, tape, labels, bubble pack, etc (approx. $[***] per shipment), pallets ($[***]/pallet), and any other Cumberland Pharmaceuticals requirements.

Note (5): Pallet storage fee is based on a daily average of pallets on hand. Pallet storage greater than two months inventory on hand will be assessed an additional charge of three times the standard fee.

Note (6): The account management fee covers the following services: logistics management, inventory management, regulatory affairs and quality assurance, receiving discrepancy resolution, standard operating procedures, validation management, supply control, process set-ups, and process scheduling.

Note (7): Cardinal SPS will provide business continuity and third party logistics services including product storage and distribution management from its Reno, Nevada facility. All other fees for pick/pack/stage, order, credit memo, invoice and chargeback processing will be applied accordingly to product that is shipped out of the Reno, Nevada facility.

Note (8): Payment terms will be Net [***].

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, A.J. Kazimi, certify that:

1. I have reviewed this Form 10-Q of Cumberland Pharmaceuticals Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 16, 2010

By: */s/ A.J. Kazimi*
A.J. Kazimi
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, David L. Lowrance, certify that:

1. I have reviewed this Form 10-Q of Cumberland Pharmaceuticals Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 16, 2010

By: */s/ David L. Lowrance*
David L. Lowrance
Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2010 of Cumberland Pharmaceuticals Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, A.J. Kazimi, Chief Executive Officer, and David L. Lowrance, Vice President and Chief Financial Officer, of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. section 1350), that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ A.J. Kazimi
A.J. Kazimi
Chief Executive Officer
August 16, 2010

/s/ David L. Lowrance
David L. Lowrance
Vice President and Chief Financial Officer
August 16, 2010