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

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (date of earliest event reported): November 16, 2018 (November 12, 2018)

CUMBERLAND PHARMACEUTICALS INC.

(Exact name of registrant as specified in its charter)

Tennessee	001-33637	62-1765329
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2525 West End Avenue, Suite 950, Nashville, Tennessee 37203
(Address of principal executive offices) (Zip Code)

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

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

EXPLANATORY NOTE

On November 6, 2018, Cumberland Pharmaceuticals Inc. (the “Company” or “Cumberland”) announced a definitive agreement to acquire VIBATIV® ("VIBATIV" or the "Product") from Theravance Biopharma Ireland Limited and Theravance Biopharma US, Inc. (collectively, “Sellers,” and each a direct or indirect wholly-owned subsidiary of Theravance Biopharma, Inc. (“Theravance”). On November 12, 2018, Cumberland completed the purchase (the "Transaction") described in the previously announced Asset Purchase Agreement dated November 1, 2018 (the "Agreement") with Theravance. Pursuant to Item 9.01(a)(4) and Item 9.01(b) of Form 8-K, this Amendment No. 1 to Form 8-K is being filed to amend and supplement the Company’s Current Report on Form 8-K, filed on November 16, 2018, to include the required historical audited and unaudited financial statements of VIBATIV and the related pro forma financial information not later than 71 calendar days after November 16, 2018, the date that the initial Current Report on Form 8-K was required to have been filed to report the completion of the Asset Purchase of VIBATIV. Except as provided herein, this Amendment No. 1 effects no other changes to the original Form 8-K.

FORWARD-LOOKING STATEMENTS

This Amendment, including the Exhibits attached hereto, contains “forward-looking statements” and information within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the “safe harbor” created by those sections. These forward-looking statements include, but are not limited to, statements concerning our future financial position, future revenues, and projected costs, savings and synergies. The words “anticipates,” “believes,” “estimates,” “expects,” “future”, “intends,” “may,” “plans,” “pro forma”, “projects,” “will,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties that could cause our actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation: market conditions; competition; an inability of manufacturers or partners to supply the Company’s products on a timely basis, failure of manufacturers to comply with regulations applicable to pharmaceutical manufacturers; maintaining an effective sales and marketing infrastructure; product sales; management of our growth and integration of our acquisitions; our ability to successfully integrate the Product into the Company’s business, as well as other risks discussed in the “Risk Factors” section of the Company's most recent Annual Report on Form 10-K, and other filings with the SEC. Readers of this Amendment No. 1 to Form 8-K are cautioned not to place undue reliance on forward-looking statements contained herein, which speak only as of the date stated, or if no date is stated, as of the date of this Current Report. The Company undertakes no obligation to publicly update or revise the forward-looking statements contained herein to reflect changes events or circumstances after the date of this release, unless required by law.

We describe assumptions, which management believes are reasonable, underlying the pro forma adjustments in the Unaudited Pro Forma Condensed Combined Financial Statements (Combined Cumberland and VIBATIV Product Line of Theravance) and the accompanying notes. These assumptions should also be read in conjunction with the unaudited pro forma financial statements. It is important to note that the assumptions do not reflect the expected future significant cost savings, benefits or synergies from the Acquisition.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired.

The following audited special purpose financial statements of the VIBATIV product line of Theravance Biopharma, Inc. are filed as Exhibit 99.1 attached hereto and are incorporated herein by reference: (i) Audited Special Purpose Statement of Assets Acquired and Liabilities Assumed as of December 31, 2017; (ii) Audited Special Purpose Statement of Revenue and Direct Expenses for the year ended December 31, 2017; and (iii) the notes related thereto, including the Independent Auditor’s Report contained therein.

The following unaudited special purpose financial statements of the VIBATIV product line of Theravance Biopharma, Inc. are filed as Exhibit 99.2 attached hereto and are incorporated herein by reference: (i) Unaudited Special Purpose Special Purpose Statement of Assets Acquired and Liabilities Assumed as of September 30, 2018; (ii) Unaudited Special Purpose Statement of Revenue and Direct Expenses for the nine months ended September 30, 2018 and September 30, 2017; and (iii) the notes related thereto.

(b) Pro Forma Financial Information.

The following unaudited pro forma condensed combined financial information (of Cumberland and the VIBATIV product line) and related notes is filed as Exhibit 99.3 and incorporated in its entirety herein by reference: (i) Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2018; and (ii) Unaudited Pro Forma Condensed Combined Statement of Income for the year ended December 31, 2017 and for the nine months ended September 30, 2018; and (iii) the notes related thereto.

(d) Exhibits. The following exhibits are filed herewith:

Exhibit No.	Description
2.1	Asset Purchase Agreement, dated November 1, 2018, by and among Cumberland Pharmaceuticals Inc., Theravance Biopharma Ireland Limited, and Theravance Biopharma US*
23.1	Consent of Independent Auditors
99.1	Audited special purpose financial statements of VIBATIV Product Line of Theravance Biopharma, Inc. as of and for the fiscal year ended December 31, 2017
99.2	Unaudited special purpose financial statements of VIBATIV Product Line of Theravance Biopharma, Inc. as of and for the nine-month period ended September 30, 2018
99.3	Unaudited pro forma condensed combined financial information (of Cumberland and the VIBATIV Product Line) as of and for the nine-month period ended on September 30, 2018 and the twelve-month period ended December 31, 2017

* Previously filed with the Current Report on Form 8-K, filed on November 16, 2018.

SIGNATURES

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

Cumberland Pharmaceuticals Inc.

Dated: January 25, 2019

By: /s/ Michael Bonner

Name: Michael Bonner
Title: Chief Financial Officer

Exhibit 23.1

Consent of Independent Auditors

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-221402) and Form S-8 (No. 333-164376) of Cumberland Pharmaceuticals Inc. of our report dated January 11, 2019, relating to the special purpose financial statements of the VIBATIV Product Line of Theravance Biopharma, Inc., which appears in this Current Report on Form 8-K/A of Cumberland Pharmaceuticals Inc.

/s/ Ernst & Young LLP

San Jose, California

January 23, 2019

Exhibit 99.1

REPORT OF INDEPENDENT AUDITORS

To the Management of
Theravance Biopharma, Inc.

We have audited the accompanying special purpose financial statements of the VIBATIV Product Line ("VIBATIV") of Theravance Biopharma, Inc. (the "Company"), which comprise the special purpose statement of assets acquired and liabilities assumed as of December 31, 2017, and the related special purpose statement of revenue and direct expenses for the year then ended.

Management's Responsibility for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the special purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the assets acquired and liabilities assumed of the VIBATIV Product Line of Theravance Biopharma, Inc. as of December 31, 2017, and its revenue and direct expenses for the year then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

The accompanying special purpose financial statements were prepared in connection with the Company's transaction related to the VIBATIV Product Line and, as described in Note 1, were prepared in accordance with an SEC waiver received by the buyer, for the purposes of the buyer complying with Rule 3-05 of the Securities and Exchange Commission's Regulation S-X. These special purpose financial statements are not intended to be a complete presentation of the financial position or results of operations of the VIBATIV Product Line of Theravance Biopharma, Inc. Our opinion is not modified with respect to this matter.

/s/ Ernst & Young LLP

San Jose, California

January 11, 2019

VIBATIV® PRODUCT LINE OF THERAVANCE BIOPHARMA, INC.
Special Purpose Statement of Assets Acquired and Liabilities Assumed

	December 31, 2017
Assets acquired	
Current assets:	
Inventories	$ 16,621,000
Total assets acquired	16,621,000
Liabilities assumed	
Current liabilities:	
Other accrued liabilities	900,000
Deferred revenue	5,000
Total current liabilities assumed	905,000
Deferred revenue	584,000
Other long-term liabilities	1,350,000
Total liabilities assumed	2,839,000
Net assets acquired	$ 13,782,000

See accompanying notes to special purpose financial statements.

VIBATIV® PRODUCT LINE OF THERAVANCE BIOPHARMA, INC.
Special Purpose Statement of Revenue and Direct Expenses

	Year Ended December 31, 2017
Revenue	
Product sales	$ 14,788,000
Revenue from collaborative arrangements	161,000
Total revenue	14,949,000
Direct expenses	
Cost of goods sold	6,030,000
Research and development	29,990,000
Selling, general, and administrative	38,389,000
Total direct expenses	74,409,000
Excess of direct expenses over revenue	$ (59,460,000)

See accompanying notes to special purpose financial statements.

VIBATIV® PRODUCT LINE OF THERAVANCE BIOPHARMA, INC.
Notes to Special Purpose Financial Statements

1. **Organization and Summary of Significant Accounting Policies**

Theravance Biopharma, Inc. ("Theravance Biopharma", the "Company", or "we" and other similar pronouns) is a diversified biopharmaceutical company with the core purpose of creating medicines that help improve the lives of patients suffering from serious illness. VIBATIV® (the "VIBATIV Product") is a once-daily dual-mechanism antibiotic approved in the US and certain other countries for difficult-to-treat infections.

On November 12, 2018, the Company completed the previously disclosed sale of its assets related to the manufacture, marketing and sale of VIBATIV to Cumberland Pharmaceutical Inc. ("Buyer") pursuant to the Asset Purchase Agreement dated November 1, 2018 (the "APA") by and among Theravance Biopharma Ireland Limited and Theravance Biopharma US, Inc. (collectively, "Sellers," and each a direct or indirect wholly-owned subsidiary of the Company) and Buyer (the "Transaction"). At the closing of the Transaction, Sellers received $20.0 million in cash. Pursuant to the terms of the APA, an additional $5.0 million in cash will be paid by Buyer to Sellers on or before April 1, 2019.

Sellers retained financial responsibility for any liabilities relating to products sold prior to transaction closing, and the Buyer assumed financial responsibility for any liabilities relating to products sold on or after transaction closing.

Basis of Presentation

The accompanying special purpose financial statements (the "Financial Statements") were prepared to present the net assets sold pursuant to the APA and the revenue and direct expenses related to the net assets sold. The Financial Statements will be included in an 8-K filing of the Buyer as required by Rule 3-05, *Significant Acquisition Carveout Financial Statement Reporting Requirements*, of the US Securities and Exchange Commission's ("SEC") Regulation S-X. The basis of preparation describes how these Financial Statements have been prepared.

The accompanying special purpose statements of assets acquired and liabilities assumed as of December 31, 2017 and of revenue and direct expenses for the year then ended of the Company's VIBATIV Product represent an incomplete presentation of the Company's assets, liabilities, revenues and expenses and are therefore not intended to represent the financial condition or results of operations of the Company. These Financial Statements are based upon the APA and relief from SEC Rule 3-05 obtained by the Buyer from the SEC. The statement of assets acquired and liabilities assumed only presents the assets acquired and liabilities assumed in accordance with the APA, and the statement of revenue and direct expenses presents only those revenues and estimated expenses related directly to the VIBATIV Product to be acquired. The statement of revenue and direct expenses excludes costs not directly involved with the revenue producing activity, such as interest and taxes. The funding and management of the Company's operations (including the VIBATIV Product) are performed on a consolidated basis; accordingly, costs of funding the operations, including debt and related interest expense were not allocated to the VIBATIV Product. The Company also maintains its tax functions on a consolidated basis; accordingly, tax expense was not allocated to the VIBATIV Product. The Financial Statements were derived from the historical accounting records of the Company and were prepared in accordance with the basis of accounting described in these notes, which is in accordance with accounting principles generally accepted in the United States of America (US GAAP).

As the VIBATIV Product has historically been managed as a part of the Company and has not been accounted for on a stand-alone basis, it is not practicable to prepare complete financial statements, including these accompanying notes, related to the VIBATIV Product. As a result, these Financial Statements may not be indicative of the complete financial condition or results of operations of the VIBATIV Product on a stand-alone basis. In addition, certain costs and expenses presented in these special purpose financial statements have been allocated by the Company and the Sellers based on a specific identification basis or, when specific identification was not practicable, a proportional cost allocation method (primarily headcount), depending on the nature of the services rendered. The allocations and estimates used to derive the amounts in the statement of revenue and direct expenses are based in part on judgments and assumptions that the Company believes are reasonable, but may not necessarily be indicative of the costs that would have been incurred if the VIBATIV Product had been operated on a stand-alone basis for the periods presented.

Use of Management's Estimates

The preparation of these Financial Statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, revenue and expenses. Such estimates and assumptions are made in conformity with US GAAP. Actual outcomes and results could differ from these estimates and assumptions. These Financial Statements include

allocations and estimates that are not necessarily indicative either of the costs and assets that would have resulted if the VIBATIV Product had been operated as a separate business, or of the future results of the VIBATIV Product. The Financial Statements presented are not indicative of the financial condition or results of operations of the VIBATIV Product going forward because of the omission of various operating expenses. We based our estimates on historical experience and other relevant assumptions that we believe to be reasonable under the circumstances.

Inventories

Inventories consist of raw materials, work-in-process and finished goods related to the production of the VIBATIV Product. Raw materials include the VIBATIV Product's active pharmaceutical ingredient ("API") and other raw materials. Work-in-process and finished goods include third-party manufacturing costs and labor and indirect costs we incur in the production process. Included in inventories are raw materials and work-in-process that may be used as clinical products, which are charged to research and development ("R&D") expense when consumed. In addition, under certain commercialization agreements, we may sell the VIBATIV Product packaged in unlabeled vials that are recorded in work-in-process. Inventories are stated at the lower of cost or net realizable value. We determine the cost of inventory using the average-cost method for each manufacturing batch.

We assess our inventory levels each reporting period and write-down inventory that is expected to be at risk for expiration, that has a cost basis in excess of its expected net realizable value and inventory quantities in excess of expected requirements. In evaluating the sufficiency of our inventory reserves or liabilities for firm purchase commitments, we also take into consideration our firm purchase commitments for future inventory production. If we were to decide to cancel our manufacturing commitment, such cancellation would trigger the payment of a cancellation fee. If we project to have excess inventories and that it would be more cost-efficient to pay the cancellation fee, we may accrue the cancellation fee as a liability. Our assessment of excess inventories, including future firm purchase commitments, requires management to utilize judgement in formulating estimates and assumptions that we believe to be reasonable under the circumstances. Actual results may differ from those estimates and assumptions. As of December 31, 2017, we accrued a $2.3 million liability related to excess inventory purchase commitments.

When we recognize a loss on such inventory or firm purchase commitments, it establishes a new, lower cost basis for that inventory, and subsequent changes in facts and circumstances will not result in the restoration or increase in that newly established cost basis. If inventory with a lower cost basis is subsequently sold, it will result in higher gross margin for those sales. In 2017, we recognized charges of $3.0 million arising from excess inventory.

Revenue Recognition

Revenue is recognized when the four basic criteria of revenue recognition are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured. Where the revenue recognition criteria are not met, we defer the recognition of revenue by recording deferred revenue until such time that all criteria are met.

Product Sales

We sell the VIBATIV Product in the US market by making the drug product available through a limited number of distributors, who sell the VIBATIV Product to healthcare providers. Title and risk of loss transfer upon receipt by these distributors. We recognize VIBATIV Product sales and related cost of product sales at the time title transfers to the distributors.

Product sales are recorded net of estimated government-mandated rebates and chargebacks, distribution fees, estimated product returns and other deductions. Sales deductions are based on management's estimates that consider payor mix in target markets, industry benchmarks and experience to date. We monitor inventory levels in the distribution channel, as well as sales of the VIBATIV Product by distributors to healthcare providers, using product-specific data provided by the distributors. Product return allowances are based on amounts owed or to be claimed on related sales. These estimates take into consideration the terms of our agreements with customers, historical product returns of the VIBATIV Product, rebates or discounts taken, estimated levels of inventory in the distribution channel, the shelf life of the product, and specific known market events, such as competitive pricing and new product introductions. We update our estimates and assumptions each quarter, and if actual future results vary from our estimates, we may adjust these estimates, which could have an effect on product sales and earnings in the period of adjustment. The VIBATIV Product's outstanding accounts receivable balances and reserves, as of November 12, 2018, were not acquired by the Buyer as part of the Transaction.

Sales Discounts: We offer cash discounts to certain customers as an incentive for prompt payment. We expect our customers to comply with the prompt payment terms to earn the cash discount. In addition, we offer contract discounts to certain direct customers. We estimate sales discounts based on contractual terms, historical utilization rates, as available, and our expectations regarding future utilization rates. We account for sales discounts by recognizing the discount as a reduction of revenue in the same period the related revenue is recognized.

Chargebacks and Government Rebates: For VIBATIV Product sales in the US, we estimate reductions to product sales for qualifying federal and state government programs including discounted pricing offered to Public Health Service ("PHS"), as well as government-managed Medicaid programs. Our reduction for PHS is based on actual chargebacks that distributors have claimed for reduced pricing offered to such healthcare providers and our expectation about future utilization rates. Our accrual for Medicaid is based upon statutorily-defined discounts, estimated payor mix, expected sales to qualified healthcare providers, and our expectation about future utilization. For qualified programs that can purchase our products through distributors at a lower contractual government price, the distributors charge back to us the difference between their acquisition cost and the lower contractual government price.

Distribution Fees: We have contracts with our distributors in the US that include terms for distribution-related fees. We determine distribution-related fees based on a percentage of the product sales price.

Product Returns: We offer our distributors a right to return product purchased directly from us, which is principally based upon the product's expiration date. Our policy is to accept product returns during the six months prior to and twelve months after the product expiration date on product that had been sold to our distributors. Product return allowances are based on amounts owed or to be claimed on related sales. These estimates take into consideration the terms of our agreements with customers, historical product returns of the VIBATIV Product, rebates or discounts taken, estimated levels of inventory in the distribution channel, the shelf life of the product, and specific known market events, such as competitive pricing and new product introductions.

Collaborative Arrangements and Multiple-Element Arrangements

The VIBATIV Product operations include licensing arrangements for specified territories. Revenue from non-refundable, up-front license or technology access payments under license and collaborative arrangements that are not dependent on any future performance by us is recognized when such amounts are earned. If we have continuing obligations to perform under the arrangement, such fees are recognized over the estimated period of continuing performance obligation. Where a portion of non-refundable upfront fees or other payments received are allocated to continuing performance obligations under the terms of a collaborative arrangement, they are recorded as deferred revenue and recognized as revenue ratably over the term of our estimated performance period under the agreement.

Research and Development Expenses

Research and development expenses are recorded in the period that services are rendered or goods are received. Research and development expenses consist of salaries and benefits, laboratory supplies and facility costs, as well as fees paid to third parties that conduct certain research and development activities on behalf of us.

As part of the process of preparing financial statements, we are required to estimate and accrue research and development expenses. This process involves the following:

- identifying services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual cost;
- estimating and accruing expenses in our financial statements as of each balance sheet date based on facts and circumstances known to us at the time; and
- periodically confirming the accuracy of our estimates with selected service providers and making adjustments, if necessary.

Examples of estimated research and development expenses that we accrue include:

- fees paid to clinical research organizations ("CROs") in connection with preclinical and toxicology studies and clinical studies;

fees paid to investigative sites in connection with clinical studies;

fees paid to contract manufacturing organizations ("CMOs") in connection with the production of product and clinical study materials; and

professional service fees for consulting and related services.

We base our expense accruals related to clinical studies on our estimates of the services received and efforts expended pursuant to contracts with multiple research institutions and CROs that conduct and manage clinical studies on our behalf. The financial terms of these agreements vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts depend on factors, such as the successful enrollment of patients and the completion of clinical study milestones. Our service providers invoice us monthly in arrears for services performed. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If we do not identify costs that we have begun to incur or if we underestimate or overestimate the level of services performed or the costs of these services, our actual expenses could differ from our estimates.

Advertising Expenses

We expense the costs of advertising, including promotional expenses, as incurred. Advertising expenses were $3.2 million for the year ended December 31, 2017.

Fair Value of Share-Based Compensation Awards

We use the Black-Scholes-Merton option pricing model to estimate the fair value of options granted under our equity incentive plans and rights to acquire shares granted under our employee share purchase plan ("ESPP"). The Black-Scholes-Merton option valuation model requires the use of assumptions, including the expected term of the award and the expected share price volatility. We use the "simplified" method as described in Staff Accounting Bulletin No. 107, *Share-Based Payment*, to estimate the expected option term.

Share-based compensation expense is calculated based on awards ultimately expected to vest and is reduced for actual forfeitures as they occur, as allowed under Accounting Standards Update ("ASU") 2016-09, *Compensation-Stock Compensation (Topic 718)* ("ASU 2016-09"). Prior to the adoption of ASU 2016-09 on January 1, 2017, forfeitures were estimated at the time of grant and revised, if necessary, in subsequent periods if the actual forfeitures differed from those estimates.

Compensation expense for purchases under the ESPP is recognized based on the fair value of the award on the date of offering.

Recently Issued Accounting Pronouncements Not Yet Adopted

Effective January 1, 2018, we will adopt ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09" or "*Topic 606*"). ASU 2014-09's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, companies may need to use more judgment and make more estimates than under the currently effective guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. Since ASU 2014-09 was issued, several additional ASUs have been issued and incorporated within *Topic 606* to clarify various elements of the guidance.

Our revenues are derived from collaborative arrangements and product sales. The consideration we are eligible to receive under collaborative arrangements includes upfront payments, research and development funding, milestone payments, and royalties. As part of our adoption efforts, we have completed the assessment of our collaboration agreements under *Topic 606.* We adopted *Topic 606* in the first quarter of 2018 using the modified retrospective method which consists of applying and recognizing the cumulative effect of *Topic 606* at the date of initial application and providing certain additional disclosures as defined per *Topic 606*. To reflect the impact of the adoption of *Topic 606* on the VIBATIV Product, we recorded a cumulative adjustment related to one of the VIBATIV Product's collaborative arrangements resulting in a decrease to the Company's accumulated deficit by approximately $0.5 million, as of January 1, 2018. This cumulative adjustment was the result of the recognition of previously deferred revenue related to a deliverable under the collaborative arrangement.

We have evaluated other recently issued accounting pronouncements and do not believe that any of these pronouncements will have a material impact on these Financial Statements and related disclosures.

2. Inventories

Inventory consists of the following:

	December 31, 2017
Raw materials	$ 11,729,000
Work-in-process	66,000
Finished goods	4,826,000
Total inventories	$ 16,621,000

3. Share-Based Compensation

The Company has share-based compensation plans, and the allocation of the VIBATIV Product-related share-based compensation expense included in the Financial Statements was as follows:

	Year Ended December 31, 2017
Research and development	$ 2,071,000
Selling, general and administrative	4,679,000
Total share-based compensation expense	$ 6,750,000

4. Subsequent Events

As of December 31, 2017, we accrued a $2.3 million liability related to excess inventory purchase commitments based on our expected purchase obligations at the time. In the second quarter of 2018, we reversed the expense related to the $2.3 million purchase commitment liability due to the waiver of our minimum purchase commitment by our third-party manufacturer.

Exhibit 99.2

VIBATIV® PRODUCT LINE OF THERAVANCE BIOPHARMA, INC.
Special Purpose Statement of Assets Purchased and Liabilities Assumed
(Unaudited)

	September 30, 2018
Assets acquired	
Current assets:	
Inventories	$ 17,574,000
Total assets acquired	17,574,000
Liabilities assumed	
Current liabilities:	
Deferred revenue	5,000
Total current liabilities assumed	5,000
Deferred revenue	80,000
Total liabilities assumed	85,000
Net assets acquired	$ 17,489,000

See accompanying notes to special purpose financial statements.

VIBATIV PRODUCT LINE OF THERAVANCE BIOPHARMA, INC.
Special Purpose Statement of Revenue and Direct Expenses
(Unaudited)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenue		
Product sales	$ 12,889,000	$ 10,664,000
Revenue from collaborative arrangements	15,000	104,000
Total revenue	12,904,000	10,768,000
Direct expenses		
Cost of goods sold	83,000	2,914,000
Research and development	16,037,000	22,575,000
Selling, general, and administrative	23,447,000	28,764,000
Total direct expenses	39,567,000	54,253,000
Excess of direct expenses over revenue	$ (26,663,000)	$ (43,485,000)

See accompanying notes to special purpose financial statements.

UNAUDITED VIBATIV® PRODUCT LINE OF THERAVANCE BIOPHARMA, INC.
Notes to Special Purpose Financial Statements

1. **Organization and Summary of Significant Accounting Policies**

Theravance Biopharma, Inc. ("Theravance Biopharma", the "Company", or "we" and other similar pronouns) is a diversified biopharmaceutical company with the core purpose of creating medicines that help improve the lives of patients suffering from serious illness. VIBATIV® (the "VIBATIV Product") is a once-daily dual-mechanism antibiotic approved in the US and certain other countries for difficult-to-treat infections.

On November 12, 2018, the Company completed the previously disclosed sale of its assets related to the manufacture, marketing and sale of the VIBATIV Product to Cumberland Pharmaceutical Inc. ("Buyer") pursuant to the Asset Purchase Agreement dated November 1, 2018 (the "APA") by and among Theravance Biopharma Ireland Limited and Theravance Biopharma US, Inc. (collectively, "Sellers," and each a direct or indirect wholly-owned subsidiary of the Company) and Buyer (the "Transaction"). At the closing of the Transaction, Sellers received $20.0 million in cash. Pursuant to the terms of the APA, an additional $5.0 million in cash will be paid by Buyer to Sellers on or before April 1, 2019.

Sellers retained financial responsibility for any liabilities relating to products sold prior to transaction closing, and the Buyer assumed financial responsibility for any liabilities relating to products sold on or after transaction closing.

Basis of Presentation

The accompanying special purpose financial statements (the "Financial Statements") were prepared to present the net assets sold pursuant to the APA and the revenue and direct expenses related to the net assets sold. The Financial Statements will be included in an 8-K filing of the Buyer as required by Rule 3-05, *Significant Acquisition Carveout Financial Statement Reporting Requirements*, of the US Securities and Exchange Commission's ("SEC") Regulation S-X. The basis of preparation describes how these Financial Statements have been prepared.

The accompanying special purpose statements of assets acquired and liabilities assumed as of September 30, 2018 and of revenue and direct expenses for the nine months ended September 30, 2018 and 2017 of the Company's VIBATIV Product represent an incomplete presentation of the Company's assets, liabilities, revenues and expenses and are therefore not intended to represent the financial condition or results of operations of the Company. These Financial Statements are based upon the APA and relief from SEC Rule 3-05 obtained by the Buyer from the SEC. The statement of assets acquired and liabilities assumed only presents the assets acquired and liabilities assumed in accordance with the APA, and the statement of revenue and direct expenses presents only those revenues and estimated expenses related directly to the VIBATIV Product to be acquired. The statement of revenue and direct expenses excludes costs not directly involved with the revenue producing activity, such as interest and taxes. The funding and management of the Company's operations (including the VIBATIV Product) are performed on a consolidated basis; accordingly, costs of funding the operations, including debt and related interest expense were not allocated to the VIBATIV Product. The Company also maintains its tax functions on a consolidated basis; accordingly, tax expense was not allocated to the VIBATIV Product. The Financial Statements were derived from the historical accounting records of the Company and were prepared in accordance with the basis of accounting described in these notes, which is in accordance with accounting principles generally accepted in the United States of America (US GAAP).

As the VIBATIV Product has historically been managed as a part of the Company and has not been accounted for on a stand-alone basis, it is not practicable to prepare complete financial statements, including these accompanying notes, related to the VIBATIV Product. As a result, these Financial Statements may not be indicative of the complete financial condition or results of operations of the VIBATIV Product on a stand-alone basis. In addition, certain costs and expenses presented in these Financial Statements have been allocated by the Company and the Sellers based on a specific identification basis or, when specific identification was not practicable, a proportional cost allocation method (primarily headcount), depending on the nature of the services rendered. The allocations and estimates used to derive the amounts in the statement of revenue and direct expenses are based in part on judgments and assumptions that the Company believes are reasonable, but may not necessarily be indicative of the costs that would have been incurred if the VIBATIV Product had been operated on a stand-alone basis for the periods presented.

Effective January 1, 2018, we adopted Accounting Standards Codification, Topic 606, *Revenue from Contracts with Customers* ("ASC 606") using the modified retrospective method applied to those contracts which were not completed as

of January 1, 2018 and recognized the cumulative effect of ASC 606 at the date of initial application. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. To reflect the impact of the adoption of *Topic 606* on the VIBATIV Product, we recorded a cumulative adjustment related to one of the VIBATIV Product's collaborative arrangements resulting in a decrease to the Company's accumulated deficit by approximately $0.5 million, as of January 1, 2018. This cumulative adjustment was the result of the recognition of previously deferred revenue related to a deliverable under the collaborative arrangement. Our revenue related to the VIBATIV Product under ASC 606 for the nine months ended September 30, 2018 would not have been materially different under the legacy Accounting Standards Codification, Topic 605, *Revenue Recognition*.

Use of Management's Estimates

The preparation of these Financial Statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, revenue and expenses. Such estimates and assumptions are made in conformity with US GAAP. Actual outcomes and results could differ from these estimates and assumptions. These Financial Statements include allocations and estimates that are not necessarily indicative either of the costs and assets that would have resulted if the VIBATIV Product had been operated as a separate business, or of the future results of the VIBATIV Product. The Financial Statements presented are not indicative of the financial condition or results of operations of the VIBATIV Product going forward because of the omission of various operating expenses. We based our estimates on historical experience and other relevant assumptions that we believe to be reasonable under the circumstances.

Inventories

Inventories consist of raw materials, work-in-process and finished goods related to the production of the VIBATIV Product. Raw materials include the VIBATIV Product's active pharmaceutical ingredient ("API") and other raw materials. Work-in-process and finished goods include third-party manufacturing costs and labor and indirect costs we incur in the production process. Included in inventories are raw materials and work-in-process that may be used as clinical products, which are charged to research and development ("R&D") expense when consumed. In addition, under certain commercialization agreements, we may sell the VIBATIV Product packaged in unlabeled vials that are recorded in work-in-process. Inventories are stated at the lower of cost or net realizable value. We determine the cost of inventory using the average-cost method for each manufacturing batch.

We assess our inventory levels each reporting period and write-down inventory that is expected to be at risk for expiration, that has a cost basis in excess of its expected net realizable value and inventory quantities in excess of expected requirements. In evaluating the sufficiency of our inventory reserves or liabilities for firm purchase commitments, we also take into consideration our firm purchase commitments for future inventory production. If we were to decide to cancel our manufacturing commitment, such cancellation would trigger the payment of a cancellation fee. If we project to have excess inventories and that it would be more cost-efficient to pay the cancellation fee, we may accrue the cancellation fee as a liability. Our assessment of excess inventories, including future firm purchase commitments, requires management to utilize judgement in formulating estimates and assumptions that we believe to be reasonable under the circumstances. Actual results may differ from those estimates and assumptions.

When we recognize a loss on such inventory or firm purchase commitments, it establishes a new, lower cost basis for that inventory, and subsequent changes in facts and circumstances will not result in the restoration or increase in that newly established cost basis. If inventory with a lower cost basis is subsequently sold, it will result in higher gross margin for those sales. During the nine months ended September 30, 2018, we reversed a $2.3 million excess inventory charge, originally recognized in the fourth quarter of 2017, due to a waiver of our minimum purchase commitment by our third-party manufacturer.

Revenue Recognition

Under ASC 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

At contract inception, once the contract is determined to be within the scope of ASC 606, we identify the performance obligations in the contract by assessing whether the goods or services promised within each contract are distinct. We then recognize revenue for the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Product Sales

We sell VIBATIV in the US market by making the drug product available through a limited number of distributors, who sell VIBATIV to healthcare providers. Title and risk of loss transfer upon receipt by these distributors. We recognize VIBATIV product sales and related cost of product sales when the distributors obtain control of the drug product, which is at the time title transfers to the distributors.

Product sales are recorded on a net sales basis which includes estimates of variable consideration. The variable consideration results from sales discounts, government-mandated rebates and chargebacks, distribution fees, estimated product returns and other deductions. We reflect such reductions in revenue as either an allowance to the related account receivable from the distributor, or as an accrued liability, depending on the nature of the sales deduction. Sales deductions are based on management's estimates that consider payor mix in target markets, industry benchmarks and experience to date. In general, these estimates take into consideration a range of possible outcomes which are probability-weighted in accordance with the expected value method in ASC 606. We monitor inventory levels in the distribution channel, as well as sales of VIBATIV by distributors to healthcare providers, using product-specific data provided by the distributors. Product return allowances are based on amounts owed or to be claimed on related sales. These estimates take into consideration the terms of our agreements with customers, historical product returns of VIBATIV, rebates or discounts taken, estimated levels of inventory in the distribution channel, the shelf life of the product, and specific known market events, such as competitive pricing and new product introductions. We update our estimates and assumptions each quarter, and if actual future results vary from our estimates, we may adjust these estimates, which could have an effect on product sales and earnings in the period of adjustment.

Sales Discounts: We offer cash discounts to certain customers as an incentive for prompt payment. We expect our customers to comply with the prompt payment terms to earn the cash discount. In addition, we offer contract discounts to certain direct customers. We estimate sales discounts based on contractual terms, historical utilization rates, as available, and our expectations regarding future utilization rates. We account for sales discounts by reducing accounts receivable by the expected discount and recognizing the discount as a reduction of revenue in the same period the related revenue is recognized.

Chargebacks and Government Rebates: For VIBATIV sales in the US, we estimate reductions to product sales for qualifying federal and state government programs including discounted pricing offered to Public Health Service ("PHS"), as well as government-managed Medicaid programs. Our reduction for PHS is based on actual chargebacks that distributors have claimed for reduced pricing offered to such healthcare providers and our expectation about future utilization rates. Our accrual for Medicaid is based upon statutorily-defined discounts, estimated payor mix, expected sales to qualified healthcare providers, and our expectation about future utilization. The Medicaid accrual and government rebates that are invoiced directly to us are recorded in other accrued liabilities on the condensed consolidated balance sheets. For qualified programs that can purchase our products through distributors at a lower contractual government price, the distributors charge back to us the difference between their acquisition cost and the lower contractual government price, which we record as an allowance against accounts receivable.

Distribution Fees: We have contracts with our distributors in the US that include terms for distribution-related fees. We determine distribution-related fees based on a percentage of the product sales price, and we record the distribution fees as an allowance against accounts receivable.

Product Returns: We offer our distributors a right to return product purchased directly from us, which is principally based upon the product's expiration date. Our policy is to accept product returns during the six months prior to and twelve months after the product expiration date on product that has been sold to our distributors. Product return allowances are based on amounts owed or to be claimed on related sales. These estimates take into consideration the terms of our agreements with customers, historical product returns of VIBATIV, rebates or discounts taken, estimated levels of inventory in the distribution channel, the shelf life of the product, and specific known market events, such as competitive pricing and new product introductions. We record our product return reserves as other accrued liabilities.

Collaborative Arrangements and Multiple-Element Arrangements

The VIBATIV Product operations include licensing arrangements for specified territories. We enter into collaborative arrangements with partners that fall under the scope of Accounting Standards Codification, Topic 808, *Collaborative Arrangements* ("ASC 808"). While these arrangements are in the scope of ASC 808, we may analogize to ASC 606 for some aspects of the arrangements. We analogize to ASC 606 for certain activities within the collaborative arrangement for the delivery of a good or service (i.e., a unit of account) that is part of our ongoing major or central operations.

The terms of our collaborative arrangements typically include one or more of the following: (i) up-front fees; (ii) milestone payments related to the achievement of development, regulatory, or commercial goals; (iii) royalties on net sales of licensed products; (iv) reimbursements or cost-sharing of R&D expenses; and (v) profit/loss sharing arising from co-promotion arrangements. Each of these payments results in collaboration revenues or an offset against R&D expenses. Where a portion of non-refundable up-front fees or other payments received are allocated to continuing performance obligations under the terms of a collaborative arrangement, they are recorded as deferred revenue and recognized as collaboration revenue when (or as) the underlying performance obligation is satisfied.

Research and Development Expenses

Research and development expenses are recorded in the period that services are rendered or goods are received. Research and development expenses consist of salaries and benefits, laboratory supplies and facility costs, as well as fees paid to third parties that conduct certain research and development activities on behalf of us.

As part of the process of preparing financial statements, we are required to estimate and accrue research and development expenses. This process involves the following:

identifying services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual cost;

estimating and accruing expenses in our financial statements as of each balance sheet date based on facts and circumstances known to us at the time; and

periodically confirming the accuracy of our estimates with selected service providers and making adjustments, if necessary.

Examples of estimated research and development expenses that we accrue include:

fees paid to clinical research organizations ("CROs") in connection with preclinical and toxicology studies and clinical studies;

fees paid to investigative sites in connection with clinical studies;

fees paid to contract manufacturing organizations ("CMOs") in connection with the production of product and clinical study materials; and

professional service fees for consulting and related services.

We base our expense accruals related to clinical studies on our estimates of the services received and efforts expended pursuant to contracts with multiple research institutions and CROs that conduct and manage clinical studies on our behalf. The financial terms of these agreements vary from contract to contract and may result in uneven payment flows. Payments under some of these contracts depend on factors, such as the successful enrollment of patients and the completion of clinical study milestones. Our service providers invoice us monthly in arrears for services performed. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If we do not identify costs that we have begun to incur or if we underestimate or overestimate the level of services performed or the costs of these services, our actual expenses could differ from our estimates.

Fair Value of Share-Based Compensation Awards

We use the Black-Scholes-Merton option pricing model to estimate the fair value of options granted under our equity incentive plans and rights to acquire shares granted under our employee share purchase plan ("ESPP"). The Black-Scholes-Merton option valuation model requires the use of assumptions, including the expected term of the award and

the expected share price volatility. We use the “simplified” method as described in Staff Accounting Bulletin No. 107, *Share-Based Payment*, to estimate the expected option term.

Share-based compensation expense is calculated based on awards ultimately expected to vest and is reduced for actual forfeitures as they occur, as allowed under Accounting Standards Update 2016-09, *Compensation-Stock Compensation (Topic 718)* (“ASU 2016-09”). Prior to the adoption of ASU 2016-09 on January 1, 2017, forfeitures were estimated at the time of grant and revised, if necessary, in subsequent periods if the actual forfeitures differed from those estimates.

Compensation expense for purchases under the ESPP is recognized based on the fair value of the award on the date of offering.

2. Inventories

Inventory consists of the following:

	September 30, 2018
Raw materials	$ 10,644,000
Work-in-process	3,628,000
Finished goods	3,302,000
Total inventories	$ 17,574,000

3. Share-Based Compensation

The Company has share-based compensation plans, and the allocation of the VIBATIV Product-related share-based compensation expense included in the Financial Statements was as follows:

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Research and development	$ 1,472,000	$ 1,396,000
Selling, general and administrative	303,000	3,447,000
Total share-based compensation expense	$ 4,775,000	$ 4,843,000

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The Unaudited Pro Forma Condensed Combined Financial Statements (referred to as the “pro forma financial statements”) presented below are derived from the historical consolidated financial statements of Cumberland Pharmaceuticals, Inc. (“Cumberland” or the “Company”) and the VIBATIV Product Line of Theravance Biopharma Ireland Limited and Theravance Biopharma US, Inc. and each a direct or indirect wholly-owned subsidiary of Thereavance Biopharma, Inc, (“Theravance”).

On November 12, 2018 (the “Closing Date”), the Company acquired from Theravance assets (the "Acquisition") related to the manufacture, marketing and sale of Theravance's proprietary antibiotic, VIBATIV® (the "VIBATIV Assets"). VIBATIV® (the “VIBATIV Product”) is a once-daily dual-mechanism antibiotic approved in the US and certain other countries for difficult-to-treat infections.

The Unaudited Pro Forma Condensed Combined Statements of Operations presented below (the “pro forma statements of operations”) for the year ended December 31, 2017 and the nine months ended September 30, 2018, give effect to the Acquisition as if it was consummated on January 1, 2017. The Unaudited Pro Forma Condensed Combined Balance Sheet gives effect to the Acquisition as if it occurred on September 30, 2018. The unaudited pro forma financial statements are provided for informational purposes only and are not necessarily indicative of operating results that would have been achieved had the Acquisition been completed as of January 1, 2017 and do not intend to project the future financial results of Cumberland following the Acquisition.

The historical consolidated financial information has been adjusted in the pro forma financial statements to give effect to certain pro forma events that are: (i) directly attributable to the Acquisition; (ii) expected to have a continuing impact on the Company’s combined results; and (iii) factually supportable. The basis and estimates underlying the pro forma adjustments are described in the accompanying notes, which should be read in connection with the pro forma financial statements.

In accordance with Accounting Standards Codification (“ASC”) 805, *Business Combinations* (“ASC 805”) as updated by Accounting Standards Update 2017-01 ("ASU 2017-01), the Acquisition is being accounted for as a business combination with Cumberland acquiring the VIBATIV Assets. As of the date of this report, we have not completed the valuation necessary to arrive at the final estimates of fair value of the VIBATIV’s assets acquired, the contingent consideration and the related purchase price allocation. However, Cumberland believes that the Acquisition meets the definition of a business under the accounting guidance in ASC 805, as amended. Additionally, for purposes of these pro forma financial statements, preliminary allocation estimates based on information known to management as of the date of this report have been included. The final fair value of the assets acquired, the contingent consideration and the liabilities assumed as of the date of the Acquisition may differ materially from the information presented herein.

The pro forma financial statements reflect the following transactions, which took place in 2018: (i) the Acquisition; and (ii) the use of $20 million under the Company’s Revolving Credit Loan to make the initial payment for the Acquisition.

We describe the assumptions, which management believes are reasonable, underlying the pro forma adjustments in the accompanying notes. These assumptions should also be read in conjunction with these unaudited pro forma financial statements. It is important to note that these assumptions do not reflect the future significant cost savings, benefits or synergies from the Acquisition.

You should also read this information in conjunction with:

Audited consolidated financial statements of Cumberland as of and for the fiscal year ended December 31, 2017, included in Cumberland’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on March 9, 2018;

Audited special purpose financial statements of the VIBATIV Product Line of Theravance as of and for the fiscal year ended December 31, 2017, together with the notes thereto and the independent auditors’ report thereon, included as Exhibit 99.1 to this Form 8-K/A;

Unaudited consolidated financial statements of Cumberland as of and for the nine nonths ended September 30, 2018, included in Cumberland's Quarterly Report on Form 10-Q for the nine months ended September 30, 2018, filed with the SEC on November 14, 2018;

Unaudited special purpose financial statements of the VIBATIV Product Line of Theravance as of September 30, 2018 and for the nine months ended September 30, 2018 and 2017, included as Exhibit 99.2 to this Form 8-K/A; and

Unaudited Pro Forma Condensed Combined Financial Statements (Combined Cumberland and VIBATIV Product Line of Theravance) and the accompanying notes.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2018

	Cumberland Historical	VIBATIV Historical	Pro Forma Adjustments		Pro Forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 38,259,233	$ —	$ (12,000,000)	(a)	$ 26,259,233
Marketable securities	9,533,703	—	—		9,533,703
Accounts receivable, net	7,055,138	—	—		7,055,138
Inventories, net	6,426,429	17,574,000	13,053,000	(b)	37,053,429
Other current assets	2,351,708	—	—		2,351,708
Total current assets	63,626,211	17,574,000	1,053,000		82,253,211
Property and equipment, net	539,019	—	—		539,019
Intangible assets, net	20,370,330	—	681,237	(c)	21,051,567
Deferred tax assets, net	87,210	—	—		87,210
Other assets	2,809,306	—	—		2,809,306
Total assets	$ 87,432,076	$ 17,574,000	$ 1,734,237		$ 106,740,313
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	$ 8,447,429	$ —	$ —		$ 8,447,429
Other current liabilities	7,070,860	—	6,381,987	(a)(d)	13,452,847
Deferred Revenue	—	5,000	(5,000)	(e)	—
Total current liabilities	15,518,289	5,000	6,376,987		21,900,276
Revolving line of credit	12,000,000	—	8,000,000	(a)	20,000,000
Other long-term liabilities	1,969,174	—	4,926,250	(d)	6,895,424
Deferred Revenue	—	80,000	(80,000)	(e)	—
Total liabilities	29,487,463	85,000	19,223,237		48,795,700
Commitments and contingencies					
Equity:					
Shareholders' equity:					
Common stock-no par value	51,235,612	—	—		51,235,612
Retained earnings	6,966,252	17,489,000	(17,489,000)	(f)	6,966,252
Total shareholders' equity	58,201,864	17,489,000	(17,489,000)		58,201,864
Noncontrolling interests	(257,251)	—	—		(257,251)
Total equity	57,944,613	17,489,000	(17,489,000)		57,944,613
Total liabilities and equity	$ 87,432,076	$ 17,574,000	$ 1,734,237		$ 106,740,313

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Unaudited Pro Forma Condensed Combined Statements of Operations
For the Nine Months Ended September 30, 2018

	Cumberland Historical	VIBATIV Historical	Pro Forma Adjustments	(1)	Pro Forma Combined
Revenues:					
Net product revenue	$ 27,243,859	$ 12,889,000	$ —		$ 40,132,859
Other revenue	—	15,000	—		15,000
Net revenues	27,243,859	12,904,000	—		40,147,859
Costs and expenses:					—
Cost of products sold	4,511,743	83,000	4,037,055	(g)	8,631,798
Selling, marketing, general and administrative	21,282,358	23,447,000	—		44,729,358
Research and development	4,631,384	16,037,000	—		20,668,384
Amortization	1,946,457	—	51,093	(h)	1,997,550
Total costs and expenses	32,371,942	39,567,000	4,088,148		76,027,090
Operating income (loss)	(5,128,083)	(26,663,000)	(4,088,148)		(35,879,231)
Interest income	398,420	—	—		398,420
Interest expense	(59,520)	—	(316,200)	(i)	(375,720)
Income (loss) before income taxes	(4,789,183)	(26,663,000)	(4,404,348)		(35,856,531)
Income tax (expense) benefit	(12,477)	—	—		(12,477)
Net income (loss)	(4,801,660)	(26,663,000)	(4,404,348)		(35,869,008)
Net loss at subsidiary attributable to noncontrolling interests	58,689	—	—		58,689
Net income (loss) attributable to common shareholders	$ (4,742,971)	$ (26,663,000)	$ (4,404,348)		$ (35,810,319)
Earnings (loss) per share attributable to common shareholders:					
Basic	$ (0.30)				$ (2.29)
Diluted	$ (0.30)				$ (2.29)
Weighted-average common shares outstanding:					
Basic	15,645,230				15,645,230
Diluted	15,645,230				15,645,230

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Unaudited Pro Forma Condensed Combined Statements of Operations
For the Year Ended December 31, 2017

	Cumberland Historical	VIBATIV Historical	Pro Forma Adjustments	(1)	Pro Forma Combined
Revenues:					
Net product revenue	$ 40,376,563	$ 14,788,000	$ —		$ 55,164,563
Other revenue	773,568	161,000	—		934,568
Net revenues	41,150,131	14,949,000	—		56,099,131
Costs and expenses:					—
Cost of products sold	7,370,585	6,030,000	4,919,738	(g)	18,320,323
Selling, marketing, general and administrative	31,523,307	38,389,000	—		69,912,307
Research and development	3,901,365	29,990,000	—		33,891,365
Amortization	2,436,222	—	68,124	(h)	2,504,346
Total costs and expenses	45,231,479	74,409,000	4,987,862		124,628,341
Operating income (loss)	(4,081,348)	(59,460,000)	(4,987,862)		(68,529,210)
Interest income	299,326	—	—		299,326
Interest expense	(92,904)	—	(421,600)	(i)	(514,504)
Income (loss) before income taxes	(3,874,926)	(59,460,000)	(5,409,462)		(68,744,388)
Income tax (expense) benefit	(4,174,889)	—	—		(4,174,889)
Net income (loss)	(8,049,815)	(59,460,000)	(5,409,462)		(72,919,277)
Net loss at subsidiary attributable to noncontrolling interests	71,182	—	—		71,182
Net income (loss) attributable to common shareholders	$ (7,978,633)	$ (59,460,000)	$ (5,409,462)		$ (72,848,095)
Earnings (loss) per share attributable to common shareholders:					
Basic	$ (0.50)				$ (4.58)
Diluted	$ (0.50)				$ (4.58)
Weighted-average common shares outstanding:					
Basic	15,911,577				15,911,577
Diluted	15,911,577				15,911,577

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements

The pro forma adjustments described below are based on our preliminary estimates and assumptions that are subject to change. The final purchase price allocation may vary based on final valuations and analyses of the fair value of the acquired assets and assumed liabilities. Cumberland is in the process of working with its advisors to complete the purchase price allocation and is further evaluating the step-up in inventory, the useful life of the intangible assets and the fair value of the future royalty payments. Accordingly, the pro forma adjustments are preliminary and have been made solely for illustrative purposes.

The following adjustments have been reflected in the unaudited pro forma condensed combined financial information:

Adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet

(a) Preliminary purchase price consideration:

Cash payment upon closing	$	20,000,000
Cash payment during 2019		5,000,000
Fair value of royalty payments		6,308,237
Total fair value of consideration transferred	$	31,308,237

The Company paid $20,000,000 at closing through the use of its $20,000,000 Revolving Credit Loan with Pinnacle Bank. At September 30, 2018, the Company had $12,000,000 outstanding under its Revolving Credit Loan. The $5,000,000 liability reflects the cash payment required during 2019. The fair value of royalty payments reflects the estimated fair value of the future net sales royalty payments under the agreement. As part of the Acquisition, Cumberland will pay tiered royalties up to 20% on future U.S. net sales of VIBATIV. Cumberland has accounted for the transaction as a business combination in accordance with ASC 805 and as a result the future royalty payments are required to be recognized at their acquisition-date fair value as part of the consideration transferred.

(b) Reflects the preliminary fair value adjustment of $13,053,000 to the acquired VIBATIV Assets' inventory to its preliminary estimated net realizable value. It is expected that this fair value adjustment for purchased inventory will impact the costs of products sold for a period greater than twelve months.

(c) Reflects the preliminary fair value of $681,237 for identifiable intangible assets. The identifiable intangible assets include U.S. Food and Drug Administration Orange Book listed patents. The intangible assets are being amortized using the straight-line amortization method over their currently estimated useful life of 10 years.

(d) Reflects the current and long-term components of the fair value of the future royalty payments liability of $6,308,237 described in Note (a). The Company estimated the current portion of the contingent liability related to sales royalties is $1,381,987 and the estimated non current portion of the liability is $4,926,250.

(e) Reflects the fair value adjustment to a deferred revenue liability previously recorded for the VIBATIV product line. The Company does not expect to incur future costs under the previous VIBATIV arrangement.

(f) Reflects the elimination of VIBATIV historical equity accounts.

Adjustments to the Unaudited Pro Forma Condensed Combined Statements of Operations

(g) Reflects the additional costs of product sold as a result of the step-up in the preliminary valuation of the VIBATIV Assets' inventory as described in Note (b).

(h) Reflects the increase in amortization expense from the step-up in the preliminary valuation of the VIBATIV intangible assets acquired described in Note (c). The intangible assets are being amortized using the straight-line amortization method over their currently estimated useful life of 10 years.

(i) Reflects the additional interest expense related to the borrowings described in Note (a). The calculation utilizes an interest rate of 5.27%, the Company's current borrowing rate under its Revolving Credit Loan as of January 2019.

These pro forma financial statement adjustments do not reflect any reductions for transaction costs that resulted from the Acquisition nor do they consider any in-process research and development assets. Cumberland did not identify any transaction costs or in-process research and development costs that would require capitalization or inclusion in these pro forma adjustments.

Cost savings related to synergies [(1)]

The combined pro forma financial information does not reflect the realization of any expected cost savings or other synergies from the acquisition of VIBATIV. We expect that there will be future significant cost savings in the selling, marketing, general and administrative expenses through the synergies of Cumberland promoting the product with its existing and expected planned infrastructure. Cumberland also expects to experience significant future improvements in the costs of research and development, compared to historical experience. An example of these expected expense savings includes the share-based compensation expenses. By comparing the share-based compensation expense incurred by VIBATIV and the Cumberland expected future amount, the Company currently estimates that it will experience annual savings of approximately $6 million per year. These share-based compensation expense reductions as well as other expected synergies are not reflected in the pro forma condensed consolidated statements of operations. Although the Company believes such cost savings and other synergies will be realized following the asset acquisition, there can be no assurance that these cost savings or any other synergies will be fully achieved.

Preliminary purchase price allocation and assumptions

As noted previously, the pro forma adjustments are based on our preliminary estimates and assumptions that are subject to change. The final fair value of the contingent consideration and the final purchase price allocation may vary based on final valuations and analyses of the fair value of the acquired assets and assumed liabilities. Cumberland is in the process of working with its advisors to complete the purchase price allocation and is further evaluating the step-up in inventory, the useful life of the intangible assets and the fair value of the future royalty payments. Cumberland agreed to pay tiered royalties up to 20% on future U.S. net sales of VIBATIV. As part of the purchase price allocation Cumberland must recognize the estimated fair value of these tiered royalties as contingent consideration. Under ASC 805, the resulting liability is required to be remeasured at fair value through net income at the end of each reporting period.