



COMPENSATION COMMITTEE CHARTER

I. Purpose

The Compensation Committee (the "Committee") is a committee of, and reports to, the Board of Directors (the "Board") of Cumberland Pharmaceuticals Inc. (the "Company"). Through this Charter, the Board delegates certain responsibilities to the Committee to assist the Board in the fulfillment of its duties to the Company and its shareholders.

II. Authority

Except as restricted by law, the Company's charter, or its bylaws, and except for such activities as the Board may specifically reserve for consideration or approval by the Board, the Committee shall have, and may exercise, all authority that is vested in the Board with respect to compensation related matters that may reasonably be considered or approved by the Committee.

The Committee shall be given the resources and assistance necessary to discharge its responsibilities. The Committee shall also have the authority to engage outside advisers and compensation consultants as it deems necessary or appropriate and assess the independence of such advisors and consultants including a review of potential conflicts of interest.

III. Composition

The Committee shall be appointed by the Board. It shall consist of a minimum of two directors and be composed solely of independent directors.¹ Each Committee member shall be elected annually and shall serve until his or her Committee service is completed. The Committee Chairperson (the "Chair") shall also be appointed by the Board. Committee members must have an understanding of, and interest in, compensation and benefits issues relevant to the Company's workforce, derived from management responsibility or relevant training or education.

IV. Meetings

The Committee shall hold at least two meetings each year by teleconference or in person and such additional meetings as may be required. Meetings may be called by the Chair or by the Chairman of the Board of the Company. Committee Meetings may be held at any time, in any place and in any manner permitted by applicable law and the bylaws of the Company.

The presence in person or by telephone of a majority of the Committee shall constitute a quorum. The Committee may also act by unanimous written consent. Any member of the Board who is not a member of the Committee may attend any Committee meeting with the concurrence of the Chair. The Committee will maintain minutes or other records of its meetings and activities. The results of the meetings shall be reported to the full Board by the Chair.

¹ "Independent Director" is defined in accordance with NASDAQ listing standards and Securities and Exchange Commission regulations.

To the extent practicable, the meeting agenda, draft minutes from the prior meeting and supporting materials shall be provided to members of the Committee prior to each meeting to allow time for review. The Committee shall have authority to create and delegate specific tasks to such standing or ad hoc subcommittees as it may determine to be necessary or appropriate for the discharge of its responsibilities, as long as the subcommittee contains at least the minimum number of directors necessary to meet any regulatory requirements.

V. Responsibilities and Duties

1. Overall Policy: The Committee shall conduct periodic reviews of the Company's general employee compensation and benefits programs, policies and strategies and make recommendations to the Board.
2. Executive Performance: The Committee shall review the corporate goals and objectives relevant to compensation of the Company's Chief Executive Officer (the "CEO"), and periodically evaluate his or her performance in light of such goals and objectives. The Committee shall have authority to determine and recommend to the Board of Directors, the compensation level for the CEO based upon this evaluation.
3. Executive Salaries: Subject to terms of existing employment contracts, the Committee shall review and consider approval of the CEO's recommendations for the salaries of the named executive officers reporting directly to the CEO.
4. Executive Bonuses: Subject to the terms of any existing employment contracts, the Committee shall (a) approve performance targets for bonus eligibility, and (b) approve bonus awards, including any equity-based bonus awards, to the named executive officers reporting directly to the CEO.
5. Executive Compensation subject to Section 162(m) of the Internal Revenue Code: The Committee shall establish performance goals for bonuses and determine whether such performance goals were satisfied in awarding such bonuses for executive compensation subject to Section 162(m) of the Internal Revenue Code (which pertains to the deductibility of over \$1 million in annual compensation for any one executive).
6. Other Incentives, Benefits and Plans:
 - The Committee shall conduct reviews of the Company's benefit programs, individually and in aggregate, for the CEO, executive officers and other senior executives.
 - The Committee shall review, approve, amend, and/or make recommendations as necessary to the Board relating to (i) all incentive, performance-based and equity-based plans and (ii) such other compensation, benefit, pension or welfare plans or programs as may be submitted to the Committee by the CEO.
7. Board Compensation: The Committee shall review and recommend to the Board compensation guidelines for the members of the Board.
8. Contracts: The Committee shall review and approve employment contracts for the CEO, executive officers and other senior executives.

9. Succession Planning: The Committee shall review succession plans developed by the CEO for his or her direct reports in the organization.
10. Incentive Plans: The Committee shall review the status of grandfathered incentive plans, if applicable.
11. Personnel Issues: The Committee shall consider and assist in any personnel matters as requested by the CEO.
12. Annual Reports: The Committee shall prepare an annual report on executive compensation done in a format accordant with rules and regulations of the Sarbanes-Oxley Act and of the NASDAQ Stock Market Rules. The Chair or other designated Committee member shall review and approve any report of the Committee for inclusion in any external report as required by the relevant stock exchange or federal Securities and Exchange Commission (the "SEC") regulation.
13. Say on Pay: The Committee shall review and recommend to the Board for approval the frequency with which the Company will conduct Say on Pay Votes, taking into account the results of the most recent shareholder advisory vote on frequency of Say on Pay Votes required by Section 14A of the Exchange Act, and review and approve the proposals regarding the Say on Pay Vote and the frequency of the Say on Pay Vote to be included in the Company's proxy statement.
14. Compensation Committee Charter: The Committee shall review this Charter periodically for adequacy and recommend to the Board any necessary changes.