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 March 31, 2018

☐ **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 1-13602

Veru Inc.

(Name of registrant as specified in its charter)

Wisconsin	**39-1144397**
(State of Incorporation)	**(I.R.S. Employer Identification No.)**
4400 Biscayne Boulevard, Suite 888	
Miami, FL	**33137**
(Address of principal executive offices)	**(Zip Code)**

305-509-6897
(Registrant's telephone number, including area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

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 ☐

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

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company☒
(Do not check if smaller reporting company)	Emerging growth company☐

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. ☐

Indicate by check mark whether the registrant is a shell company (as determined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 8, 2018, the registrant had 53,512,946 shares of $0.01 par value common stock outstanding.

VERU INC.
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FORWARD LOOKING STATEMENTS

Certain statements included in this quarterly report on Form 10-Q which are not statements of historical fact are intended to be, and are hereby identified as, "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about future financial and operating results, plans, objectives, expectations and intentions, costs and expenses, outcome of contingencies, financial condition, results of operations, liquidity, cost savings, objectives of management, business strategies, clinical trial timing and plans, the achievement of clinical and commercial milestones, the advancement of our technologies and our products and drug candidates, and other statements that are not historical facts. Forward-looking statements can be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "could," "expect, " "intend," "may," "opportunity," "plan," "predict," "potential," "estimate," "should, " "will," "would" or the negative of these terms or other words of similar meaning. These statements are based upon the Company's current plans and strategies and reflect the Company's current assessment of the risks and uncertainties related to its business, and are made as of the date of this report. The Company cautions readers that forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. Such factors include, among others, the following:

- potential delays in the timing of and results from clinical trials and studies and the risk that such results will not support marketing approval and commercialization;
- potential delays in the timing of any submission to the U.S. Food and Drug Administration (the FDA) and in regulatory approval of products under development;
- risks relating to the Company's ability to secure adequate financing on acceptable terms when needed to fund product development and the Company's operations;
- risks related to the development of the Company's product portfolio, including clinical trials, regulatory approvals and time and cost to bring to market;
- product demand and market acceptance;
- some of the Company's products are in development and the Company may fail to successfully commercialize such products;
- risks related to intellectual property, including the uncertainty of obtaining intellectual property protections and in enforcing them, the possibility of infringing a third party's intellectual property, and licensing risks;
- competition from existing and new competitors including the potential for reduced sales, pressure on pricing and increased spending on marketing;
- risks relating to compliance and regulatory matters, including costs and delays resulting from extensive government regulation and reimbursement and coverage under healthcare insurance and regulation;
- risk inherent in doing business on an international level;
- the disruption of production at the Company's manufacturing facilities due to raw material shortages, labor shortages and/or physical damage to the Company's facilities;
- the Company’s reliance on its major customers and risks relating to delays in payment of accounts receivable by major customers;
- the Company's growth strategy;
- the costs and other effects of litigation, governmental investigations, legal and administrative cases and proceedings, settlements and investigations;
- government contracting risks;
- the Company’s ability to identify, successfully negotiate and complete suitable acquisitions or other strategic initiatives; and
- the Company’s ability to successfully integrate acquired businesses, technologies or products.

Such uncertainties and other risks that may affect the Company's performance are discussed further in Part I, Item 1A, "Risk Factors," in the Company's Form 10-K for the year ended September 30, 2017 and Part II, Item 1A of this Form 10-Q. The Company undertakes no obligation to make any revisions to the forward-looking statements contained in this report or to update them to reflect events or circumstances occurring after the date of this report.

Item 1. Financial Statements

VERU INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2018	September 30, 2017
ASSETS		
Current Assets:		
Cash	$ 8,972,498	$ 3,277,602
Accounts receivable, net	2,969,073	3,555,350
Inventory, net	3,589,057	2,767,924
Prepaid expenses and other current assets	629,527	697,097
TOTAL CURRENT ASSETS	16,160,155	10,297,973
LONG-TERM ASSETS		
PLANT AND EQUIPMENT		
Equipment, furniture and fixtures	4,069,810	4,067,896
Leasehold improvements	287,686	287,686
Less: accumulated depreciation and amortization	(3,888,281)	(3,800,043)
Plant and equipment, net	469,215	555,539
Other trade receivables (Note 4)	—	7,837,500
Other assets	165,959	156,431
Deferred assets	424,921	—
Deferred income taxes	13,480,558	8,827,000
Intangible assets, net	20,615,360	20,752,991
Goodwill	6,878,932	6,878,932
TOTAL ASSETS	$ 58,195,100	$ 55,306,366
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 3,539,667	$ 2,685,718
Accrued expenses and other current liabilities	1,940,348	1,441,359
Credit agreement, short-term portion (Note 7)	3,912,888	—
Unearned revenue	872,370	1,014,517
Accrued compensation	322,654	345,987
TOTAL CURRENT LIABILITIES	10,587,927	5,487,581
LONG-TERM LIABILITIES		
Credit agreement, long-term portion (Note 7)	5,822,693	—
Residual royalty agreement (Note 7)	372,070	—
Other liabilities (Note 4)	—	1,233,750
Deferred rent	81,192	131,830
TOTAL LIABILITIES	16,863,882	6,853,161
Commitments and contingencies (Note 10)		
STOCKHOLDERS' EQUITY		
Preferred stock	—	—
Common stock	556,967	553,922
Additional paid-in-capital	91,514,007	90,550,669
Accumulated other comprehensive loss	(581,519)	(581,519)
Accumulated deficit	(42,351,632)	(34,263,262)
Treasury stock, at cost	(7,806,605)	(7,806,605)
TOTAL STOCKHOLDERS' EQUITY	41,331,218	48,453,205
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 58,195,100	$ 55,306,366

See notes to unaudited condensed consolidated financial statements.

VERU INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	2017	2018	2017
Net revenues	$ 2,572,872	$ 2,405,519	$ 5,159,485	$ 5,649,118
Cost of sales	1,373,469	1,127,864	2,645,570	2,719,179
Gross profit	1,199,403	1,277,655	2,513,915	2,929,939
Operating expenses:				
Research and development	2,076,794	1,207,561	4,035,162	1,374,959
Selling, general and administrative	3,819,159	2,541,312	6,847,748	5,074,518
Loss on settlement of accounts receivable	—	—	3,764,137	—
Business acquisition	—	108,015	—	934,385
Total operating expenses	5,895,953	3,856,888	14,647,047	7,383,862
Operating loss	(4,696,550)	(2,579,233)	(12,133,132)	(4,453,923)
Non-operating expenses:				
Interest expense	(350,595)	—	(350,595)	—
Other expense, net	(2,411)	(12,686)	(15,580)	(22,307)
Change in fair value of derivative liabilities	(21,000)	—	(21,000)	—
Foreign currency transaction loss	(63,077)	(8,756)	(116,532)	(20,695)
Total non-operating expenses	(437,083)	(21,442)	(503,707)	(43,002)
Loss before income taxes	(5,133,633)	(2,600,675)	(12,636,839)	(4,496,925)
Income tax benefit	(1,302,416)	(824,033)	(4,548,469)	(1,354,102)
Net loss	$ (3,831,217)	$ (1,776,642)	$ (8,088,370)	$ (3,142,823)
Net loss per basic and diluted common share outstanding	$ (0.07)	$ (0.06)	$ (0.15)	$ (0.10)
Basic and diluted weighted average common shares outstanding	53,355,944	30,982,497	53,253,901	30,979,283

See notes to unaudited condensed consolidated financial statements.

VERU INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Preferred Stock	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock, at Cost	Total
		Shares	Amount					
Balance at September 30, 2017	$ —	55,392,193	$ 553,922	$90,550,669	$ (581,519)	$(34,263,262)	$(7,806,605)	$48,453,205
Share-based compensation	—	—	—	619,302	—	—	—	619,302
Shares issued in connection with common stock purchase agreement	—	304,457	3,045	344,036	—	—	—	347,081
Net loss	—	—	—	—	—	(8,088,370)	—	(8,088,370)
Balance at March 31, 2018	$ —	55,696,650	$ 556,967	$91,514,007	$ (581,519)	$(42,351,632)	$(7,806,605)	$41,331,218

See notes to unaudited condensed consolidated financial statements.

VERU INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended March 31,	
	2018	2017
OPERATING ACTIVITIES		
Net loss	$ (8,088,370)	$ (3,142,823)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	88,239	177,444
Amortization of intangible assets	137,631	66,822
Noncash interest expense	350,595	—
Share-based compensation	619,302	422,469
Warrants issued	—	542,930
Deferred income taxes	(4,653,558)	(1,464,900)
Loss on settlement of accounts receivable	3,764,137	—
Change in fair value of derivative liabilities	21,000	—
Other	(1,942)	4,469
Changes in current assets and liabilities, net of effects of acquisition of a business:		
Decrease in accounts receivable	3,255,107	3,471,625
(Increase) decrease in inventory	(821,133)	95,419
Decrease in prepaid expenses and other assets	58,042	37,313
Increase (decrease) in accounts payable	853,949	(353,223)
Decrease in unearned revenue	(142,147)	—
Increase (decrease) in accrued expenses and other current liabilities	375,957	(917,542)
Net cash used in operating activities	(4,183,191)	(1,059,997)
INVESTING ACTIVITIES		
Capital expenditures	(1,913)	(83,492)
Net cash used in investing activities	(1,913)	(83,492)
FINANCING ACTIVITIES		
Proceeds from SWK credit agreement	10,000,000	—
Payment of debt issuance costs	(120,000)	—
Net cash provided by financing activities	9,880,000	—
Net increase (decrease) in cash	5,694,896	(1,143,489)
CASH AT BEGINNING OF PERIOD	3,277,602	2,385,082
CASH AT END OF PERIOD	$ 8,972,498	$ 1,241,593
Schedule of noncash investing and financing activities:		
Issuance of common stock in connection with the APP Acquisition	$ —	$ 1,826,097
Issuance of Series 4 Preferred Stock in connection with the APP Acquisition	$ —	$ 17,981,883
Reduction of accrued expense upon issuance of shares	$ —	$ 22,176
Fixed assets in accounts payable at period end	$ —	$ 7,937
Shares issued in connection with common stock purchase agreement	$ 347,081	$ —
Increase in deferred assets from accounts payable and accrued expenses	$ 77,840	$ —
Debt issuance costs in accounts payable and accrued expenses	$ 143,943	$ —

See notes to unaudited condensed consolidated financial statements.

VERU INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements for Veru Inc. ("we," "our," "us," "Veru" or the "Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for reporting of interim financial information. Pursuant to these rules and regulations, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") have been condensed or omitted, although the Company believes that the disclosures made are adequate to make the information not misleading. Accordingly, these statements do not include all the disclosures normally required by U.S. GAAP for annual financial statements and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in this report and the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017. The accompanying condensed consolidated balance sheet as of September 30, 2017 has been derived from our audited financial statements. The unaudited condensed consolidated statements of operations for the three and six months ended March 31, 2018 and cash flows for the six months ended March 31, 2018 are not necessarily indicative of the results to be expected for any future period or for the year ending September 30, 2018.

The preparation of our unaudited interim condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments (consisting of only normally recurring adjustments) necessary to present fairly the financial position and results of operations as of the dates and for the periods presented.

Principles of Consolidation and Nature of Operations

The consolidated financial statements include the accounts of Veru and its wholly owned subsidiaries, Aspen Park Pharmaceuticals, Inc. ("APP") and The Female Health Company Limited, and The Female Health Company Limited's wholly owned subsidiaries, The Female Health Company (UK) plc and The Female Health Company (M) SDN.BHD. All significant intercompany transactions and accounts have been eliminated in consolidation. Prior to the completion of the acquisition (the "APP Acquisition") of APP through the merger of a wholly owned subsidiary of the Company into APP, the Company had been a single product company engaged in marketing, manufacturing and distributing a consumer health care product, the FC2 Female Condom® ("FC2"). The completion of the APP Acquisition transitioned the Company into a biopharmaceutical company with multiple drug products under clinical development focused on urology and oncology. Nearly all of the Company's net revenues during the three and six months ended March 31, 2018 and 2017 were derived from sales of FC2. The Female Health Company Limited is the holding company of The Female Health Company (UK) plc, which is located in London, England (collectively the "U.K. subsidiary"). The Female Health Company (M) SDN.BHD leases a manufacturing facility located in Selangor D.E., Malaysia (the "Malaysia subsidiary"). The Company's headquarters are located in Miami, Florida in a leased office facility.

FC2 has been distributed in either or both commercial (private sector) and public health sector markets in 144 countries. It is marketed to consumers in 25 countries through distributors, public health programs, and/or retailers and in the U.S. by prescription.

Reclassifications: Certain prior period amounts in the accompanying unaudited interim condensed consolidated financial statements have been reclassified to conform with the current period presentation. These reclassifications had no effect on the results of operations or financial position for any period presented.

Cash concentration: The Company's cash is maintained primarily in three financial institutions, located in Chicago, Illinois, London, England and Kuala Lumpur, Malaysia, respectively.

Restricted cash: Restricted cash relates to security provided to one of the Company's U.K. banks for performance bonds issued in favor of customers. The Company has a facility of $250,000 for such performance bonds. Such security has been extended infrequently and only on occasions where it has been a contract term expressly stipulated as an absolute requirement by the customer or its provider of funds. The expiration of the bond is defined by the completion of the event such as, but not limited to, a period of time after the product has been distributed or expiration of the product shelf life. Restricted cash was approximately $145,000 and $139,000 at March 31, 2018 and September 30, 2017, respectively, and is included in cash on the accompanying unaudited condensed consolidated balance sheets.

Accounts receivable and concentration of credit risk: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis.

The Company's standard credit terms vary from 30 to 120 days, depending on the class of trade and customary terms within a territory, so accounts receivable is affected by the mix of purchasers within the period. As is typical in the Company's business, extended credit terms may occasionally be offered as a sales promotion or for certain sales. The Company has agreed to credit terms of up to 150 days with our distributor in the Republic of South Africa. For the most recent order of 15 million units under the last Brazil tender, the Company has agreed to up to 360 days credit terms with our distributor in Brazil subject to earlier payment upon receipt of payment by the distributor from the Brazilian Government. See discussion of receivables in Note 4. For the past twelve months, the Company's average days' sales outstanding was approximately 207 days.

Inventory: Inventories are valued at the lower of cost or net realizable value. The cost is determined using the first-in, first-out ("FIFO") method. Inventories are also written down for management's estimates of product which will not sell prior to its expiration date. Write-downs of inventories establish a new cost basis which is not increased for future increases in the net realizable value of inventories or changes in estimated obsolescence.

Equipment, furniture and fixtures: Depreciation and amortization are computed using primarily the straight-line method. Depreciation and amortization are computed over the estimated useful lives of the respective assets which range as follows:

Manufacturing equipment	5 – 10 years
Office equipment	3 – 5 years
Furniture and fixtures	7 – 10 years

Depreciation on leased assets is computed over the lesser of the remaining lease term or the estimated useful lives of the assets. Depreciation on leased assets is included with depreciation on owned assets.

Patents and trademarks: The costs for patents and trademarks are expensed when incurred.

Intangible assets: Our intangible assets arose from the APP Acquisition on October 31, 2016. These intangible assets are carried at cost less accumulated amortization. Intangible assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. In-process research and development ("IPR&D") is required to be tested at least annually until the underlying projects are completed or abandoned.

Assets acquired and liabilities assumed in business combinations, licensing and other transactions are generally recognized at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recognized as goodwill. We determined the fair value of intangible assets, including IPR&D, using the "income method." This method starts with a forecast of net cash flows, risk adjusted for estimated probabilities of technical and regulatory success and adjusted to present value using an appropriate discount rate that reflects the risk associated with the cash flow streams. All assets are valued from a market participant view which might be different than our specific views. The valuation process is very complex and requires significant input and judgment using internal and external sources. Although a valuation is required to be finalized within a one-year period, it must consider all and only those facts and evidence which existed at the acquisition date. The most complex and judgmental matters applicable to the valuation process are summarized below:

- Unit of account – Most intangible assets are valued as single global assets rather than multiple assets for each jurisdiction or indication after considering the development stage, expected levels of incremental costs to obtain additional approvals, risks associated with further development, amount and timing of benefits expected to be derived in the future, expected patent lives in various jurisdictions and the intention to promote the asset as a global brand.
- Estimated useful life – The asset life expected to contribute meaningful cash flows is determined after considering all pertinent matters associated with the asset, including expected regulatory approval dates (if unapproved), exclusivity periods and other legal, regulatory or contractual provisions as well as the effects of any obsolescence, demand, competition, and other economic factors, including barriers to entry.
- Probability of Technical and Regulatory Success ("PTRS") Rate – PTRS rates are determined based upon industry averages considering the respective project's development stage and disease indication and adjusted for specific information or data known at the acquisition date. Subsequent clinical results or other internal or external data obtained could alter the PTRS rate and materially impact the estimated fair value of the intangible asset in subsequent periods leading to impairment charges.
- Projections – Future revenues are estimated after considering many factors such as initial market opportunity, pricing, sales trajectories to peak sales levels, competitive environment and product evolution. Future costs and expenses are estimated after considering historical market trends, market participant synergies and the timing and level of additional development costs to obtain the initial or additional regulatory approvals, maintain or further enhance the product. We generally assume initial positive cash flows to commence shortly after the receipt of expected regulatory approvals which typically may not occur for a number of years. Actual cash flows attributed to the project are likely to be different than those assumed since projections are subjected to multiple factors including trial results and regulatory matters which could materially change the ultimate commercial success of the asset as well as significantly alter the costs to develop the respective asset into commercially viable products.
- Tax rates – The expected future income is tax effected using a market participant tax rate. In determining the tax rate, we consider the jurisdiction in which the intellectual property is held and location of research and manufacturing infrastructure. We also consider that any repatriation of earnings would likely have U.S. tax consequences.
- Discount rate – Discount rates are selected after considering the risks inherent in the future cash flows; the assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory, or economic barriers to entry, as well as expected changes in standards of practice for indications addressed by the asset.

Intangible assets are highly vulnerable to impairment charges, particularly newly acquired assets for recently launched products. These assets are initially measured at fair value and therefore any reduction in expectations used in the valuations could potentially lead to impairment. Some of the more common potential risks leading to impairment include competition, earlier than expected loss of exclusivity, pricing pressures, adverse regulatory changes or clinical trial results, delay or failure to obtain regulatory approval and additional development costs, inability to achieve expected synergies, higher operating costs, changes in tax laws and other macro-economic changes. The complexity in estimating the fair value of intangible assets in connection with an impairment test is similar to the initial valuation. Considering the high-risk nature of research and development and the industry's success rate of bringing developmental compounds to market, IPR&D impairment charges are likely to occur in future periods.

Goodwill: Goodwill represents the difference between the purchase price and the estimated fair value of the net assets acquired in connection with the APP Acquisition. All goodwill resides in the Company's Research and Development reporting unit.

Goodwill is tested at least annually for impairment or when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable, by assessing qualitative factors or performing a quantitative analysis in determining whether it is more likely than not that its fair value exceeds the carrying value. Examples of qualitative factors include our share price, our financial performance compared to budgets, long-term financial plans, macroeconomic, industry and market conditions as well as the substantial excess of fair value over the carrying value of net assets from the annual impairment test previously performed.

The estimated fair value of a reporting unit is highly sensitive to changes in projections and assumptions; therefore, in some instances changes in these assumptions could potentially lead to impairment. We perform sensitivity analyses around our assumptions in order to assess the reasonableness of the assumptions and the results of our testing. Ultimately, future potential changes in these assumptions may impact the estimated fair value of a reporting unit and cause the fair value of the reporting unit to be below its carrying value. We believe that our estimates are consistent with assumptions that marketplace participants would use in their estimates of fair value; however, if actual results are not consistent with our estimates and assumptions, we may be exposed to an impairment charge that could be material.

Deferred Financing Costs: Costs incurred in connection with the common stock purchase agreement discussed in Note 8have been included in deferred assets on the accompanying unaudited condensed consolidated balance sheet at March 31, 2018. When shares of the Company's common stock are sold under the common stock purchase agreement, a pro-rata portion of the deferred costs will be recorded to additional paid-in-capital. Costs incurred in connection with the issuance of debt discussed in Note 7 are presented as a reduction of the debt on the accompanying unaudited condensed consolidated balance sheet at March 31, 2018. These issuance costs are being amortized using the effective interest method over the expected repayment period of the debt, which is currently estimated to occur in the first quarter of fiscal 2021. The amount of amortization was approximately $6,000 for the three and six months ended March 31, 2018.

Fair value measurements: Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820 – *Fair Value Measurements and Disclosures,* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 requires disclosures about the fair value of all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about the fair value of financial instruments are based on pertinent information available to us as of the reporting dates. Accordingly, the estimates presented in the accompanying unaudited condensed consolidated financial statements are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments. See Note 3 for a discussion of fair value measurements.

Unearned revenue: FC2 is distributed in the U.S. prescription channel principally through large pharmaceutical distributors. These distributors then sell principally to retail pharmacies. Unearned revenue as of March 31, 2018 and September 30, 2017 was approximately $872,000 and $1,015,000, respectively, and was comprised mainly of sales made to a large distributor. We lack the experiential data which would allow us to estimate returns for product sold to this distributor. Therefore, as of March 31, 2018 and September 30, 2017, we determined that we do not yet meet the criteria for the recognition of revenue at the time of shipment to this distributor as returns cannot be reasonably estimated. Accordingly, the Company deferred recognition of revenue on prescription product sold to this particular distributor until the right of return no longer exists, which occurs at the earlier of the time the prescription products were dispensed through patient prescriptions or expiration of the right of return.

Derivative instruments: The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks. The Company reviews the terms of debt instruments it enters into to determine whether there are embedded derivative instruments, which are required to be bifurcated and accounted for separately as derivative financial instruments. Embedded derivatives that are not clearly and closely related to the host contract are bifurcated and are recognized at fair value with changes in fair value recognized as either a gain or loss in earnings.

Revenue recognition: The Company recognizes revenue from product sales when each of the following conditions has been met: an arrangement exists, delivery has occurred, there is a fixed price, and collectability is reasonably assured.

Research and development costs: Research and development costs are expensed as they are incurred and include salaries and benefits, clinical trials costs and contract services. Nonrefundable advance payments made for goods or services to be used in research and development activities are deferred and capitalized until the goods have been delivered or the related services have been performed. If the goods are no longer expected to be delivered or the services are no longer expected to be performed, the Company would be required to expense the related capitalized advance payments. The Company had no capitalized nonrefundable advance payments as of March 31, 2018 or September 30, 2017.

The Company records estimated costs of research and development activities conducted by third-party service providers, which include the conduct of preclinical studies and clinical trials and contract manufacturing activities. These costs are a significant component of the Company's research and development expenses. The Company accrues for these costs based on factors such as estimates of the work completed and in accordance with agreements established with its third-party service providers under the service agreements. The Company makes significant judgments and estimates in determining the accrued liabilities balance in each reporting period. As actual costs become known, the Company adjusts its accrued liabilities. The Company has not experienced any material differences between accrued costs and actual costs incurred. However, the status and timing of actual services performed, number of patients enrolled and the rate of patient enrollments may vary from the Company's estimates, resulting in adjustments to expense in future periods. Changes in these estimates that result in material changes to the Company's accruals could materially affect the Company's results of operations.

Share-based compensation: The Company accounts for share-based compensation expense for equity awards exchanged for services over the vesting period based on the grant-date fair value. In many instances, the equity awards are issued upon the grant date subject to vesting periods. In certain instances, the equity awards provide for future issuance contingent on future continued employment or performance of services as of the issuance date.

Advertising: The Company's policy is to expense advertising costs as incurred. Advertising costs were immaterial to the Company's results of operations for the three and six months ended March 31, 2018 and 2017.

Income taxes: The Company files separate income tax returns for its foreign subsidiaries. FASB ASC Topic 740 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are also provided for carryforwards for income tax purposes. In addition, the amount of any future tax benefits is reduced by a valuation allowance to the extent such benefits are not expected to be realized.

Foreign currency translation and operations: Effective October 1, 2009, the Company determined that there were significant changes in facts and circumstances, triggering an evaluation of its subsidiaries' functional currency. The evaluation indicated that the U.S. dollar is the currency with the most significant influence upon the subsidiaries. Because all of the U.K. subsidiary's future sales and cash flows would be denominated in U.S. dollars following the October 2009 cessation of production of the Company's first-generation product, FC1, the U.K. subsidiary adopted the U.S. dollar as its functional currency effective October 1, 2009. As the Malaysia subsidiary is a direct and integral component of the U.K. parent's operations, it, too, adopted the U.S. dollar as its functional currency as of October 1, 2009. The consistent use of the U.S. dollar as the functional currency across the Company reduces its foreign currency risk and stabilizes its operating results. The cumulative foreign currency translation loss included in accumulated other comprehensive loss was $581,519 as of March 31, 2018 and September 30, 2017. Assets located outside of the U.S. totaled approximately $5,300,000 and $5,600,000 at March 31, 2018 and September 30, 2017, respectively.

Other comprehensive loss: Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net loss. Although certain changes in assets and liabilities, such as foreign currency translation adjustments, are reported as a separate component of the equity section of the accompanying condensed consolidated balance sheets, these items, along with net loss, are components of other comprehensive loss.

The U.S. parent company and its U.K. subsidiary routinely purchase inventory produced by its Malaysia subsidiary for sale to their respective customers. These intercompany trade accounts are eliminated in consolidation. The Company's policy and intent is to settle the intercompany trade account on a current basis. Since the U.K. and Malaysia subsidiaries adopted the U.S. dollar as their functional currencies effective October 1, 2009, no foreign currency gains or losses from intercompany trade are recognized. In the three and six months ended March 31, 2018 and 2017, comprehensive loss is equivalent to the reported net loss.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09*Revenue from Contracts with Customers (Topic 606)*. This new accounting guidance on revenue recognition provides for a single five-step model that includes identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations, and recognizing revenue when, or as, an entity satisfies a performance obligation. This new guidance is to be applied to all revenue contracts with customers. The new standard also requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. ASU 2014-09 will be effective for the Company beginning on October 1, 2018. ASU 2014-09 allows for either full retrospective or modified retrospective adoption. We have not yet selected a transition method, and we are currently evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures.

In July 2015, the FASB issued ASU 2015-11,*Inventory (Topic 330)*: Simplifying the Measurement of Inventory. This new accounting guidance more clearly articulates the requirements for the measurement and disclosure of inventory. Topic 330, Inventory, currently requires an entity to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. This new accounting guidance requires the measurement of inventory at the lower of cost or net realizable value. ASU 2015-11 was effective for the Company beginning on October 1, 2017, and the adoption did not have a material effect on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02,*Leases (Topic 842)*. The amendments in this Update increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 will be effective for the Company beginning on October 1, 2019. Early adoption is permitted. We are currently evaluating the effect of the new guidance on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued ASU 2016-09,*Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The amendments in this Update simplify the income tax effects, minimum statutory tax withholding requirements and impact of forfeitures related to how share-based payments are accounted for and presented in the financial statements. ASU 2016-09 was effective for the Company beginning on October 1, 2017, and the adoption did not have a material effect on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18,*Statement of Cash Flows (Topic 230): Restricted Cash*. The purpose of ASU 2016-18 is to clarify guidance and presentation related to restricted cash in the statements of cash flows as well as increased disclosure requirements. It requires beginning-of-period and end-of-period total amounts shown on the statements of cash flows to include cash and cash equivalents as well as restricted cash and restricted cash equivalents. ASU 2016-18 will be effective for annual periods beginning after December 15, 2017, including interim reporting periods within those annual periods. Early adoption is permitted. We are in the process of determining the effect the adoption will have on our consolidated statements of cash flows.

In January 2017, the FASB issued ASU 2017-04,*Intangibles - Goodwill and Other Topics (Topic 350): Simplifying the Test for Goodwill Impairment*. The purpose of ASU 2017-04 is to reduce the cost and complexity of evaluating goodwill for impairment. It eliminates the need for entities to calculate the impaired fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Under this amendment, an entity will perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An impairment charge is recognized for the amount by which the carrying value exceeds the reporting unit's fair value. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim

or annual goodwill impairment tests performed on testing dates after January 1, 2017. We do not expect Update No. 2017-04 to have a material effect on our financial position or results of operations.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The purpose of ASU 2017-01 is to change the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. Update No. 2017-01 will be effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted as of the beginning of an annual or interim period for which financial statements have not been issued or made available for issuance. The adoption of ASU 2017-01 is not expected to have a material effect on our financial position or results of operations.

In May 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting*. The purpose of ASU 2017-09 is to provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. ASU 2017-09 will be effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted as of the beginning of an annual or interim period for which financial statements have not been issued or made available for issuance. The adoption of ASU 2017-09 is not expected to have a material effect on our financial position or results of operations.

Note 2 - APP Acquisition

On October 31, 2016, as part of the Company's strategy to diversify its product line to mitigate the risks of being a single product company, the Company completed the APP Acquisition through the merger of a wholly owned subsidiary of the Company into APP. The completion of the APP Acquisition transitioned the Company from a single product company selling only FC2 to a biopharmaceutical company with multiple drug products under clinical development focused on urology and oncology.

The Company incurred acquisition-related costs of approximately $100,000 and $900,000 in the three and six months ended March 31, 2017, respectively, which are presented on a separate line item in the accompanying unaudited condensed consolidated statements of operations. The Company did not incur acquisition-related costs in the three and six months ended March 31, 2018.

As of the date of the APP Acquisition, APP had developed technology consisting of PREBOOST® medicated wipes for prevention of premature ejaculation. IPR&D represents incomplete research and development projects at APP as of the date of the APP Acquisition. The fair value of the developed technology and IPR&D were determined using the income approach, which was prepared based on forecasts by management.

Purchase price in excess of assets acquired and liabilities assumed was recorded as goodwill. Goodwill from the APP Acquisition principally relates to intangible assets that do not qualify for separate recognition, our expectation to develop and market new products, and the deferred tax liability generated as a result of the transaction. Goodwill is not tax deductible for income tax purposes and was assigned to the Research and Development reporting unit.

In connection with the APP Acquisition, a consolidated complaint has been filed against the Company and its directors alleging breach of fiduciary duty. The Company intends to vigorously defend this lawsuit. See Note 10 for additional detail.

Note 3 – Fair Value Measurements

FASB ASC Topic 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Instruments with primarily unobservable value drivers.

We review the fair value hierarchy classification on a quarterly basis. Changes in the ability to observe valuation inputs may result in a reclassification of levels of certain securities within the fair value hierarchy. There were no transfers between Level 1, Level 2 and Level 3 during the six months ended March 31, 2018.

As of March 31, 2018, the Company's financial liabilities measured at fair value on a recurring basis, which consisted of embedded derivatives, were classified within Level 3 of the fair value hierarchy. The Company did not have any financial assets or liabilities measured at fair value on a recurring basis as of September 30, 2017.

The Company determines the fair value of hybrid instruments based on available market data using appropriate valuation models, giving consideration to all of the rights and obligations of each instrument. The Company estimates the fair value of hybrid instruments using various techniques (and combinations thereof) that are considered to be consistent with the objective of measuring fair value. In selecting the appropriate technique, the Company considers, among other factors, the nature of the instrument, the market risks that it embodies and the expected means of settlement. Estimating the fair value of derivative financial instruments requires the development of significant and subjective estimates that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. Increases in fair value during a given financial quarter result in the recognition of non-cash derivative expense. Conversely, decreases in fair value during a given financial quarter would result in the recognition of non-cash derivative income.

The following table provides a reconciliation of the beginning and ending liability balance associated with embedded derivatives measured at fair value using significant unobservable inputs (Level 3) for the six months ended March 31, 2018:

Beginning balance at October 1, 2017	$	—
Additions		3,319,000
Change in fair value of derivative liabilities		21,000
Ending balance at March 31, 2018	$	3,340,000

The expense associated with the change in fair value of the embedded derivatives is included on a separate line item on our condensed consolidated statements of operations.

The liabilities associated with embedded derivatives represent the fair value of the change of control provisions in the SWK Credit Agreement and Residual Royalty Agreement. See Note 7 for additional information. There is no current observable market for these types of derivatives. The Company determined the fair value of the embedded derivatives usinga Monte Carlo simulation model to value the financial liabilities at inception and on subsequent valuation dates. This valuation model incorporates transaction details such as the contractual terms, expected cash outflows, expected repayment dates, probability of a change of control, expected volatility, and risk-free interest rates. A significant acceleration of the estimated repayment date or a significant decrease in the probability of a change of control event prior to repayment of the SWK Credit Agreement, in isolation, would result in a significantly lower fair value measurement of the liabilities associated with the embedded derivatives.

The following table presents quantitative information about the inputs and valuation methodologies used to determine the fair value of the embedded derivatives classified in Level 3 of the fair value hierarchy as of March 31, 2018:

Valuation Methodology	Significant Unobservable Input	Weighted Average (range, if applicable)
Monte Carlo Simulation	Estimated change of control dates	December 2018 to March 2020
	Discount rate	10.5% to 12.5%
	Probability of change of control	50% to 95%

Assets That Are Measured at Fair Value on a Nonrecurring Basis

Non-financial assets such as identified intangibles and goodwill that arose from the APP Acquisition are measured at fair value using Level 3 inputs, which include discounted cash flow methodologies, or similar techniques, when there is limited market activity and the determination of fair value requires significant judgment or estimation

Note 4 - Accounts Receivable and Concentration of Credit Risk

The components of accounts receivable consist of the following at March 31, 2018 and September 30, 2017:

	March 31, 2018	September 30, 2017
Trade receivables	$ 2,903,058	$ 11,330,814
Other receivables	102,176	100,139
Accounts receivable, gross	3,005,234	11,430,953
Less: allowance for doubtful accounts	(36,161)	(38,103)
Accounts receivable, net	2,969,073	11,392,850
Less: long-term trade receivables	—	(7,837,500)
Current accounts receivable, net	$ 2,969,073	$ 3,555,350

On December 27, 2017, we entered into a settlement agreement with Semina, our distributor in Brazil, pursuant to which Semina has made a payment of $2.25 million and was obligated to make a second payment of $1.5 million by February 28, 2018, to settle net amounts due to us totaling $7.5 million. Semina did not make its second payment of $1.5 million by February 28, 2018, and we currently expect it to make the payment during the third quarter of fiscal 2018. The amounts owed to us relate to outstanding accounts receivable for sales to Semina for the 2014 Brazil Tender totaling $8.9 million, $7.8 million of which was classified as a long-term trade receivable and $1.1 million as a current account receivable on the accompanying condensed consolidated balance sheet as of September 30, 2017. These receivables were net of payables owed to Semina by us totaling $1.4 million, $1.2 million of which was classified as a long-term liability and $0.2 million was classified as a current liability on the accompanying condensed consolidated balance sheet as of September 30, 2017. The settlement was not related to our belief in the ultimate collectability of the receivables or in the creditworthiness of Semina. The result of the settlement was a net loss of approximately $3.76 million, which is presented as a separate line item in the accompanying unaudited condensed consolidated statement of operations for the six months ended March 31, 2018.

At March 31, 2018 and September 30, 2017, Semina's accounts receivable balance represented 9 percent and 11 percent of current assets, respectively. No other single customer's accounts receivable balance accounted for more than 10 percent of current assets at those dates. At March 31, 2018, Semina's accounts receivable balance represented 50 percent of the Company's accounts receivable balance. At September 30, 2017, Semina's accounts receivable and long-term other receivables balance represented 78 percent of the Company's accounts receivable and long-term other receivables balance. For the three months ended March 31, 2018 and 2017, there was one customer who exceeded 10 percent of net revenues. For the six months ended March 31, 2018 and 2017, there were two customers who each exceeded 10 percent of net revenues.

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments on accounts receivable. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Management also periodically evaluates individual customer receivables and considers a customer's financial condition, credit history, and the current economic conditions. Accounts receivable are written-off when deemed uncollectible. The table below summarizes the change in the allowance for doubtful accounts for the six months ended March 31, 2018 and 2017:

Fiscal Year	Balance at October 1	Charges to Expense	Write offs/ Recoveries	Balance at March 31
2017	$ 38,103	$ —	$ —	$ 38,103
2018	$ 38,103	$ 3,058	$ (5,000)	$ 36,161

Recoveries of accounts receivable previously written-off are recorded when received. The Company's customers are primarily large global agencies, non-government organizations, ministries of health and other governmental agencies which purchase and distribute the female condom for use in HIV/AIDS prevention and family planning programs.

Note 5 - Inventory

Inventory at March 31, 2018 and September 30, 2017 consists of:

	March 31, 2018	September 30, 2017
FC2		
Raw material	$ 641,155	$ 530,384
Work in process	27,630	90,164
Finished goods	3,206,660	2,427,386
Inventory, gross	3,875,445	3,047,934
Less: inventory reserves	(286,388)	(312,997)
FC2, net	3,589,057	2,734,937
PREBOOST®		
Finished goods	—	32,987
Inventory, net	$ 3,589,057	$ 2,767,924

Note 6 - Intangible Assets

Intangible assets acquired in the APP Acquisition included IPR&D, developed technology consisting of PREBOOST® medicated wipes for prevention of premature ejaculation, and covenants not-to-compete.

The gross carrying amounts and net book value of intangible assets are as follows at March 31, 2018:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Intangible assets with finite lives:			
Developed technology - PREBOOST®	$ 2,400,000	$ 183,450	$ 2,216,550
Covenants not-to-compete	500,000	101,190	398,810
Total intangible assets with finite lives	2,900,000	284,640	2,615,360
Acquired in-process research and development assets	18,000,000	—	18,000,000
Total intangible assets	$ 20,900,000	$ 284,640	$ 20,615,360

The gross carrying amounts and net book value of intangible assets are as follows at September 30, 2017:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Intangible assets with finite lives:			
Developed technology - PREBOOST®	$ 2,400,000	$ 81,533	$ 2,318,467
Covenants not-to-compete	500,000	65,476	434,524
Total intangible assets with finite lives	2,900,000	147,009	2,752,991
Acquired in-process research and development assets	18,000,000	—	18,000,000
Total intangible assets	$ 20,900,000	$ 147,009	$ 20,752,991

Amortization is recorded over the projected related revenue stream for the PREBOOST® developed technology over the next 10 years and on a straight-line basis over seven years for the covenants not-to-compete. The amortization expense is recorded in selling, general and administrative expenses in the accompanying unaudited condensed consolidated statements of operations. The IPR&D assets will not be amortized until the underlying development projects are completed. If and when development is complete, which generally occurs when regulatory approval to market the product is obtained, the associated IPR&D assets would be accounted for as finite-lived intangible assets and amortized over the estimated period of economic benefit. If a development project is abandoned, the associated IPR&D assets would be charged to expense.

Amortization expense was approximately $69,000 and $40,000, for the three months ended March 31, 2018 and 2017, respectively. Amortization expense was approximately $138,000 and $67,000, for the six months ended March 31, 2018 and 2017, respectively. Based on finite-lived intangible assets recorded as of March 31, 2018, the estimated future amortization expense is as follows:

Year Ending September 30,	Estimated Amortization Expense
2018	$ 137,631
2019	309,234
2020	316,368
2021	323,706
2022	331,316
Thereafter	1,197,105
Total	$ 2,615,360

Note 7 – Debt

SWK Credit Agreement

On March 5, 2018, the Company entered into a Credit Agreement (the "Credit Agreement") with the financial institutions party thereto from time to time (the "Lenders") and SWK Funding LLC, as agent for the Lenders (the "Agent"), for a synthetic royalty financing transaction. On and subject to the terms of the Credit Agreement, the Lenders agreed to provide the Company with a multi-draw term loan of up to $12.0 million, with $10.0 million advanced to the Company on the date of the Credit Agreement. The Company may draw up to an additional $1.0 million if the Company enters into an agreement to distribute at least 47.5 million units of FC2 in Brazil upon the terms described in the Credit Agreement and up to an additional $1.0 million if the Company enters into an agreement to distribute at least 30 million units of FC2 in South Africa upon the terms described in the Credit Agreement.

The Lenders will be entitled to receive quarterly payments on the term loan based on the Company's product revenue from net sales of FC2 as provided in the Credit Agreement until the Company has paid 175% of the aggregate amount advanced to the Company under the Credit Agreement. If product revenue from net sales of FC2 for the twelve-month period ended as of the last day of the respective quarterly payment period is less than $10.0 million, the quarterly payments will be 32.5% of product revenue from net sales of FC2 during the quarterly period. If product revenue from net sales of FC2 for the twelve month period ended as of the last day of the respective quarterly payment period is equal to or greater than $10.0 million, the quarterly payments are calculated as the sum of 25% of product revenue from net sales of FC2 up to and including $12.5 million in the Elapsed Period (as defined

in the Credit Agreement), plus 10% of product revenue from net sales of FC2 greater than $12.5 million in the Elapsed Period. Upon the Credit Agreement's termination date of March 5, 2025, the Company must pay 175% of the aggregate amount advanced to the Company under the Credit Agreement less the amounts previously paid by the Company from product revenue. Upon a change of control of the Company or sale of the FC2 business, the Company must pay off the loan by making a payment to the Lenders equal to (a) if the change of control or sale of the FC2 business occurs prior to September 5, 2018, an amount equal to 165% of the aggregate amount actually advanced to the Company under the Credit Agreement less the amounts previously paid by the Company from product revenue, or (b) if the change of control or sale of the FC2 business occurs on or after September 5, 2018, an amount equal to (i) 175% of the aggregate amount advanced to the Company under the Credit Agreement less the amounts previously paid by the Company from product revenue, plus (ii) the greater of (A) $2.0 million or (B) the product of (x) 5% of the product revenue from net sales of FC2 for the most recently completed 12-month period multiplied by (y) five. A "change of control" under the Credit Agreement includes (i) an acquisition by any person of direct or indirect ownership of more than 50% of the Company's issued and outstanding voting equity, (ii) a change of control or similar event in the Company's articles of incorporation or bylaws, (iii) certain Key Persons as defined in the Credit Agreement cease to serve in their current executive capacities unless replaced within 90 days by a person reasonably acceptable to the Agent, which acceptance not to be unreasonably withheld, or (iv) the sale of all or substantially all of the Company's assets.

The Credit Agreement contains customary representations and warranties in favor of the Agent and the Lenders and certain covenants, including financial covenants addressing minimum quarterly marketing and distribution expenses for FC2 and a requirement to maintain minimum unencumbered liquid assets of $1.0 million. The recourse of the Lenders and the Agent for obligations under the Credit Agreement is limited to assets relating to FC2.

In connection with the Credit Agreement, the Company and the Agent also entered into a Residual Royalty Agreement, dated as of March 5, 2018 (the "Residual Royalty Agreement"), which provides for an ongoing royalty payment of 5% of product revenue from net sales of FC2 commencing upon the payment in full by the Company of the required amount pursuant to the Credit Agreement. The Residual Royalty Agreement will terminate upon (i) a change of control or sale of the FC2 business and the payment by the Company of the amount due in connection therewith pursuant to the Credit Agreement, or (ii) mutual agreement of the parties. If a change of control occurs prior to payment in full of the Credit Agreement, there will be no payment due with respect to the Residual Royalty Agreement. If a change of control occurs after the payment in full of the Credit Agreement, the Agent will receive a payment that is the greater of (A) $2.0 million or (B) the product of (x) 5% of the product revenue from net sales of FC2 for the most recently completed 12-month period multiplied by (y) five.

Pursuant to a Guarantee and Collateral Agreement dated as of March 5, 2018 (the "Collateral Agreement") and an Intellectual Property Security Agreement dated as of March 5, 2018 (the "IP Security Agreement"), the Company's obligations under the Credit Agreement are secured by a lien against substantially all of the assets of the Company that relate to or arise from FC2. In addition, pursuant to a Pledge Agreement dated as of March 5, 2018 (the "Pledge Agreement"), the Company's obligations under the Credit Agreement are secured by a pledge of up to 65% of the outstanding shares of The Female Health Company Limited, a wholly owned U.K. subsidiary.

After payment by the Company of certain fees and expenses of the Agent and the Lenders as required in the Credit Agreement, the Company received net proceeds of approximately $9.9 million from the initial $10.0 million advance under the Credit Agreement.

For accounting purposes, the initial $10.0 million advance under the Credit Agreement was allocated between the Credit Agreement and the Residual Royalty Agreement on a relative fair value basis. A portion of the amount allocated to the Credit Agreement and a portion of the amount allocated to the Residual Royalty Agreement, in both cases equal to the fair value of the respective change of control provisions, was allocated to the embedded derivative liabilities. The derivative liabilities will be adjusted to fair market value at each subsequent reporting period. For financial statement presentation, the embedded derivative liabilities have been included with their respective host instruments as noted in the following tables. The debt discounts are being amortized to interest expense over the expected term of the loan using the effective interest method. Additionally, the Company recorded deferred loan issuance costs of approximately $264,000 for legal fees incurred in connection with the Credit Agreement. The deferred loan issuance costs are presented as a reduction in the Credit Agreement obligation and are being amortized to interest expense over the expected term of the loan using the effective interest method.

At March 31, 2018, the Credit Agreement consisted of the following:

	March 31, 2018
Aggregate repayment obligation	$ 17,500,000
Less: Unamortized discounts	(10,840,046)
Less: Unamortized deferred issuance costs	(258,373)
Credit agreement, net	6,401,581
Add: Embedded derivative liability at fair value (see Note 3)	3,334,000
	9,735,581
Credit agreement, short-term portion	(3,912,888)
Credit agreement, long-term portion	$ 5,822,693

The fair value of the Residual Royalty Agreement at inception of $346,000 was calculated using a Monte Carlo simulation model utilizing significant unobservable inputs including future revenue projections to determine when payments would commence under the Residual Royalty Agreement, the probability of a change of control event as defined in the Residual Royalty Agreement and an estimated discount rate commensurate with the risks of the expected cash flows attributable to the Residual Royalty Agreement. The payment commencement dates varied between the simulated Credit Agreement payoff dates (which the earliest date was September 30, 2019 per the simulation) and the Credit Agreement termination date of March 5, 2025. The change of control probabilities ranged from 50% to 95%. The discount rates ranged from approximately 10% to approximately 12%. Material changes in any of these inputs would have resulted in a significantly higher or lower fair value measurement and commensurate changes to this liability.

At March 31, 2018, the Residual Royalty Agreement liability consisted of the following:

	March 31, 2018
Residual Royalty Agreement liability, fair value at inception	$ 346,000
Less: Unamortized discounts	(7,208)
Add: Accretion of liability using effective interest rate	27,278
Residual Royalty Agreement liability, net	366,070
Add: Embedded derivative liability at fair value (see Note 3)	6,000
Residual Royalty Agreement liability	$ 372,070

Interest expense related to the Credit Agreement and the Residual Royalty Agreement consisted of amortization of the discounts, accretion of the liability for the Residual Royalty Agreement and amortization of the deferred issuance costs. For the three and six months ended March 31, 2018, interest expense related to the Credit Agreement was as follows:

	March 31, 2018
Amortization of Credit Agreement and Residual Royalty Agreement discounts	$ 317,747
Accretion of Residual Royalty Agreement liability	27,278
Amortization of deferred issuance costs	5,570
	$ 350,595

Revolving Line of Credit

The Company's Credit Agreement with BMO Harris Bank N.A. expiredon December 29, 2017. No amounts were outstanding under the Credit Agreement at September 30, 2017 or when it expired on December 29, 2017.

Note 8 - Stockholders' Equity

Preferred Stock

The Company has 5,000,000 shares designated as Class A Preferred Stock with a par value of$.01 per share. There are 1,040,000 shares of Class A Preferred Stock - Series 1 authorized; 1,500,000 shares of Class A Preferred Stock-

Series 2 authorized; 700,000 shares of Class A Preferred Stock - Series 3 authorized; and548,000 shares of Class A Preferred Stock- Series 4 (the “Series 4 Preferred Stock”) authorized. In connection with the completion of the APP Acquisition (see Note 2), a total of 546,756 shares of Series 4 Preferred Stock were issued to the former APP stockholders as of October 31, 2016, and all of the outstanding shares of Series 4 Preferred automatically converted into shares of the Company’s common stock effective July 31, 2017. There were no shares of Class A Preferred Stock of any series issued and outstanding at March 31, 2018 or September 30, 2017. The Company has15,000 shares designated as Class B Preferred Stock with a par value of $0.50 per share. There were no shares of Class B Preferred Stockissued and outstanding at March 31, 2018 or September 30, 2017.

Common Stock Purchase Warrants

In connection with the closing of the APP Acquisition, the Company issued a warrant to purchase up to2,585,379 shares of the Company's common stock to Torreya Capital, the Company's financial advisor (the “Financial Advisor Warrant”). The Financial Advisor Warrant has a five-year term, a cashless exercise feature and a strike price equal to$1.93 per share, the average price of the Company's common stock for the ten-day period preceding the original announcement of the APP Acquisition on April 6, 2016. The fair value of the Financial Advisor Warrant of $542,930 was estimated at the October 31, 2016 date of grant using the Black-Scholes option pricing model assuming expected volatility of 47.2 percent, a risk-free interest rate of1.31 percent, an expected life offive years, no dividend yield, and the closing price of the Company's common stock on October 31, 2016 of $0.95. The Financial Advisor Warrant vested upon issuance. Half of the shares subject to the Financial Advisor Warrant, or 1,292,690 shares, were locked-up for a period of18 months from the issuance date. The Financial Advisor Warrant was recorded as a component of additional paid-in-capital and the related expense is included in business acquisition expenses in the accompanying unaudited condensed consolidated statement of operations for the six months ended March 31, 2017.

Aspire Capital Purchase Agreement

On December 29, 2017, the Company entered into a common stock purchase agreement (the “Purchase Agreement”) with Aspire Capital which provides that, upon the terms and subject to the conditions and limitations set forth therein, the Company has the right, from time to time in its sole discretion during the 36-month term of the Purchase Agreement, to direct Aspire Capital to purchase up to$15.0 million of the Company’s common stock in the aggregate. Concurrently with entering into the Purchase Agreement, the Company also entered into a registration rights agreement with Aspire Capital (the “Registration Rights Agreement”), in which the Company agreed to prepare and file under the Securities Act of 1933 and under its current registration statement on Form S-3 (File No. 333-221120), a prospectus supplement for the sale or potential sale of the shares of the Company’s common stock that have been and may be issued to Aspire Capital under the Purchase Agreement.

Under the Purchase Agreement, on any trading day selected by the Company, the Company has the right, in its sole discretion, to present Aspire Capital with a purchase notice (each, a “Purchase Notice”), directing Aspire Capital (as principal) to purchase up to 200,000 shares of the Company’s common stock per business day, up to $15.0 million of the Company’s common stock in the aggregate at a per share price (the "Purchase Price") equal to the lesser of the lowest sale price of the Company’s common stock on the purchase date or the average of the three lowest closing sale prices for the Company’s common stock during the ten consecutive trading days ending onthe trading day immediately preceding the purchase date.

In addition, on any date on which the Company submits a Purchase Notice to Aspire Capital in an amount equal to200,000 shares and the closing sale price of our common stock is equal to or greater than $0.50 per share, the Company also has the right, in its sole discretion, to present Aspire Capital with a volume-weighted average price purchase notice (each, a “VWAP Purchase Notice”) directing Aspire Capital to purchase an amount of common stock equal to up to 30% of the aggregate shares of the common stock traded on its principal market on the next trading day (the VWAP Purchase Date), subject to a maximum number of shares the Company may determine. The purchase price per share pursuant to such VWAP Purchase Notice is generally 97% of the volume-weighted average price for the Company’s common stock traded on its principal market on the VWAP Purchase Date.

In consideration for entering into the Purchase Agreement, concurrently with the execution of the Purchase Agreement, the Company issued to Aspire Capital 304,457 shares of the Company’s common stock. The shares of common stock issued as consideration were valued at approximately $347,000. This amount and related expenses of approximately $78,000, which total approximately $425,000, have been included in deferred assets on the

accompanying unaudited condensed consolidated balance sheet at March 31, 2018. As of the date of filing this Quarterly Report with the SEC, no shares of the Company's common stock have been sold to Aspire Capital under the Purchase Agreement.

Note 9 – Share-based Compensation

We allocate share-based compensation expense to cost of sales, selling, general and administrative expense and research and development expense based on the award holder's employment function. For the three and six months ended March 31, 2018 and 2017, we recorded share-based compensation expenses as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	2017	2018	2017
Cost of sales	$ 330	$ —	$ 2,703	$ —
Selling, general and administrative	363,475	105,158	539,702	402,437
Research and development	48,045	—	76,897	—
	$ 411,850	$ 105,158	$ 619,302	$ 402,437

Equity Plans

In March 2018, the Company's stockholders approved the Company's 2018 Equity Incentive Plan. A total of2.0 million shares are available for issuance under the 2018 Equity Incentive Plan. As of March 31, 2018, no shares had been granted under the 2018 Equity Incentive Plan.

In July 2017, the Company's stockholders approved the Company's 2017 Equity Incentive Plan. A total of4.7 million shares are available for issuance under the 2017 Equity Incentive Plan. As of March 31, 2018, a total of 4,622,135 shares had been granted under the 2017 Equity Incentive Plan and not forfeited or are subject to outstanding commitments to issue shares under the 2017 Equity Incentive Plan, of which 4,242,135 shares were in the form of stock options,190,000 shares were in the form of stock appreciation rights and190,000 shares were in the form of restricted stock units. The 2017 Equity Incentive Plan replaced the Company's 2008 Stock Incentive Plan, and no further awards will be made under the 2008 Stock Incentive Plan.

Stock Options

Each option grants the holder the right to purchase from us one share of our common stock at a specified price, which is generally the quoted market price of our common stock on the date the option is issued. Options generally vest on a pro-rata basis on each anniversary of the issuance date within three years of the date the option is issued. Options may be exercised after they have vested and prior to the specified expiry date provided applicable exercise conditions are met, if any. The expiry date can be for periods of up to ten years from the date the option is issued. The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model based on the assumptions established at that time. The Company accounts for forfeitures as they occur and does not estimate forfeitures as of the option grant date.

The following table outlines the weighted average assumptions for options granted during thethree and six months ended March 31, 2018 and 2017:

	Three Months Ended March 31,		Six Months Ended March 31,	
Weighted Average Assumptions:	2018	2017	2018	2017
Expected Volatility	62.34%	43.76%	61.38%	43.76%
Expected Dividend Yield	0.00%	0.00%	0.00%	0.00%
Risk-free Interest Rate	2.76%	1.62%	2.47%	1.62%
Expected Term (in years)	6.0	6.0	5.8	6.0
Fair Value of Options Granted	$ 1.28	$ 0.41	$ 0.93	$ 0.41

During the three and six months ended March 31, 2018 and 2017, the Company used historical volatility of our common stock over a period equal to the expected life of the options to estimate their fair value. The dividend yield

assumption is based on the Company's history and expectation of future dividend payouts on the common stock. The risk-free interest rate is based on the implied yield available on U.S. treasury zero-coupon issues with an equivalent remaining term.

The following table summarizes the stock options outstanding and exercisable at March 31, 2018:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at September 30, 2017	2,830,805	$ 1.27		
Granted	2,058,051	1.61		
Exercised	—	—		
Forfeited	(349,221)	1.19		
Outstanding at March 31, 2018	4,539,635	$ 1.42	8.93	$ 2,266,873
Exercisable at March 31, 2018	510,417	$ 1.60	3.91	$ 298,617

The aggregate intrinsic value in the table above is before income taxes, based on the Company's closing stock price of $1.81 on the last day of business for the six months ended March 31, 2018. As of March 31, 2018, the Company had unrecognized compensation expense of approximately $2.6 million related to unvested stock options. This expense is expected to be recognized over approximately 3 years.

Restricted Stock

The Company has issued restricted stock to employees, directors and consultants. Such issuances may have vesting periods that range from one to three years. All such shares of restricted stock vest and all such shares must be issued pursuant to the vesting period noted, provided the grantee has not voluntarily terminated service or been terminated for cause prior to the vesting date.

A summary of the non-vested stock activity for the six months ended March 31, 2018 is presented in the table below:

	Shares	Weighted Average Grant Date Fair Value	Vesting Period
Outstanding at September 30, 2017	198,750	$ 0.99	
Granted	—		
Vested	(190,000)		
Forfeited	—		
Outstanding at March 31, 2018	8,750	$ 1.82	April 2018

As of March 31, 2018, there was less than $1,000 of total unrecognized compensation cost related to non-vested restricted stock, which will be recognized in the third quarter of fiscal 2018.

Restricted Stock Units

In connection with the closing of the APP Acquisition, the Company issued 50,000 and 140,000 restricted stock units to an employee and an outside director, respectively, that vest on October 31, 2018. The restricted stock units will be settled in common stock issued under the 2017 Equity Incentive Plan. As of March 31, 2018, there was approximately $71,000 of unrecognized compensation cost related to non-vested restricted stock units, which is expected to be recognized by October 31, 2018.

Stock Appreciation Rights

In connection with the closing of the APP Acquisition, the Company issued stock appreciation rights based on 50,000 and 140,000 shares of the Company's common stock to an employee and an outside director, respectively, that vest on October 31, 2018. The stock appreciation rights have a ten-year term and an exercise price per share of

$0.95, which was the closing price of a share of the Company's common stock as quoted on NASDAQ on the trading day immediately preceding the date of the completion of the APP Acquisition. The stock appreciation rights will be settled in common stock issued under the 2017 Equity Incentive Plan. As of March 31, 2018, there was approximately $38,000 of unrecognized compensation cost related to non-vested stock appreciation rights, which is expected to be recognized by October 31, 2018.

Note 10 - Contingent Liabilities

The testing, manufacturing and marketing of consumer products by the Company entail an inherent risk that product liability claims will be asserted against the Company. The Company maintains product liability insurance coverage for claims arising from the use of its products. The coverage amount is currently $10.0 million.

Litigation

In connection with the APP Acquisition, two purported derivative and class action lawsuits were filed against the Company in the Circuit Court of Cook County, Illinois, which were captioned Glotzer v. The Female Health Company, et al., Case No. 2016-CH-13815, and Schartz v. Parrish, et al., Case No. 2016-CH-14488. On January 9, 2017 these two lawsuits were consolidated. On March 31, 2017, the plaintiffs filed a consolidated complaint. The consolidated complaint named as defendants Veru, the members of our board of directors prior to the closing of the APP Acquisition and the members of our board of directors after the closing of the APP Acquisition. The consolidated complaint alleges, among other things, that our directors breached their fiduciary duties, or aided and abetted such breaches, by consummating the APP Acquisition in violation of the Wisconsin Business Corporation Law and NASDAQ voting requirements and by causing us to issue the shares of our common stock and Series 4 Preferred Stock to the former stockholders of APP pursuant to the APP Acquisition in order to evade the voting requirements of the Wisconsin Business Corporation Law. The consolidated complaint also alleges that Mitchell S. Steiner, a director and the President and Chief Executive Officer of Veru and a co-founder of APP, and Harry Fisch, a director of Veru and a co-founder of APP, were unjustly enriched in receiving shares of our common stock and Series 4 Preferred Stock in the APP Acquisition. Based on these allegations, the consolidated complaint seeks equitable relief, including rescission of the APP Acquisition, money damages, disgorgement of the shares of our common stock and Series 4 Preferred Stock issued to Dr. Steiner and Dr. Fisch, and costs and expenses of the litigation, including attorneys' fees. On May 5, 2017, the defendants filed a motion to dismiss the consolidated complaint. On August 15, 2017, the court entered an order dismissing without prejudice the claims that the post-acquisition directors aided and abetted the alleged breaches of fiduciary duties by the pre-acquisition directors and that Dr. Steiner and Dr. Fisch were unjustly enriched. The court did not dismiss the claims that the pre-acquisition directors breached their fiduciary duties and the claims that Veru consummated the APP Acquisition in violation of the Wisconsin Business Corporation Law and NASDAQ voting requirements, and the action is continuing as to those claims. The parties are currently engaged in discovery. Veru believes that this action is without merit and is vigorously defending itself. No amount has been accrued for possible losses relating to this litigation as any such losses are not both probable and reasonably estimable.

License and Purchase Agreements

From time to time, we license or purchase rights to technology or intellectual property from third parties. These licenses and purchase agreements require us to pay upfront payments as well as development or other payments upon successful completion of preclinical, clinical, regulatory or revenue milestones. In addition, these agreements may require us to pay royalties on sales of products arising from the licensed or acquired technology or intellectual property. Because the achievement of these milestones is not reasonably estimable, we have not recorded a liability in the accompanying unaudited condensed consolidated financial statements for any of these contingencies.

In connection with the Company's acquisition of intellectual property rights associated with Solifenacin DRG and Tadalafil/Finasteride combination capsules in December 2017, the Company was obligated to make upfront payments totaling $500,000 by March 2018, as well as future installment payments and milestone payments. The $500,000 is included in accounts payable on the accompanying condensed consolidated balance sheet as of March 31, 2018. The Company expects to pay this amount in the third quarter of fiscal 2018.

Note 11 - Income Taxes

The Company accounts for income taxes using the liability method, which requires the recognition of deferred tax assets or liabilities for the tax-effected temporary differences between the financial reporting and tax bases of its assets and liabilities, and for net operating loss and tax credit carryforwards.

On December 22, 2017, significant changes were enacted to the U.S. tax law pursuant to H.R.1. "An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018" (the "Tax Act") (previously known as "The Tax Cuts and Jobs Act"). The Tax Act included a permanent reduction to the U.S. federal corporate income tax rate from 35% to 21%, a one-time repatriation tax on deferred foreign income, deductions, credits and business-related exclusions.

On December 22, 2017, the SEC issued guidance under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"), directing registrants to consider the impact of the Tax Act as "provisional" when it does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the change in tax law.

In accordance with SAB 118, the Company's income tax provision as of March 31, 2018 reflects (i) the current year impacts of the Tax Act on the estimated annual effective tax rate and (ii) the following discreet items resulting directly from the enactment of the Tax Act based on the information available, prepared or analyzed (including computations) in reasonable detail.

(i) The Tax Act reduces the federal corporate tax rate from 35% to 21%. The impact from the permanent reduction to the U.S. federal corporate income tax rate from 35% to 21% is effective January 1, 2018 (the "Effective Date"). When a U.S. federal tax rate change occurs during a fiscal year, tax payers are required to compute a weighted daily average rate for the fiscal year of enactment. However, as the Company is in a net loss carry forward position, it is using the U.S. federal statutory income tax rate of 21% that will be in effect when the net loss is utilized.

(ii) The Company determined the impact of the U.S. federal corporate income tax rate change, net of the related state income tax impact on the U.S. deferred tax assets and liabilities, to be a benefit of $1,162,000 as of October 1, 2017.

The Tax Act imposes a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign-sourced earnings. The one-time transition tax is based on total post-1986 foreign earnings and profits ("E&P") which a tax payer has previously deferred from U.S. income taxes. The Company has no post-1986 foreign E&P which it has previously deferred.

Within the calculation of the Company's annual effective tax rate the Company has used assumptions and estimates that may change as a result of future guidance, interpretations, and rule-making from the Internal Revenue Service, the SEC, the FASB and/or various other taxing jurisdictions. For example, the Company anticipates that state jurisdictions will continue to determine and announce their conformity to the Tax Act which would have an impact on the annual effective tax rate.

The Company completes a detailed analysis of its deferred income tax valuation allowances on an annual basis or more frequently if information comes to our attention that would indicate that a revision to our estimates is necessary. In evaluating the Company's ability to realize its deferred tax assets, management considers all available positive and negative evidence on a country-by-country basis, including past operating results, forecast of future taxable income, and the potential Section 382 limitation on the net operating loss carryforwards due to a change in control. In determining future taxable income, management makes assumptions to forecast U.S. federal and state, U.K. and Malaysia operating income, the reversal of temporary differences, and the implementation of any feasible and prudent tax planning strategies. These assumptions require significant judgment regarding the forecasts of the future taxable income in each tax jurisdiction and are consistent with the forecasts used to manage the Company's business. It should be noted that the Company realized significant losses through 2005 on a consolidated basis. From fiscal year 2006 through fiscal year 2016, the Company has annually generated taxable income on a consolidated basis. In management's analysis to determine the amount of the deferred tax asset to recognize, management projected future taxable income for each tax jurisdiction.

As of March 31, 2018, the Company had U.S. federal and state net operating loss carryforwards of approximately$12,100,000 and $15,351,000, respectively, for income tax purposes expiring in years2022 to 2037. The Company's U.K. subsidiary has U.K. net operating loss carryforwards of approximately $62,223,000 as of March 31, 2018, which can be carried forward indefinitely to be used to offset future U.K. taxable income.

A reconciliation of income tax expense and the amount computed by applying the statutory federal income tax rate to income before income taxes is as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2018	2017	2018	2017
Income tax benefit at statutory rates	$ (1,077,736)	$ (884,000)	$ (3,628,736)	$ (1,529,000)
Effect of change in U.S. tax rate	—	—	(187,000)	—
State income tax benefit, net of federal benefits	(385,395)	(133,000)	(948,395)	(229,000)
Non-deductible business acquisition expenses	—	42,000	—	153,000
Non-deductible expenses - other	8,702	3,000	12,702	4,000
Effect of lower foreign income tax rates	50,981	120,641	80,386	202,377
Other	101,032	27,326	122,574	44,521
Income tax benefit	$ (1,302,416)	$ (824,033)	$ (4,548,469)	$ (1,354,102)

Significant components of the Company's deferred tax assets and liabilities are as follows:

	March 31, 2018	September 30, 2017
Deferred tax assets:		
Federal net operating loss carryforwards	$ 4,922,000	$ 4,075,000
State net operating loss carryforwards	2,002,000	963,000
AMT credit carryforward	533,000	533,000
Foreign net operating loss carryforwards – U.K.	10,685,000	10,578,000
Foreign capital allowance – U.K.	108,000	108,000
U.K. bad debts	2,000	2,000
Restricted stock – U.K.	1,000	1,000
U.S. unearned revenue	249,000	409,000
U.S. deferred rent	23,000	76,000
Share-based compensation	456,000	447,000
Foreign tax credits	1,797,000	1,797,000
Other, net - U.S.	77,000	82,000
Gross deferred tax assets	20,855,000	19,071,000
Valuation allowance for deferred tax assets	(2,144,000)	(2,144,000)
Net deferred tax assets	18,711,000	16,927,000
Deferred tax liabilities:		
In process research and development	(4,562,000)	(7,000,000)
Developed technology	(562,000)	(900,000)
Covenant not-to-compete	(101,000)	(200,000)
Other	(5,442)	—
Net deferred tax liabilities	(5,230,442)	(8,100,000)
Net deferred tax asset	$ 13,480,558	$ 8,827,000

The deferred tax amounts have been classified in the accompanying condensed consolidated balance sheets as follows:

	March 31, 2018	September 30, 2017
Long-term deferred tax asset - U.S.	$ 4,829,377	$ 282,000
Long-term deferred tax asset - U.K.	8,651,181	8,545,000
Total long-term deferred tax asset	$ 13,480,558	$ 8,827,000

Note 12 – Net Loss Per Share

Basic net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted net loss per share is computed by dividing net income by the weighted average number of common shares outstanding during the period after giving effect to all dilutive potential common shares that were outstanding during the period. Dilutive potential common shares consist of the incremental common shares issuable upon the exercise of stock options, stock appreciation rights and warrants, and the vesting of unvested restricted stock and restricted stock units. Due to our net loss for the periods presented, all potentially dilutive instruments were excluded because their inclusion would have been anti-dilutive. See Notes 8 and 9 for a discussion of our dilutive potential common shares.

Note 13 - Industry Segments and Financial Information about Foreign and Domestic Operations

The Company currently operates in two reporting segments: Commercial and Research and Development. There are no significant inter-segment sales. We evaluate the performance of each segment based on operating profit or loss. There is no inter-segment allocation of interest expense and income taxes. Our chief operating decision-maker ("CODM") is Mitchell Steiner, M.D., our President and Chief Executive Officer.

Information about the Company's operations by segment and geographic area is as follows (in thousands):

	For the three months ended March 31,		For the six months ended March 31,	
	2018	2017	2018	2017
Operating (loss) income:	(In thousands)		(In thousands)	
Commercial	$ (163)	$ 483	$ (19)	$ 1,431
Research and Development	(1,960)	(1,155)	(3,992)	(1,314)
Corporate	(2,574)	(1,907)	(8,122)	(4,571)
	$ (4,697)	$ (2,579)	$ (12,133)	$ (4,454)
Revenues:				
United States	$ 981	$ 379	$ 1,975	$ 737
South Africa	715	120	1,033	636
Zimbabwe	378	515	678	1,031
Cameroon	—	—	—	891
Peru	—	—	282	—
United Arab Emirates	278	—	278	—
Other	221	1,392	913	2,354
	$ 2,573	$ 2,406	$ 5,159	$ 5,649

All of our revenues are attributed to our Commercial reporting segment. Amounts related to long-lived assets, depreciation and amortization, and income taxes are not reported as part of the reporting segments or reviewed by the CODM. These amounts are included in Corporate in the reconciliations above.

Note 14 - Subsequent Events

During April 2018, the Company changed its U.S. sales strategy for FC2 by principally relying on an independent sales organization, which change will result in severance payments of approximately $513,000. This amount will be substantially paid in the third quarter of fiscal 2018.

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

Overview

Veru Inc. is a biopharmaceutical company focused on urology and oncology. The Company does business as both "Veru" and "The Female Health Company." On July 31, 2017, the Company changed its corporate name from The Female Health Company to Veru Inc.

Veru utilizes the FDA's 505(b)(2) regulatory approval pathway to develop and commercialize drug candidates. The FDA's 505(b)(2) regulatory approval pathway is designed to allow for potentially expedited, lower cost and lower risk regulatory approval based on previously established safety, efficacy, and manufacturing information on a drug that has been already approved by the FDA for the same or a different indication. Veru is developing drug candidates under the 505(b)(1) pathway as well, which is the traditional full new drug application ("NDA") pathway that requires a complete preclinical, clinical, and manufacturing application. The Company is currently developing the following drug product candidates: Tamsulosin Delayed Release Sachet ("DRS") slow release granules and Tamsulosin XR capsules for lower urinary tract symptoms of benign prostatic hyperplasia (BPH or enlarged prostate), Solifenacin DRG, slow release granules, for overactive bladder (urge incontinence, urgency, or frequency of urination), Tadalafil/finasteride combination tablet for restricted urination because of an enlarged prostate; VERU-944 (cis-clomiphene citrate) for hot flashes in men associated with prostate cancer hormone treatment and VERU-111 a novel oral anti-tubulin cancer therapy targeting alpha & beta tubulin for a variety of malignancies, including metastatic prostate, breast, endometrial, pancreatic, ovarian and other cancers. The Company also owns and maintains intellectual property around VERU-722 (fixed ratio clomiphene citrate) for male infertility. While the Company remains optimistic about advancing VERU-722 into a Phase 2 clinical trial in men with testicular dysfunction (oligospermia (low sperm count) and secondary hypogonadism) as a cause of male factor infertility in the future, the clinical trial requirements of other Company drug candidates are taking priority at the current time.

To help support these clinical development programs, the Company markets and sellsthe PREBOOST® medicated individual wipe, which is a male genital desensitizing drug product for the prevention of premature ejaculation and is being co-promoted with Timm Medical Technologies, Inc., and also markets and sells the FC2 Female Condom® ("FC2") in the U.S. market by prescription and other sales channels and through The Female Health Company Division in the global public health sector. The Female Health Company Division markets to entities, including ministries of health, government health agencies, U.N. agencies, nonprofit organizations and commercial partners, that work to support and improve the lives, health and well-being of women around the world.

On October 31, 2016, as part of the Company's strategy to diversify its product line to mitigate the risks of being a single product company, the Company completed its acquisition (the "APP Acquisition") of Aspen Park Pharmaceuticals, Inc. ("APP") through the merger of a wholly owned subsidiary of the Company into APP. The completion of the APP Acquisition transitioned us from a single product company selling only FC2 to a biopharmaceutical company with multiple drug products under clinical development.

On August 12, 2016, the FDA agreed that the Company's Tamsulosin DRS medication qualifies for the expedited 505(b)(2) regulatory approval pathway. In March 2017, the Company initiated a bioequivalence clinical study for Tamsulosin DRS and in April 2017 announced the successful completion of Stage 1 of the bioequivalence clinical study, which selected the optimal formulation of our proprietary Tamsulosin DRS product. In October 2017, the Company initiated Stage 2 of the bioequivalence clinical study of Tamsulosin DRS and in November 2017 announced the results of Stage 2 of the bioequivalence clinical study. During the Stage 2 bioequivalence clinical study, dosing with Tamsulosin DRS fasted and Tamsulosin DRS fed were successfully shown to be bioequivalent with FLOMAX fed based on AUC, which is the key determinant of drug exposure over time. The Tamsulosin DRS formulation still needs to meet the remaining bioequivalence criterion for peak value (Cmax). The Company intends to initiate a new bioequivalence study after adjusting the formulation to address Cmax and expects this study to be completed in 2018. The Company plans to develop Tamsulosin XR (extended release) capsules (tamsulosin HCl extended release capsules) as well. The Company does not believe that the new bioequivalence study and capsule formulation development will affect the timing of its planned submission of an NDA for Tamsulosin DRS granules and Tamsulosin XR capsules and, if the new bioequivalence study is successful, plans to submit the NDA in 2018.

On December 6, 2016, the Company presented an overview of its drug candidate for male infertility, VERU-722, at the meeting of the Bone, Reproductive and Urologic Drugs ("BRUD") FDA Advisory Committee at the invitation of the FDA. At the meeting, the committee discussed appropriate clinical trial design features, including acceptable endpoints for demonstrating clinical benefit, for drugs intended to treat secondary hypogonadism (low testosterone levels) while preserving or improving testicular function, including spermatogenesis. At the meeting, the FDA Advisory Committee provided guidance for clinical trial design and endpoints, and agreed with the intended patient population to treat, recommended a short-term study, and supported the use of improvement of semen quality for such clinical endpoints as avoidance of aggressive assisted reproductive procedures such as *in vitro* fertilization or pregnancy.

On May 13, 2017, the Company announced positive results of a clinical study of its novel PREBOOST® product. The PREBOOST® clinical study enrolled 26 men aged 18 years or older in a heterosexual, monogamous relationship, with PE, defined as reported poor control over ejaculation, personal distress related to ejaculation and average IELT of two minutes or less on stopwatch measurement. After treatment with PREBOOST®, 82 percent of men were no longer considered to have premature ejaculation with an increase on average of 5 minutes. Results showed that treatment was well tolerated. Therefore, the results of the study showed that PREBOOST® prolonged time to ejaculation, supporting the clinical validity of PREBOOST® for the prevention of premature ejaculation. The Company launched the product in the United States in January 2017 and in October 2017 entered into a co-promotion and distribution agreement with Timm Medical Technologies, Inc.

On May 24, 2017, the Company announced that, following a Pre-IND meeting with the FDA, it plans to advance VERU-944 (cis-clomiphene citrate), oral agent being evaluated for the treatment of hot flashes in men receiving hormone therapy, androgen deprivation therapy ("ADT"), for advanced prostate cancer into Phase 2 clinical trial utilizing the 505(b)(2) regulatory pathway. Approximately 80% of men receiving one of the common forms of ADT, including LUPRON® (Leuprolide), ELIGARD® (Leuprolide), and FIRMAGON®(degarelix), experience hot flashes and 30-40% will suffer from moderate to severe hot flashes. An investigational new drug application ("IND") is expected to be filed with the FDA in the first half of calendar 2018.

On December 11, 2017, the Company announced that it has acquired world-wide rights to a novel, proprietary oral granule formulation for solifenacin from Camargo Pharmaceuticals Services, LLC. Solifenacin is the active ingredient in a leading drug VESIcare® for the treatment of overactive bladder in men and women. Solifenacin Delayed Release Granule ("DRG") formulation addresses the large population of men and women who have overactive bladder ("OAB") and who have dysphagia, or difficulty swallowing tablets. In a Pre-IND meeting, the FDA confirmed that a single bioequivalence study and that no additional nonclinical, clinical efficacy and/or safety studies will be required to support the approval of Solifenacin DRG product for the treatment of overactive bladder. The Company plans to complete the Solifenacin DRG bioequivalence study in 2018 and to file the NDA in 2019.

On December 15, 2017, the Company acquired world-wide rights to Tadalafil-Finasteride combination tablet formulation from Camargo Pharmaceuticals Services, LLC. Tadalafil-Finasteride combination tablet (tadalafil 5mg and finasteride 5mg) is a new, proprietary formulation that addresses the large population of men who have lower urinary tract symptoms and restricted urinary stream because of an enlarged prostate. Tadalafil 5mg is a phosphodiesterase 5 (PDE5) inhibitor marketed under CIALIS® for benign prostatic hyperplasia and erectile dysfunction and finasteride 5mg is a Type 2, 5-alpha reductase inhibitor marketed under PROSCAR® to decrease the size of the prostate, prevent urinary retention and the need for prostate surgery in men who have an enlarged prostate. In a Pre-IND meeting held in November 2017, the FDA agreed that a single a bioequivalence study and no additional nonclinical, clinical efficacy and safety studies will be required to support the approval of Tadalafil-Finasteride combination tablet via a 505(b)(2) regulatory pathway. The Company plans to complete the bioequivalence study in 2018 and to file the NDA in 2019.

The Company presented data from a preclinical study of VERU-111 at the 2018 American Society of Clinical Oncology ("ASCO") Genitourinary Cancers Symposium on February 6, 2018 and at the 2018 European Association of Urology ("EAU") 33rd Annual Congress on March 16, 2018. The data showed potent activity against paclitaxel sensitive and resistant prostate cancer models.

On March 22, 2018, the Company announced that the FDA granted its application for a small business waiver of the drug application fee of approximately $2.4 million for the Company's NDA for Tamsulosin DRS. FDA's grant of the fee waiver frees up resources to further advance the Company's drug development programs.

Prior to the completion of the APP Acquisition, the Company had been a single product company, focused on manufacturing, marketing and selling FC2. FC2 is the only currently available female-controlled product approved for market by the FDA and cleared by the World Health Organization ("WHO") for purchase by U.N. agencies that provides dual protection against unintended pregnancy and sexually transmitted infections ("STIs"), including HIV/AIDS and the Zika virus. Nearly all of the Company's net revenues for the three and six months ended March 31, 2018 and 2017 were derived from sales of FC2.

FC2's primary use is for disease prevention and family planning, and the public health sector is the Company's main market. Within the public health sector, various organizations supply critical products such as FC2, at no cost or low cost, to those who need but cannot afford to buy such products for themselves.

FC2 has been distributed in 144 countries. A significant number of countries with the highest demand potential are in the developing world. The incidence of HIV/AIDS, other STIs and unwanted pregnancy in these countries represents a remarkable potential for significant sales of a product that benefits some of the world's most underprivileged people. However, conditions in these countries can be volatile and result in unpredictable delays in program development, tender applications and processing orders.

FC2 has a relatively small customer base, with a limited number of customers who generally purchase in large quantities. Over the past few years, major customers have included large global agencies, such as UNFPA and USAID. Other customers include ministries of health or other governmental agencies, which either purchase directly or via in-country distributors, and NGOs.

Purchasing patterns for FC2 vary significantly from one customer to another and may reflect factors other than simple demand. For example, some governmental agencies purchase FC2 through a formal procurement process in which a tender (request for bid) is issued for either a specific or a maximum unit quantity. Tenders also define the other elements required for a qualified bid submission (such as product specifications, regulatory approvals, clearance by WHO, unit pricing and delivery timetable). Bidders have a limited period of time in which to submit bids. Bids are subjected to an evaluation process which is intended to conclude with a tender award to the successful bidder. The entire tender process, from publication to award, may take many months to complete. A tender award indicates acceptance of the bidder's price rather than an order or guarantee of the purchase of any minimum number of units. Many governmental tenders are stated to be "up to" the maximum number of units, which gives the applicable government agency discretion to purchase less than the full maximum tender amount. Orders are placed after the tender is awarded; there are often no set dates for orders in the tender and there are no guarantees as to the timing or amount of actual orders or shipments. Orders received may vary from the amount of the tender award based on a number of factors including vendor supply capacity, quality inspections and changes in demand. Administrative issues, politics, bureaucracy, process errors, changes in leadership, funding priorities and/or other pressures may delay or derail the process and affect the purchasing patterns of public sector customers. As a result, the Company may experience significant quarter-to-quarter sales variations due to the timing and shipment of large orders of FC2.

In April 2017, the Company launched a small-scale marketing and sales program to support the promotion of FC2 in the U.S. market. The commercial team developed a plan to confirm the "proof of concept" that FC2 represented a significant business opportunity. This required changes in the distribution process for FC2 in the U.S. As part of this reorganization the Company announced new distribution agreements with three of the country's largest distributors that support the pharmaceutical industry. This newly developed network now allows up to 98% of major retail pharmacies the ability to make FC2 available to their customers. In addition to the distribution system, the Company expanded sales and market access efforts that resulted in FC2 now being available through the following access points: community-based organizations, by prescription, utilizing the telemedicine "HeyDoctor" App, through 340B covered entities, college and universities and our patient assistance program. We continue to increase healthcare provider awareness, education and acceptance which has resulted in more women utilizing FC2 in the U.S. We believe that the initial results from these efforts support the U.S. market opportunity and that we will continue to see increased utilization of FC2.

Details of the quarterly unit sales of FC2 for the last five fiscal years are as follows:

Period	2018	2017	2016	2015	2014
October 1 — December 31	4,399,932	6,389,320	15,380,240	12,154,570	11,832,666
January 1 — March 31	4,125,032	4,549,020	9,163,855	20,760,519	7,298,968
April 1 — June 30		8,466,004	10,749,860	14,413,032	13,693,652
July 1 — September 30		6,854,868	6,690,080	13,687,462	9,697,341
Total	8,524,964	26,259,212	41,984,035	61,015,583	42,522,627

Revenues. The Company's revenues are primarily derived from sales of FC2 in the public sector and are recognized upon shipment of the product to its customers. Other sales are from FC2 into the prescription channel in the U.S. and sales of PREBOOST; however, these sales were not material to our results for the three and six months ended March 31, 2018.

The Company is working to further develop a global market and distribution network for FC2 by maintaining relationships with public health sector groups and completing partnership arrangements with companies with the necessary marketing and financial resources and local market expertise.

The Company’s most significant customers have been either global public health sector agencies or those who facilitate their purchases and/or distribution of FC2 for use in HIV/AIDS prevention and/or family planning. The Company's four largest customers currently are UNFPA, USAID, Barrs Medical (PTY) Ltd and Semina. We sell to the Brazil Ministry of Health either through UNFPA or Semina.

In 2017, the Company began expanding access to FC2 in the U.S. by making it available by prescription. With a prescription, FC2 is covered by most insurance companies with no copay. The Company hired a small sales force and also retained an independent sales organization to help educate doctors, pharmacists, clinics and student health centers on the benefits of FC2 and how to prescribe it. In the U.S., FC2 is sold to major distributors and sold direct to city and state public health departments and non-profit organizations.

Because the Company manufactures FC2 in a leased facility located in Malaysia, a portion of the Company's operating costs are denominated in foreign currencies. While a material portion of the Company's future sales are likely to be in foreign markets, all sales are denominated in the U.S. dollar. Effective October 1, 2009, the Company’s U.K. and Malaysia subsidiaries adopted the U.S. dollar as their functional currency, further reducing the Company’s foreign currency risk.

Expenses. The Company manufactures FC2 at its facility located in Selangor D.E., Malaysia. The Company's cost of sales consists primarily of direct material costs, direct labor costs and indirect production and distribution costs. Direct material costs include raw materials used to make FC2, principally a nitrile polymer. Indirect production costs include logistics, quality control and maintenance expenses, as well as costs for electricity and other utilities. All of the key components for the manufacture of FC2 are essentially available from either multiple sources or multiple locations within a source.

Conducting research and development is central to our business model. Since the completion of the APP Acquisition we have invested and expect to continue to invest significant time and capital in our research and development operations. In fiscal 2018, we expect to increase our expenses relating to research and development due to advancement of multiple drug candidates.

Results of Operations

THREE MONTHS ENDED MARCH 31, 2018 COMPARED TO THREE MONTHS ENDED MARCH 31, 2017

The Company generated net revenues of $2,572,872 and net loss of $3,831,217 or $(0.07) per basic and diluted common share, for the three months ended March 31, 2018, compared to net revenues of $2,405,519 and net loss of $1,776,642, or $(0.06) per basic and diluted common share, for the three months ended March 31, 2017.

Net revenues increased 7 percent, with a 9 percent decrease in unit sales for the three months ended March 31, 2018, compared to the same period last year, which was partially offset by an increase in average sales price per unit of 18 percent. The principal factors for the increase in the FC2 average sales price per unit compared to the same period last year were changes in sales mix and unit price increases for customers in the U.S.

Cost of sales increased $245,605 to $1,373,469 in the three months ended March 31, 2018 from $1,127,864 for the same period last year. The increase is due to the mix of units sold with higher costs per unit and partially impacted by the unfavorable impact of currency exchange rates on costs of goods.

Gross profit decreased $78,252, or 6 percent, to $1,199,403 for the three months ended March 31, 2018 from $1,277,655 for the three months ended March 31, 2017. Gross profit margin for the three months ended March 31, 2018 was 47 percent of net revenues, compared to 53 percent of net revenues for the same period in 2017.

Significant quarter-to-quarter variations in the Company's results have historically resulted from the timing and shipment of large orders rather than from any fundamental changes in the business or the underlying demand for female condoms. The Company is also currently seeing pressure on spending for FC2 by large global agencies and donor governments in the developed world. As a result, the Company may continue to experience challenges for unit sales of FC2 in the global public sector for the remainder of fiscal 2018.

Research and development expenses increased $869,233 to $2,076,794 for the three months ended March 31, 2018 from $1,207,561 in the prior year period. The increase is primarily due to increased research and development costs associated with the in-process research and development projects acquired pursuant to the APP Acquisition and increased personnel costs associated with the research and development.

Selling, general and administrative expenses increased $1,277,847, or 50 percent, to $3,819,159 for the three months ended March 31, 2018 from $2,541,312 in the prior year period. The increase primarily relates to salaries for our U.S. Commercial team, part of our Commercial reporting segment, and additional corporate personnel, severance, investor relations and shared-based compensation expenses.

Business acquisition expenses for the three months ended March 31, 2018 decreased to zero from $108,015 in the prior year period for expenses representing costs related to the APP Acquisition.

Interest expense was $350,595 for the three months ended March 31, 2018, which included approximately $318,000 of amortization of the discounts on the SWK Credit Agreement, $27,000 of accretion of the liability for the SWK Residual Royalty Agreement and $6,000 of amortization of the deferred issuance costs related to the SWK Credit Agreement.

The Company recorded a foreign currency transaction loss of $63,077 in the most recent quarter, compared to $8,756 for the same period last year. This foreign currency transaction loss was primarily due to the adverse movement of the U.S. dollar against the Malaysian Ringgit during the period.

The income tax benefit for the three months ended March 31, 2018 was $1,302,416, compared to income tax benefit of $824,033 for the same period in fiscal year 2017. The increase in the income tax benefit is due to the change in the U.S. federal corporate income tax rate from 35% to 21% under the Tax Act and the increase in the loss before income taxes.

SIX MONTHS ENDED MARCH 31, 2018 COMPARED TO SIX MONTHS ENDED MARCH 31, 2017

The Company generated net revenues of $5,159,485 and net loss of $8,088,370, or $(0.15) per basic and diluted common share, for the six months ended March 31, 2018, compared to net revenues of $5,649,118 and net loss of $3,142,823, or $(0.10) per basic and diluted common share, for the six months ended March 31, 2017.

Net revenues decreased $489,633 on a 22 percent decrease in unit sales for the six months ended March 31, 2018, compared to the same period last year. The principal factor in the decrease is the period to period impact of the timing of shipments for key customers. The FC2 average sales price per unit increased 17 percent compared to the same period last year due to changes in sales mix and unit price increases for customers in the U.S.

Cost of sales decreased $73,609 to $2,645,570 in the six months ended March 31, 2018 from $2,719,179 for the same period last year. The reduction is due to the lower unit sales.

Gross profit decreased $416,024, or 14 percent, to $2,513,915 for the six months ended March 31, 2018 from $2,929,939 for the six months ended March 31, 2017. Gross profit margin for the six months ended March 31, 2018 was 49 percent of net revenues, compared to 52 percent of net revenues for the same period in 2017. The reduction in gross profit margin was due to lower unit sales and an unfavorable impact of currency exchange rates on costs of goods.

Significant quarter-to-quarter variations in the Company's results have historically resulted from the timing and shipment of large orders rather than from any fundamental changes in the business or the underlying demand for female condoms. The Company is also currently seeing pressure on spending for FC2 by large global agencies and donor governments in the developed world. As a result, the Company may continue to experience challenges for unit sales of FC2 in the global public sector for the remainder of fiscal 2018.

Research and development expenses increased $2,660,203 to $4,035,162 for the six months ended March 31, 2018 from $1,374,959 in the prior year period. The increase is primarily due to increased research and development costs associated with the in-process research and development projects acquired pursuant to the APP Acquisition and increased personnel costs associated with the research and development.

Selling, general and administrative expenses increased $1,773,230 to $6,847,748 for the six months ended March 31, 2018 from $5,074,518 in the prior year period. The increase primarily relates to salaries for our U.S. Commercial team, part of our Commercial reporting segment, and additional corporate personnel, severance, investor relations, shared-based compensation, and legal and patent costs.

The Company incurred a loss on net accounts receivable of approximately $3.76 million as a result of a settlement agreement we entered with Semina, our distributor in Brazil, in December 2017. This amount is presented as a separate line item in the accompanying unaudited condensed consolidated statement of operations for the six months ended March 31, 2018.

Business acquisition expenses for the six months ended March 31, 2018 decreased to zero from $934,385 in the prior year period for expenses representing costs related to the APP Acquisition.

Interest expense was $350,595 for the six months ended March 31, 2018, which included approximately $318,000 of amortization of the discounts on the SWK Credit Agreement, $27,000 of accretion of the liability for the SWK Residual Royalty Agreement and $6,000 of amortization of the deferred issuance costs related to the SWK Credit Agreement.

The Company recorded a foreign currency transaction loss of $116,532 for the six months ended March 31, 2018, compared to $20,695 for the same period in fiscal year 2017. This foreign currency transaction loss was primarily due to the adverse movement of the U.S. dollar against the Malaysian Ringgit during the period.

The income tax benefit for the six months ended March 31, 2018 was $4,548,469, compared to income tax benefit of $1,354,102 for the same period in fiscal year 2017. The increase in the income tax benefit is due to the change in the U.S. federal corporate income tax rate from 35% to 21% under the Tax Act and the increase in the loss before income taxes.

Liquidity and Sources of Capital

Liquidity

Our cash on hand (including restricted cash) at March 31, 2018 was approximately $9.0 million, compared to $3.3 million at September 30, 2017. At March 31, 2018, the Company had working capital of $5.6 million and stockholders' equity of $41.3 million compared to working capital of $4.8 million and stockholders' equity of $48.5 million as of September 30, 2017.

The Company believes its current cash position and its ability to secure equity financing or other financing alternatives are adequate to fund operations of the Company for the next 12 months. Such financing alternatives may include debt financing, convertible debt or other equity-linked securities and may include financings under the Company's current registration statement on Form S-3 (File No. 333-221120). The Company's intention is to be opportunistic when pursuing equity financing which could include selling common stock under the Purchase Agreement with Aspire Capital and/or a marketed deal with an investment bank. The Company's ability to raise capital through equity financing may be limited by the number of authorized shares of the Company's common stock, which is currently 77,000,000 shares. The Company may need to seek stockholder approval to amend our Amended and Restated Articles of Incorporation to increase the number of authorized shares of common stock, and any such amendment would require the approval of the holders of at least two-thirds of the outstanding shares of the Company's common stock. See Part I, Item 1A, "Risk Factors - Risks Related to Our Financial Position and Need for Capital" in the Company's Form 10-K for the year ended September 30, 2017, for a description of certain risks related to our ability to raise capital on acceptable terms.

Operating activities

Our operating activities used cash of approximately $4.2 million in the first half of fiscal year2018. Accounts receivable and long-term other receivables decreased from $11.4 million at September 30, 2017 to $3.0 million at March 31, 2018.

On December 27, 2017, we entered into a settlement agreement with Semina pursuant to which Semina has made a payment of $2.25 million and was obligated to make a second payment of $1.5 million by February 28, 2018, to settle net amounts due to us totaling $7.5 million relating to the 2014 Brazil Tender. Semina did not make its second payment of $1.5 million by February 28, 2018, and we currently expect it to make the payment during the third quarter of fiscal 2018. The settlement was not related to our belief in the ultimate collectability of the receivables or in the creditworthiness of Semina. We elected to settle these amounts due to the uncertainty regarding the timing of payment by the Brazilian Government and, ultimately to us, on the remaining amounts due. The result of the settlement was a net loss of approximately $3.76 million, which is included in selling, general and administrative expenses in our unaudited condensed consolidated statement of operations for the six months ended March 31, 2018.

In connection with the Company's acquisition of intellectual property rights associated with Solifenacin DRG and Tadalafil/ Finasteride combination capsules, the Company was obligated to make upfront payments totaling $500,000 by March 2018, as well as future installment payments and milestone payments. The Company expects to pay the $500,000 in the third quarter of fiscal 2018. In the third quarter of fiscal 2018, the Company changed its U.S. sales strategy for FC2 by principally relying on an independent sales organization, which change will result in severance payments of approximately $513,000. This amount will be substantially paid in the third quarter of fiscal 2018.

Investing activities

Net cash used in investing activities in the first half of fiscal year 2018 was approximately $2,000 and was associated with office equipment purchases at our Miami headquarters. Net cash used in investing activities in the first half of fiscal year 2017 was approximately $83,000 and was primarily related to office furniture and equipment purchases at our Chicago and Miami locations.

Financing activities

Net cash provided by financing activities during the first half of fiscal year 2018 was approximately $9.9 million and represents the net proceeds from the SWK Credit Agreement (see discussion below).

Sources of Capital

SWK Credit Agreement

On March 5, 2018, the Company entered into a Credit Agreement (the "Credit Agreement") with the financial institutions party thereto from time to time (the "Lenders") and SWK Funding LLC, as agent for the Lenders (the "Agent"), for a synthetic royalty financing transaction. On and subject to the terms of the Credit Agreement, the Lenders agreed to provide the Company with a multi-draw term loan of up to $12.0 million, with $10.0 million advanced to the Company on the date of the Credit Agreement. The Company may draw up to an additional $1.0 million if the Company enters into an agreement to distribute at least 47.5 million units of FC2 in Brazil upon the terms described in the Credit Agreement and up to an additional $1.0 million if the Company enters into an agreement to distribute at least 30 million units of FC2 in South Africa upon the terms described in the Credit Agreement. Under the Credit Agreement, the Company is required to make quarterly payments on the term loan based on the Company's product revenue from net sales of FC2 until the earlier of receipt by the Lenders of a return premium specified in the Credit Agreement or a required payment upon termination of the Credit Agreement on March 5, 2025 or an earlier change of control of the Company or sale of the FC2 business. The recourse of the Lenders and the Agent for obligations under the Credit Agreement is limited to assets relating to FC2.

In connection with the Credit Agreement, Veru and the Agent also entered into a Residual Royalty Agreement, dated as of March 5, 2018 (the "Residual Royalty Agreement"), which provides for an ongoing royalty payment of 5% of product revenue from net sales of FC2 commencing upon the payment in full by the Company of the required amount pursuant to the Credit Agreement. The Residual Royalty Agreement will terminate upon (i) a change of control or sale of the FC2 business and the payment by the Company of the amount due in connection therewith pursuant to the Credit Agreement, or (ii) mutual agreement of the parties.

After payment by the Company of certain fees and expenses of the Agent and the Lenders as required in the Credit Agreement, the Company received net proceeds of approximately $9.9 million from the initial $10.0 million advance under the Credit Agreement.

Aspire Capital Purchase Agreement

On December 29, 2017, the Company entered into the Purchase Agreement with Aspire Capital which provides that, upon the terms and subject to the conditions and limitations set forth therein, the Company has the right, from time to time and in its sole discretion during the 36-month term of the Purchase Agreement, to direct Aspire Capital purchase up to $15.0 million of the Company's common stock in the aggregate. Other than the 304,457 shares of common stock issued to Aspire Capital in consideration for entering into the Purchase Agreement, the Company has no obligation to sell any shares of common stock pursuant to the Purchase Agreement and the timing and amount of any such sales are in the Company's sole discretion subject to the conditions and terms set forth in the Purchase Agreement. As of the date of filing this Quarterly Report with the SEC, no shares of the Company's common stock have been sold to Aspire Capital under the Purchase Agreement.

BMO Line of Credit

The Company's Credit Agreement with BMO Harris Bank N.A. expired on December 29, 2017. No amounts were outstanding under the Credit Agreement during the three and six months ended March 31, 2018 or 2017.

Fair Value Measurements

As of March 31, 2018, the Company's financial liabilities measured at fair value on a recurring basis, which consisted of embedded derivatives, represent the fair value of the change of control provisions in the SWK Credit Agreement and Residual Royalty Agreement. See Note 7 for additional information.

The fair values of these liabilities were estimated based on unobservable inputs (Level 3 measurement). See Note 3 for additional information. The Company determined the fair value of the embedded derivatives at inception and on subsequent valuation dates using a Monte Carlo simulation model. This valuation model incorporates transaction details such as the contractual terms, expected cash outflows, expected repayment dates, probability of a change of control, expected volatility, and risk-free interest rates. Material changes in any of these inputs could result in a significantly higher or lower fair value measurement at future reporting dates, which could have a material effect on our results of operations. The change in the fair value of the embedded derivatives is included on a separate line item on our condensed consolidated statements of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk is limited to fluctuations in raw material commodity prices, particularly the nitrile polymer used to manufacture FC2, and foreign currency exchange rate risk associated with the Company's foreign operations. The Company does not utilize financial instruments for trading purposes or to hedge risk and holds no derivative financial instruments which would expose it to significant market risk. Effective October 1, 2009, the Company's U.K. subsidiary and Malaysia subsidiary each adopted the U.S. dollar as its functional currency. The consistent use of the U.S. dollar as the functional currency across the Company reduces its foreign currency risk and stabilizes its operating results. The Company's distributors are subject to exchange rate risk as their orders are denominated in U.S. dollars and they generally sell to their customers in the local country currency. If currency fluctuations have a material impact on a distributor it may ask the Company for pricing concessions or other financial accommodations. The Company currently has no significant exposure to interest rate risk.

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective. It should be noted that in designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company has designed its disclosure controls and procedures to reach a level of reasonable assurance of achieving desired control objectives and, based on the evaluation described above, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at reaching that level of reasonable assurance.

There was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In connection with the APP Acquisition, two purported derivative and class action lawsuits were filed against the Company in the Circuit Court of Cook County, Illinois, which were captioned Glotzer v. The Female Health Company, et al., Case No. 2016-CH-13815, and Schartz v. Parrish, et al., Case No. 2016-CH-14488. On January 9, 2017 these two lawsuits were consolidated. On March 31, 2017, the plaintiffs filed a consolidated complaint. The consolidated complaint named as defendants Veru, the members of our board of directors prior to the closing of the APP Acquisition and the members of our board of directors after the closing of the APP Acquisition. The consolidated complaint alleges, among other things, that our directors breached their fiduciary duties, or aided and abetted such breaches, by consummating the APP Acquisition in violation of the Wisconsin Business Corporation Law and NASDAQ voting requirements and by causing us to issue the shares of our common stock and Series 4 Preferred Stock to the former stockholders of APP pursuant to the APP Acquisition in order to evade the voting requirements of the Wisconsin Business Corporation Law. The consolidated complaint also alleges that Mitchell S. Steiner, a director and the President and Chief Executive Officer of Veru and a co-founder of APP, and Harry Fisch, a director of Veru and a co-founder of APP, were unjustly enriched in receiving shares of our common stock and Series 4 Preferred Stock in the APP Acquisition. Based on these allegations, the consolidated complaint seeks equitable relief, including rescission of the APP Acquisition, money damages, disgorgement of the shares of our common stock and Series 4 Preferred Stock issued to Dr. Steiner and Dr. Fisch, and costs and expenses of the litigation, including attorneys' fees. On May 5, 2017, the defendants filed a motion to dismiss the consolidated complaint. On August 15, 2017, the court entered an order dismissing without prejudice the claims that the post-acquisition directors aided and abetted the alleged breaches of fiduciary duties by the pre-acquisition directors and that Dr. Steiner and Dr. Fisch were unjustly enriched. The court did not dismiss the claims that the pre-acquisition directors breached their fiduciary duties and the claims that Veru consummated the APP Acquisition in violation of the Wisconsin Business Corporation Law and NASDAQ voting requirements, and the action is continuing as to those claims. The parties are currently engaged in discovery. Veru believes that this action is without merit and is vigorously defending itself.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risks and uncertainties relating to the Company's business disclosed in Part I, Item 1A, "Risk Factors," of the Company's Form 10-K for the year ended September 30, 2017. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A, "Risk Factors," of the Company's Form 10-K for the year ended September 30, 2017, except for the following additional risk factor:

The recently passed Tax Cuts and Jobs Act may have a significant impact on our financial condition and results of operations.

On December 22, 2017, significant changes were enacted to the U.S. tax law pursuant to H.R.1. “An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018” (the “Tax Act”) (previously known as “The Tax Cuts and Jobs Act”). The Tax Act makes broad and complex changes to the U.S. tax code that could materially affect us. The Tax Act includes a permanent reduction in the U.S. federal corporate income tax rate from 35% to 21%, requires companies to pay a one-time transition tax on the previously untaxed earnings of certain foreign subsidiaries, generally eliminates the corporate alternative minimum tax, adds an anti-base erosion tax and makes other changes to deductions, credits and business-related exclusions.

While we have reflected the impact of the Tax Act on the accounting treatment of certain discrete items, we are still evaluating the full potential impact of the Tax Act on our tax provision and deferred tax assets. It is possible that the changes contained in the Tax Act could result in a write down of deferred tax assets or otherwise have an adverse impact on our effective tax rate, tax payments, financial condition or results of operations. The Tax Act is complex and additional interpretative guidance may be issued that could affect interpretations and assumptions we have made, as well as actions we may take as a result of the Tax Act.

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Form SB-2 Registration Statement (File No. 333-89273) filed with the SEC on October 19, 1999).
3.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 27,000,000 shares (incorporated by reference to Exhibit 3.2 to the Company's Form SB-2 Registration Statement (File No. 333-46314) filed with the SEC on September 21, 2000).
3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 35,500,000 shares (incorporated by reference to Exhibit 3.3 to the Company's Form SB-2 Registration Statement (File No. 333-99285) filed with the SEC on September 6, 2002).
3.4	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company increasing the number of authorized shares of common stock to 38,500,000 shares (incorporated by reference to Exhibit 3.4 to the Company's Form 10-QSB (File No. 1-13602) filed with the SEC on May 15, 2003).
3.5	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company designating the terms and preferences for the Class A Preferred Stock – Series 3 (incorporated by reference to Exhibit 3.5 to the Company's Form 10-QSB (File No. 1-13602) filed with the SEC on May 17, 2004).
3.6	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company designating the terms and preferences for the Class A Preferred Stock – Series 4 (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on November 2, 2016).
3.7	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company changing the corporate name to Veru Inc. and increasing the number of authorized shares of common stock to 77,000,000 shares (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on August 1, 2017).
3.8	Amended and Restated By-Laws (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on May 4, 2018).
4.1	Amended and Restated Articles of Incorporation, as amended (same as Exhibits 3.1, 3.2, 3.3, 3.4, 3.5, 3.6 and 3.7).
4.2	Articles II, VII and XI of the Amended and Restated By-Laws (included in Exhibit 3.8).
10.1	Credit Agreement, dated as of March 5, 2018, among the Company, SWK Funding LLC and the financial institutions party thereto from time to time (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on March 6, 2018).
10.2	Residual Royalty Agreement, dated as of March 5, 2018, between the Company and SWK Funding LLC(incorporated by reference to Exhibit 10.2 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on March 6, 2018).

10.3	Guarantee and Collateral Agreement, dated as of March 5, 2018, between the Company and SWK Funding LLC (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on March 6, 2018).
10.4	Intellectual Property Security Agreement, dated as of March 5, 2018, between the Company and SWK Funding LLC (incorporated by reference to Exhibit 10.4 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on March 6, 2018).
10.5	Pledge Agreement, dated as of March 5, 2018, between the Company and SWK Funding LLC (incorporated by reference to Exhibit 10.5 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on March 6, 2018).
10.6	Veru Inc. 2018 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on March 26, 2018). (1)
10.7	Form of Non-Qualified Stock Option Grant Agreement for the Veru Inc. 2018 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on March 26, 2018). (1)
10.8	Executive Employment Agreement, dated as of March 21, 2018, between the Company and Michele Greco (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K (File No. 1-13602) filed with the SEC on March 26, 2018). (1)
10.9	Executive Employment Agreement, dated as of March 21, 2018, between the Company and Dr. Robert H. Getzenberg.(1) (2)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (2)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (2)
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002). (2) (3)
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, formatted in XBRL (Extensible Business Reporting Language): (1) the Unaudited Condensed Consolidated Balance Sheets, (2) the Unaudited Condensed Consolidated Statements of Operations, (3) the Unaudited Condensed Consolidated Statement of Stockholders' Equity, (4) the Unaudited Condensed Consolidated Statements of Cash Flows and (5) the Notes to the Unaudited Condensed Consolidated Financial Statements.

(1)	Management contract or compensatory plan or arrangement
(2)	Filed herewith
(3)	This certification is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

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 thereunto duly authorized.

VERU INC.

DATE: May 10, 2018

/s/ Mitchell S. Steiner
Mitchell S. Steiner
Chairman, Chief Executive Officer and President

DATE: May 10, 2018

/s/ Michele Greco
Michele Greco
Chief Financial Officer and Chief Administrative Officer

Exhibit 10.9

Executive Employment Agreement

This Employment Agreement (the "Agreement") is made and entered into as of March 21, 2018 (the "Effective Date") by and between Dr. Robert H. Getzenberg Ph.D, an individual residing at 358 N. Island Drive, # 106, Memphis TN 38103 (the "Executive") and Veru Inc., a Wisconsin corporation with its corporate headquarters at 4400 Biscayne Blvd., Suite 888, Miami FL 33137 (the "Company").

WHEREAS, the Company desires to employ the Executive on the terms and conditions set forth herein;

WHEREAS, the Executive desires to be employed by the Company on such terms and conditions; and

WHEREAS, it is a condition precedent of Executive's employment hereunder that Executive sign this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, promises and obligations set forth herein, the parties agree as follows:

1. **Employment At-Will; Start Date.** The Executive's employment hereunder shall be for no definite or determinable period of time and the Executive's employment hereunder may be terminated by either the Company or the Executive at any time and for any reason subject to the provisions of Section 5 below. The start date for the Executive in this new role will be immediately upon execution of this Agreement by both Executive and Company.

2. **Position and Duties.**

(a) **Position.** During the Executive's employment with the Company, the Executive shall serve as Chief Scientific Officer, subject to the Company's Board approval of the new role by resolution or consent at the next reasonably practicable time. In such position, the Executive shall have such duties, authority and responsibility as are customary for an executive in Executive's position and such others as shall be determined from time to time by the Company's Chief Executive Officer and President ("CEO"). The Executive shall report directly to the CEO.

(b) **Duties**. During the Executive's employment with the Company pursuant to this Agreement, the Executive shall devote substantially all of his business time and attention to the performance of the Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the CEO. Notwithstanding the foregoing, the Executive will be permitted to (a) with the prior consent of the CEO and which consent can be withheld by the CEO in his discretion, act or serve as a director, trustee, committee member or principal of any type of business, civic or charitable organization as long as such activities are disclosed in writing to the Company's CEO, and (b)

purchase or own less than five percent (5%) of the publicly traded securities of any corporation; provided that, such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation; provided further that, the activities described in clauses (a) and (b) do not interfere with the performance of the Executive's duties and responsibilities to the Company as provided hereunder, including, but not limited to, the obligations set forth in this Section 2.

3. **Place of Performance**. The principal place of Executive's employment shall be: (i) Executive's home office located at 358 N. Island Drive, # 106, Memphis TN 38103; or (ii) potentially in the future should the Company's CEO and President request, and should the Executive mutually agree, the Company's headquarters at 4400 Biscayne Blvd., Suite # 888, Miami FL 33137; any of (i) or (ii) preceding could be considered as Executive's principal place of employment for purposes of this Agreement. Should the Executive relocate to Miami at the Company's request, the Company shall pay Executive's reasonable relocation expenses. Executive will be required to travel on Company business during the Executive's employment with the Company.

4. **Compensation.**

4.1 **Base Salary**. Subject to section 5.2(b)(i) hereof, the Company shall pay the Executive an annual rate of base salary of three hundred thirty thousand dollars ($330,000) in periodic installments in accordance with the Company's customary payroll practices, but no less frequently than monthly. The Executive's base salary shall be reviewed at least annually by the Company's CEO, and the CEO may, but shall not be required to, increase the base salary during the Executive's employment with the Company. The Executive's annual base salary, as in effect from time to time, is hereinafter referred to as **"**Base Salary**".**

4.2 **Annual Cash Incentive Bonus**.

(a) For each fiscal year during the Executive's employment pursuant to this Agreement, the Executive shall be eligible to receive an annual cash incentive bonus equal to forty-five percent (45%) of his Base Salary based on meeting certain Company and personal goals to be mutually agreed upon by the Executive and the CEO (the "Annual Bonus"). However, the decision to provide any Annual Bonus and the amount and terms of any Annual Bonus shall be at the discretion of the Company's CEO.

(b) The Annual Bonus, if any, will be paid no later than the end of the first quarter of the fiscal year after the fiscal year in which an Annual Bonus, if any, is awarded; provided, however, that in order to be entitled to an Annual Bonus the Executive must be employed by the Company on the date of payment thereof, except as expressly otherwise provided herein, such as section 5.2(a)(ii) in the event of termination by the Company without cause or by the Executive for good reason.

4.3 **Equity Awards.** Executive is eligible to participate in the Veru Inc. Equity Incentive Plan. Any grant of equity is subject both to share availability and to the discretion of the Board's Compensation Committee and the Company cannot guarantee this award at this time.

4.4 **Employee Benefits.** During the Executive's employment with the Company pursuant to this Agreement, the Executive shall be entitled to participate in all employee benefit plans, practices and programs maintained by the Company, as in effect from time to time (collectively, "Employee Benefit Plans") on a basis that is at least as favorable as those provided to other similarly situated executives of the Company and to the extent consistent with applicable law, the terms of the applicable Employee Benefit Plans, and the Company's policy for sharing the cost of such benefits as in effect from time to time. The Company reserves the right to amend or cancel any Employee Benefit Plans at any time in its sole discretion, subject to the terms of such Employee Benefit Plans and applicable law. Executive will be immediately eligible to participate in the US health, dental, vision, disability and life insurance programs of which the premiums are currently fully paid by the Company.

4.5 **Vacation; Paid Time-off.** During the Executive's employment with Company pursuant to this Agreement, the Executive will be entitled to accrue four weeks (4) paid vacation per fiscal year. The Executive shall receive other paid time-off in accordance with the Company's policies for officers as such policies may exist from time to time.

4.6 **Business Expenses.** The Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment and travel expenses incurred by the Executive in connection with the performance of the Executive's duties hereunder in accordance with the Company's expense reimbursement policies and procedures.

5. **Termination of Employment.** This Agreement and the Executive's employment hereunder are for no definite or determinable period of time and may be terminated by either the Company or the Executive at any time and for any reason subject to the provisions of this Section 5. Upon termination of this Agreement and the Executive's employment hereunder, the Executive shall be entitled to the compensation and benefits described in this Section 5 and shall have no further rights to any compensation or any other benefits from the Company or any of its affiliates.

5.1 **Termination by the Company for Cause or by the Executive without Good Reason**.

(a) The Executive's employment hereunder may be terminated by the Company immediately for Cause (as defined below) or by the Executive without Good Reason (as defined below). If the Executive's employment is terminated by the Company for Cause or by the Executive without Good Reason, the Executive shall be entitled to receive:

(i) any accrued but unpaid Base Salary and accrued but unused vacation which shall be paid on the pay date immediately following the Termination Date (as defined below) in accordance with the Company's customary payroll procedures;

(ii) any unpaid Annual Bonus with respect to any completed fiscal year immediately preceding the Termination Date, if the Executive was still employed by the Company on the last day of the first quarter of the fiscal year after the fiscal year in which an Annual Bonus, if any, was awarded; provided further that, if the Executive's employment is terminated by the Company for Cause, then any such unpaid Annual Bonus shall be forfeited;

(iii) reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Company's expense reimbursement policy; and

(iv) such employee benefits (including equity compensation), if any, to which the Executive may be entitled under the Company's Employee Benefit Plans as of the Termination Date; provided, however, that, if the Executive's employment is terminated by the Company for Cause, the Executive will not be entitled to any unvested equity and shall forfeit any vested equity compensation not already received by the Executive.

Items 5.1(a)(i) through 5.1(a)(iv) are referred to herein collectively as the "Accrued Amounts".

(c) For purposes of this Agreement, "Cause" shall mean:

(i) the Executive's failure to perform his duties (other than any such failure resulting from incapacity due to physical or mental illness or disability);

(ii) the Executive's failure to comply with any valid and legal directive of the CEO;

(iii) the Executive's engagement in dishonesty, illegal conduct or misconduct, which is, in each case, injurious to the Company or its affiliates;

(iv) the Executive's embezzlement, misappropriation or fraud, whether or not related to the Executive's employment with the Company;

(v) the Executive's conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes a misdemeanor involving moral turpitude or results in harm to the Company or its affiliates;

(vi) the Executive's breach of the duty of loyalty or breach of fiduciary duty;

(vii) the Executive's unauthorized disclosure of Confidential Information (as defined below);

(viii) Executive's material breach of any material obligation under this Agreement or any other written agreement between the Executive and the Company; or

(ix) any material failure by the Executive to comply with the Company's written policies or rules, as they may be in effect from time to time during the Executive's employment with the Company.

5.2 **Termination by the Company Without Cause or by the Executive for Good Reason**.

(a) This Agreement and the Executive's employment hereunder may be terminated by the Company without Cause or by the Executive for Good Reason in accordance with the provisions set forth herein. In the event of such termination, the Executive shall be entitled to receive the Accrued Amounts and, subject to the Executive's compliance with Sections 6 through 9 of this Agreement and his execution of a general release of claims in favor of the Company and all of its related entities and individuals (the "Release"), which shall include a re-affirmation of Executive's non-disparagement obligation and his obligation to comply with Sections 6 through 9 of this Agreement and such Release becoming effective within the number of days permitted under applicable law following the Termination Date (the "Release Effective Date"), the Executive shall be entitled to receive the following:

(i) continued Base Salary for six (6) months following the Termination Date payable in equal installments in accordance with the Company's normal payroll practices, but no less frequently than monthly, which shall commence on the Company's regular pay day for the pay period immediately following the pay period that includes the Release Effective Date;

(ii) any unpaid Annual Bonus with respect to any completed fiscal year immediately preceding the Termination Date if the Executive was still employed by the Company on the last day of the preceding fiscal year;

(iii) a pro-rated payment equal to the Executive's target bonus for the year in which the Termination occurs as defined in section 4.2(a) hereof multiplied by the percentage of days the Executive was employed by the Company in the year of termination, and payable as and when such bonuses are normally paid for other executives of the Company; and

(iv) if the Executive timely and properly elects health continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**") or comparable State continuation law, the Company shall reimburse the Executive for the difference between the monthly COBRA or comparable State continuation law premium paid by the Executive for himself and his dependents and the monthly premium amount paid by similarly situated active executives. Such reimbursement shall be paid to the Executive on the fifteenth of the month immediately following the month in which the Executive timely remits the premium payment. The Executive shall be eligible to receive such reimbursement until the earliest of: (i) the six (6) month anniversary of the Termination Date; (ii) the date the Executive (in the case of his) or any of his dependents (in the case of

such dependent) is no longer eligible to receive COBRA or comparable State law continuation coverage; and (iii) the date on which the Executive (in the case of his) or any of his dependents (in the case of such dependent) becomes eligible to receive substantially similar coverage from another employer or other source.

(b) For purposes of this Agreement**, "**Good Reason**"** shall mean the occurrence of any of the following, in each case during the Executive's employment under this Agreement without the Executive's written consent:

(i) a reduction in the Executive's Base Salary of more than ten percent (10%) other than a general reduction in Base Salary that affects all similarly situated executives in substantially the same proportions;

(ii) a relocation of the Executive's principal place of employment outside of the metropolitan area where the Executive currently has his principal office;

(iii) any material breach by the Company of any material provision of this Agreement; or

(iv) a material, adverse change in the Executive's authority, duties or responsibilities (other than temporarily while the Executive is physically or mentally incapacitated or as required by applicable law) taking into account the Company's size, status as a public company and capitalization as of the date of this Agreement.

The Executive cannot terminate his employment for Good Reason unless he has provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within thirty (30) days of the initial existence of such grounds, and the Company has had thirty (30) days from the date on which such notice is provided to cure such circumstances. If the Company has not cured such Good Reason within thirty (30) days of such notice, the Executive shall have up to thirty (30) days after such cure period to terminate his employment hereunder for Good Reason. If the Executive does not provide written notice to the Company to terminate his employment for Good Reason within the time period specified herein, then the Executive will be deemed to have waived his right to terminate for Good Reason with respect to such grounds.

5.3 **Death or Disability**.

(a) The Executive's employment hereunder shall terminate automatically upon the Executive's death during the Executive's employment under this Agreement, and the Company may terminate the Executive's employment on account of the Executive's Disability (as defined below).

(b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death or Disability, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the following:

(i) pay for any of the Executive's accrued but unpaid Base Salary and the Executive's accrued but unused vacation as of the date of death or Disability;

(ii) any earned but unpaid Annual Bonus with respect to any completed fiscal year immediately preceding the Executive's date of death or Disability, if the Executive was still employed by the Company on the last day of the preceding fiscal year;

(iii) reimbursement for unreimbursed business expenses properly incurred by the Executive, which shall be subject to and paid in accordance with the Company's expense reimbursement policy; and

(iv) such employee benefits (including equity compensation), if any, to which the Executive may be entitled under the Company's Employee Benefit Plans as of the date of the Executive's death or Disability.

(c) For purposes of this Agreement, "Disability" shall mean the Executive is entitled to receive long-term disability benefits under the Company's long-term disability plan, or if there is no such plan, the Executive's inability, due to physical or mental incapacity, to substantially perform all of the essential duties and responsibilities under this Agreement, with or without reasonable accommodation, for one hundred eighty (180) days out of any three hundred sixty-five (365) day period or one hundred twenty (120) consecutive days; provided however, in the event the Company temporarily replaces the Executive, or transfers the Executive's duties or responsibilities to another individual on account of the Executive's inability to perform such duties due to a mental or physical incapacity which is, or is reasonably expected to become, a Disability, then the Executive's employment shall not be deemed terminated by the Company and the Executive shall not be able to resign with Good Reason as a result thereof. Any question as to the existence of the Executive's Disability as to which the Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the Company. If the Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and the Executive shall be final and conclusive for all purposes of this Agreement.

5.4 **Change in Control Termination**.

(a) Notwithstanding any other provision contained herein, if the Executive's employment hereunder is terminated by the Executive for Good Reason or by the Company without Cause (other than on account of the Executive's death or Disability) within six (6)

months following a Change in Control, the Executive shall be entitled to receive, subject to the Executive's compliance with Sections 6 through 9 of this Agreement and his execution of the Release and reaffirmations referred to in Section 5.2, the following:

(i) all items of compensation set forth in Section 5.2(a)(i-iv); and

(ii) acceleration of unvested equity compensation in accordance with the terms of the Company's applicable equity compensation plans and grant agreements.

(b) For purposes of this Agreement, "Change in Control" shall have the meaning set forth in the Company's applicable equity plans and grant agreements.

5.5 **Notice of Termination**. Any termination of the Executive's employment hereunder by the Company or by the Executive during the Executive's employment under this Agreement (other than termination pursuant to Section 5.3(a) on account of the Executive's death) shall be communicated by written notice of termination ("Notice of Termination") to the other party hereto in accordance with Section 25 of this Agreement. The Notice of Termination shall specify:

(a) The termination provision of this Agreement relied upon;

(b) To the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and

(c) The applicable Termination Date.

5.6 **Termination Date**. The Executive's "Termination Date" shall be:

(a) If the Executive's employment hereunder terminates on account of the Executive's death, the date of the Executive's death;

(b) If the Executive's employment hereunder is terminated on account of the Executive's Disability, the date that it is specified in the Company's Notice of Termination after it is determined that the Executive has a Disability;

(c) If the Company terminates the Executive's employment hereunder for Cause, the date the Notice of Termination is delivered to the Executive;

(d) If the Company terminates the Executive's employment hereunder without Cause, the date specified in the Notice of Termination, which shall be no less than ten (10) business days following the date on which the Notice of Termination is delivered; provided that during said notice period, the Company shall have the right to change or eliminate the Executive's duties within its discretion, which shall not be deemed a Good Reason hereunder;

(e) If the Executive terminates employment hereunder with or without Good Reason, the date specified in the Executive's Notice of Termination, which shall be no less than ten (10) business days following the date on which the Notice of Termination is delivered; provided that, the Company may waive all or any part of the ten (10) day notice period without further accrual or payment of salary or benefits upon written notice to the Executive, and the Executive's Termination Date shall be the date determined in such notice by the Company;

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which the Executive incurs a "separation from service" within the meaning of Section 409A.

5.7 **Resignation of All Other Positions**. Upon termination of the Executive's employment hereunder for any reason, the Executive shall be deemed to have resigned from all positions that the Executive holds as an officer or member of the board of directors (or a committee thereof) of the Company or any of its affiliates.

5.8 **Section 280G**.

(a) If any of the payments or benefits received or to be received by the Executive (including, without limitation, any payment or benefits received in connection with a Change in Control or the Executive's termination of employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement, or otherwise) (all such payments collectively referred to herein as the "280G Payments") constitute "parachute payments" within the meaning of Section 280G of the Code and would, but for this Section 5.8, be subject to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), then prior to making the 280G Payments, a calculation shall be made comparing (i) the Net Benefit (as defined below) to the Executive of the 280G Payments after payment of the Excise Tax to (ii) the Net Benefit to the Executive if the 280G Payments are limited to the extent necessary to avoid being subject to the Excise Tax. Only if the amount calculated under (i) above is less than the amount under (ii) above will the 280G Payments be reduced to the minimum extent necessary to ensure that no portion of the 280G Payments is subject to the Excise Tax. "Net Benefit" shall mean the present value of the 280G Payments net of all federal, state, local, foreign income, employment and excise taxes. Any reduction made pursuant to this Section 5.9 shall be made in a manner determined by the Company that is consistent with the requirements of Section 409A.

(b) Unless the Company and the Executive otherwise agree, all calculations and determinations under this Section 5.8 shall be made by an independent accounting firm whose determinations shall be conclusive and binding on the Company and the Executive for all purposes. For purposes of making the calculations and determinations required by this Section 5.8, the accounting firm may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Company and the Executive shall furnish the accounting firm with such information and documents as the accounting firm may reasonably request in order to make its determinations

under this Section 5.8. The Company shall bear all costs the accounting firm may reasonably incur in connection with its services as contemplated by this provision.

6. **Cooperation**. The parties agree that certain matters in which the Executive will be involved during his employment with the Company may necessitate the Executive's cooperation in the future. Accordingly, following the termination of the Executive's employment for any reason, to the extent reasonably requested by the Company's CEO, the Executive shall cooperate with the Company in connection with matters arising out of the Executive's service to the Company; provided that, the Company shall make reasonable efforts to minimize disruption of the Executive's other activities. The Company shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation and, to the extent that the Executive is required to spend substantial time on such matters, the Company shall compensate the Executive at an hourly rate based on the Executive's Base Salary on the Termination Date.

7. **Confidential Information**. The Executive understands and acknowledges that during his employment with the Company, he will have access to and learn about Confidential Information, as defined below.

7.1 **Confidential Information Defined; Restrictions**.

(a) **Definition**.

For purposes of this Agreement, **"**Confidential Information**"** includes, but is not limited to, all information not known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to: business processes, methods, policies, plans, publications, documents, research, operations, strategies, techniques, contracts, transactions, potential transactions, negotiations, pending negotiations, know-how, trade secrets, computer programs, computer software, applications, operating systems, software design, web design, work-in-process, databases, manuals, records, articles, systems, material, sources of material, supplier information, vendor information, financial information, accounting information, accounting records, legal information, marketing information, advertising information, pricing information, design information, payroll information and staffing information, personnel information, employee lists, supplier lists, vendor lists, developments, reports, internal controls, security procedures, graphics, drawings, sketches, market studies, sales information, revenue, costs, formulae, product plans, designs, models, ideas, inventions, unpublished patent applications, discoveries, experimental processes, experimental results, specifications, customer or client information or lists, manufacturing information, distributor lists, and buyer lists of the Company, and any information about or from any existing or prospective customer, supplier, investor or other associated third party, or of any other person or entity that has entrusted information to the Company in confidence.

The Executive understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.

The Executive understands and agrees that Confidential Information includes information developed by his in the course of his employment by the Company as if the Company furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include (i) information that is or becomes publicly known to others who are not under a confidentiality obligation to the Company, without breach by the Executive of Section 7.1 (c) below or (ii) information provided to the Executive by a third party who is not under a confidentiality obligation benefitting the Company or others with respect to the information. The Executive understands and agrees that all Company Confidential Information constitutes trade secrets under Florida law and any other applicable law.

(b) **Company Creation and Use of Confidential Information**.

The Executive understands and acknowledges that the Company has invested, and continues to invest, substantial time, money and specialized knowledge into developing its resources, creating a customer base, generating customer and potential customer lists, training its employees (including the Executive), and improving its offerings in the field of diversified drugs, therapeutics and medical devices for men's and women's reproductive health, urology and oncology. The Executive understands and acknowledges that as a result of these efforts, the Company has created, and continues to use and create Confidential Information. This Confidential Information provides the Company with a competitive advantage over others in the marketplace.

(d) **Disclosure and Use Restrictions**.

The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever (including other employees of the Company) not having a need to know and authority to know and use the Confidential Information in connection with the business of the Company and, in any event, not to anyone outside of the direct employ of the Company except as required in the performance of the Executive's authorized employment duties to the Company or with the prior consent of the CEO acting on behalf of the Company in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent); and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media or other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the Company, except as required in the performance of the Executive's authorized employment duties to the Company or with the prior consent of the CEO acting on behalf of the Company in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent). Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of

disclosure required by such law, regulation or order. The Executive shall promptly provide written notice of any such order to Company's Executive Vice President-Legal. While complying with this Section 7.1 to the greatest extent possible, nothing herein prohibits the Executive from reporting possible violations of federal law or regulation to any governmental agency from or making other disclosures under the whistleblower provisions of federal or state law or regulation. Executive is not required to notify the Company if Executive makes such reports or disclosures.

The Executive understands and acknowledges that his obligations under this Agreement with regard to any particular Confidential Information shall commence immediately upon the Executive first having access to such Confidential Information (whether before or after he begins employment by the Company) and shall continue during and after his employment by the Company until such time as such Confidential Information has become public knowledge other than as a result of the Executive's breach of this Agreement or breach by those acting in concert with the Executive or on the Executive's behalf.

(e) **Defend Trade Secrets Act Notice**

Executive is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that he will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (i) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Executive is further notified that if Executive files a lawsuit for retaliation by an employer for reporting a suspected violation of law, Executive may disclose the employer's trade secrets to Executive's attorney and use the trade secret information in the court proceeding if Executive: (i) files any document containing the trade secret under seal; and (ii) does not disclose the trade secret, except pursuant to court order.

8. **Restrictive Covenants**.

8.1 **Acknowledgement**. The Executive understands that the nature of the Executive's position gives his access to and knowledge of Confidential Information and places his in a position of trust and confidence with the Company. The Executive understands and acknowledges that the intellectual services he provides to the Company are unique, special or extraordinary because of his knowledge, experience, training and expertise in the areas and disciplines for which the Company has chosen to employ his.

The Executive further understands and acknowledges that the Company's ability to reserve these for the exclusive knowledge and use of the Company is of great competitive importance and commercial value to the Company, and that improper use or disclosure by the Executive is likely to result in unfair or unlawful competitive activity.

8.2 **Non-competition**. Because of the Company's legitimate business interest as described herein and the good and valuable consideration offered to the Executive, during the Executive's employment with the Company and for the period of two (2) years beginning on the last day of the Executive's employment with the Company (the "Restricted Period"), whether employment is terminated at the option of the Executive or the Company, the Executive agrees and covenants not to engage in Prohibited Activity that is, or is expected to be, competitive with the Company's drug products, female condom, diversified drugs, and therapeutics and medical device businesses in the fields of men's and women's reproductive health, urology and oncology (collectively the "Prohibited Field"); provided, however, that the restriction set forth in this section 8.2 shall not prohibit Executive during the Restricted Period from engaging in a Prohibited Activity with a legally recognized 501(c)(3) not-for-profit enterprise, which organization may include a university or other similar academic organization, so long as all other terms and conditions of this Agreement are complied with by Executive including but not limited to the nondisclosure or use of Company Confidential Information, non-solicitation of employees and customers, and protection of the Company's Work Product and Intellectual Property Rights as provided in Section 13 of this Agreement.

8.3 **Prohibited Activity.** For purposes of this Section 8, **"**Prohibited Activity**"** is activity in which the Executive contributes his knowledge, services and/or financial support, directly or indirectly, in whole or in part, as an owner, operator, manager, advisor, lender, investor, consultant, agent, employee, partner, director, stockholder, officer, volunteer, intern or any other similar capacity to an entity or person engaged in the same or similar business as the Company, including those engaged in the Prohibited Field, within the United States and any other countries in which the Company sells, markets and/or develops its products and/or services. Prohibited Activity also includes activity that may require or inevitably requires disclosure of Company trade secrets or other Confidential Information. Nothing herein shall prohibit the Executive from purchasing or owning less than five percent (5%) of the publicly traded securities of any corporation, provided that such ownership represents a passive investment and that the Executive is not a controlling person of, or a member of a group that controls, such corporation.

8.4 **Non-solicitation of Employees**. The Executive agrees that the Company has made a substantial investment in its employees in order to retain their services and valuable contribution to its business, and to minimize turnover and recruitment training time and cost. Therefore, to protect this legitimate interest of the Company, the Executive agrees and covenants not to directly or indirectly, on Executive's own behalf or on behalf of any other person or entity, solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Company during the Restricted Period.

8.5 **Non-solicitation of Customers**. The Executive agrees that the Company has made a substantial investment in order to develop and maintain valuable relationships with its customers and prospective customers. The Executive further agrees that the Company has long-standing relationships with its customers and that but for the Executive's employment with the Company, the Executive would not have had access to or Confidential Information about its customers. Executive understands and acknowledges that because of the Executive's experience with and

relationship to the Company he will have access to the Company's customers and prospective customers and learn about much or all of the Company's customer information which is confidential and/or compiled in a confidential manner. "Customer Information" includes, but is not limited to, names, phone numbers, addresses, e-mail addresses, order history, order preferences, chain of command, pricing information, profitability, sales and marketing strategy, and other information identifying facts and circumstances specific to the customer or prospective customer and relevant to sales or services provided by the Company, whether Confidential Information or otherwise.

The Executive understands and acknowledges that loss of customer or prospective customer relationships and/or goodwill will cause significant and irreparable harm to the Company.

Therefore, to protect these legitimate interests of the Company, Executive agrees and covenants, during Restricted Period, not to directly or indirectly, on Executive's own behalf or on behalf of any other person or entity, solicit, contact (including but not limited to e-mail, regular mail, express mail, telephone, fax, and instant message), attempt to contact or meet with or provide any products or services to the Company's customers or prospective customers for purposes of offering or providing goods or services similar to or competitive with those offered by the Company.

The restrictions in this Section 8.5 shall only apply to:

(a) Customers or prospective customers the Executive contacted in any way during the past one (1) year prior to the Executive's last day of employment with the Company; or

(b) Customers or prospective customers about whom the Executive has or had access to trade secret or other Confidential Information; or

(c) Customers under the Executive's supervisory or sales purview who became customers during the Executive's employment with the Company.

8.6 **Non-interference with Other Business Relationships**. The Executive agrees and covenants, during the Restricted Period, not to directly or indirectly, on Executive's own behalf or on behalf of any other person, interfere with or cause disruption in any way to the Company's contracts or relationships with its business partners, including, but not limited to, vendors, suppliers, manufacturing sources, and IT consultants.

8.7 **Extension of Restricted Period**. The Executive agrees that should he breach any of his covenants in this Section 8, the Restricted Period shall be extended by the length of any period of such breach.

9. **Non-disparagement**. The Executive agrees and covenants that he will not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Company or its businesses, or any

of its employees, officers, directors, and existing and prospective customers, suppliers, investors and other associated third parties.

This Section 9 does not, in any way, restrict or impede the Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. The Executive shall promptly provide written notice of any such order to Company's EVP Legal.

10. **Acknowledgement**. The Executive acknowledges and agrees that the services to be rendered by him to the Company are of a special and unique character; that the Executive will obtain knowledge and skill relevant to the Company's industry, methods of doing business and marketing strategies by virtue of the Executive's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interests of the Company.

The Executive further acknowledges and agrees that his promotion and the amount of and increase in his compensation hereunder reflects, in part, substantial consideration for his obligations and the Company's rights under Sections 7 through 9 of this Agreement; that he has no expectation of any additional compensation, royalties or other payment of any kind not otherwise referenced herein in connection herewith; that he will not be subject to undue hardship by reason of his full compliance with the terms and conditions of Sections 7 through 9 of this Agreement or the Company's enforcement thereof.

11. **Remedies**. In the event of a breach or threatened breach by the Executive of any of Sections 7 through 9 of this Agreement, the Executive hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of posting any bond or other security or of showing any actual damages or that money damages would not afford an adequate remedy. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief. In the event the Executive breaches any of his obligations contained in any of Sections 7 through 9, the Company shall be entitled to an award of its costs, reasonable attorneys' and expert witness fees, and out-of-pocket expenses incurred in obtaining a judgment or order against the Executive in addition to any to other relief awarded to the Company.

12. **Waiver of Defenses**. The Executive agrees that in the event the Company brings an action for injunctive or other relief for any alleged violation by the Executive of any of Sections 7 through 9 above, the Executive will not raise any defense to such action or the relief sought by the Company on the grounds that the Company terminated the Executive's employment in bad faith or committed any breach of this Agreement or any other agreement between the parties, and Executive hereby waives any such defenses in any such action.

13. **Work Product and Intellectual Property Protection**.

13.1 **Work Product.** The Executive acknowledges and agrees that all right, title and interest in and to all writings, works of authorship, technology, inventions, discoveries, processes, techniques, methods, ideas, concepts, research, proposals, materials and all other work product of any nature whatsoever, that are created, prepared, produced, authored, edited, amended, conceived or reduced to practice by the Executive individually or jointly with others during the period of his employment by the Company and relate in any way to the business or contemplated business, products, activities, research or development of the Company or result from any work performed by the Executive for the Company (in each case, regardless of when or where prepared or whose equipment or other resources is used in preparing the same) all rights and claims related to the foregoing, and all printed, physical and electronic copies, and other tangible embodiments thereof (collectively, **"**Work Product**"),** as well as any and all rights in and to US and foreign (a) patents, patent disclosures and inventions (whether patentable or not), (b) trademarks, service marks, trade dress, trade names, logos, corporate names and domain names, and other similar designations of source or origin, together with the goodwill symbolized by any of the foregoing, (c) copyrights and copyrightable works (including computer programs), and rights in data and databases, (d) trade secrets, know-how and other confidential information, and (e) all other intellectual property rights, in each case whether registered or unregistered and including all registrations and applications for, and renewals and extensions of, such rights, all improvements thereto and all similar or equivalent rights or forms of protection in any part of the world (collectively, **"**Intellectual Property Rights**"),** shall be the sole and exclusive property of the Company.

13.2 **Work Made for Hire; Assignment**. The Executive acknowledges that, by reason of being employed by the Company at the relevant times, to the extent permitted by law, all of the Work Product consisting of copyrightable subject matter is "work made for hire" as defined in 17 U.S.C. § 101 and such copyrights are therefore owned by the Company. To the extent that the foregoing does not apply, the Executive hereby irrevocably assigns to the Company, for no additional consideration, the Executive's entire right, title and interest in and to all Work Product and Intellectual Property Rights therein, including the right to sue, counterclaim and recover for all past, present and future infringement, misappropriation or dilution thereof, and all rights corresponding thereto throughout the world. The Company's rights under this Section 13.2 are in addition to, and not in lieu of, any substantive protections the Company may have under any law.

13.3 **Further Assurances; Power of Attorney**. During and after his employment, the Executive agrees to reasonably cooperate with the Company to (a) apply for, obtain, perfect and transfer to the Company the Work Product as well as any and all Intellectual Property Rights in the Work Product in any jurisdiction in the world; and (b) maintain, protect and enforce the same, including, without limitation, giving testimony and executing and delivering to the Company any and all applications, oaths, declarations, affidavits, waivers, assignments and other documents and instruments as shall be requested by the Company. The Executive hereby irrevocably grants the Company power of attorney to execute and deliver any such documents on

the Executive's behalf in his name and to do all other lawfully permitted acts to transfer the Work Product to the Company and further the transfer, prosecution, issuance and maintenance of all Intellectual Property Rights therein, to the full extent permitted by law, if the Executive does not promptly cooperate with the Company's request (without limiting the rights the Company shall have in such circumstances by operation of law). The power of attorney is coupled with an interest and shall not be affected by the Executive's subsequent incapacity.

13.4 **No License**. The Executive understands that this Agreement does not, and shall not be construed to grant the Executive any license or right of any nature with respect to any Work Product or Intellectual Property Rights or any Confidential Information, materials, software or other tools made available to his by the Company.

14. **Security**.

14.1 **Security and Access**. The Executive agrees and covenants (a) to comply with all Company security policies and procedures as in force from time to time including without limitation those regarding computer equipment, telephone systems, facilities access, key cards, access codes, Company intranet, internet, social media and instant messaging systems, computer systems, e-mail systems, computer networks, document storage systems, software, data security, encryption, firewalls, passwords and any and all other Company IT resources and communication technologies (collectively, **"**Facilities and Information Technology Resources**");** (b) not to access or use any Facilities and Information Technology Resources except as authorized by the Company; and (iii) not to access or use any Facilities and Information Technology Resources in any manner after the termination of the Executive's employment by the Company, whether termination is voluntary or involuntary. The Executive agrees to notify the Company promptly in the event he learns of any violation of the foregoing by others, or of any other misappropriation or unauthorized access, use, reproduction or reverse engineering of, or tampering with any Facilities and Information Technology Resources or other Company property or materials by others.

14.2 **Exit Obligations**. Upon (a) voluntary or involuntary termination of the Executive's employment or (b) the Company's request at any time during the Executive's employment, the Executive shall (i) provide or return to the Company any and all Company property, including but limited to, keys, access cards, identification cards, Company credit cards, computers smartphones, equipment, manuals, reports, files, books, compilations, work product, e-mail messages, thumb drives and other removable information storage devices, hard drives, and data and all Company documents and materials belonging to the Company and stored in any fashion, including but not limited to those that constitute or contain any Confidential Information or Work Product, that are in the possession or control of the Executive, whether they were provided to the Executive by the Company or any of its business associates or created by the Executive in connection with his employment by the Company; and (ii) delete or destroy all copies of any such documents and materials not returned to the Company that remain in the Executive's possession or control, including those stored on any non-Company devices, networks, storage locations and media in the Executive's possession or control.

15. **Publicity**. The Executive hereby irrevocably consents to any and all uses and displays, by the Company and its agents, representatives and licensees, of the Executive's name, voice, likeness, image, appearance and biographical information in, on or in connection with any pictures, photographs, audio and video recordings, digital images, websites, television programs and advertising, other advertising and publicity, sales and marketing brochures, books, magazines, other publications, CDs, DVDs, tapes and all other printed and electronic forms and media throughout the world, at any time during or after the period of his employment by the Company, for all legitimate commercial and business purposes of the Company ("Permitted Uses") without further consent from or royalty, payment or other compensation to the Executive. The Executive hereby forever waives and releases the Company and its directors, officers, employees and agents from any and all claims, actions, damages, losses, costs, expenses and liability of any kind, arising under any legal or equitable theory whatsoever at any time during or after the period of his employment by the Company, arising directly or indirectly from the Company's and its agents', representatives' and licensees' exercise of their rights in connection with any Permitted Uses.

16. **Governing Law; Jurisdiction and Venue**. This Agreement, for all purposes, shall be construed in accordance with the laws of the State of Florida without regard to conflicts of law principles. Any action or proceeding by either of the parties to enforce this Agreement shall be brought only in a state or federal court located in the state of Florida, county of Miami-Dade. The parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive any defenses relating to personal jurisdiction, improper venue or inconvenient forum with respect to any such action or proceeding.

17. **Entire Agreement**. Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

18. **Modification and Waiver**. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Executive and by the CEO of the Company. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

19. **Severability**. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any

such modification to become a part hereof and treated as though originally set forth in this Agreement.

The parties further agree that any such court is expressly authorized and shall modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

20. **Captions**. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

21. **Counterparts**. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

22. **Section 409A**.

22.1 **The Parties' Intent**. The intent of the Parties is that payments and benefits under this Agreement comply with or be exempt for Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively, "Code Section 409A"), and this Agreement and any associated documents shall be interpreted and construed in a manner the establishes an exemption from (or compliance with Code Section 409A). Any terms of this Agreement that are undefined or ambiguous shall be interpreted in a manner that complies with Code Section 409A to the extent necessary to comply with Code Section 409A. If for any reason, such imprecision in drafting any provision of this Agreement (or any award of compensation, including, without limitation, equity compensation or benefits) does not accurately reflect its intended establishment as an exemption from (or compliance with Code Section 409A), as demonstrated by consistent interpretations or other evidence of intent, such provision shall be considered ambiguous as to its exemption from (or compliance with) Code Section 409A and shall be interpreted in a manner consistent with such intent, as determined in the discretion of the Company.

22.2 **Separation from Service**. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for any payment of any amounts or benefits that the Company determines may be considered nonqualified deferred compensation under Code Section 409A upon or following termination of employment unless

such termination is a “Separation of Service” with the meaning of Code Section 409A, and, for purposes of any such provision of this Agreement, references to a “termination,” “termination of employment” or the like shall mean a separation of service. The determination of whether and when a separation of service has occurred for purposes of this Agreement shall be made in in accordance with the presumptions set forth in Section 1.409A-1(h) of the Treasury Regulations.

22.3 **Reimbursements**. Any reimbursements and in-kind benefits provided under this Agreement that constitute deferred compensation within the meaning of Code Section 409A shall be made or provided in accordance with the requirements of Code Section 409a, including, without limitation, that in no event shall any fees, expenses or other amounts eligible to be reimbursed by the Company under this Agreement be paid later that the last day of the calendar year next following the calendar year in which the applicable fees, expenses or other amounts were incurred.

22.4 **Payments**. For purposes of Code Section 409A, the Executive’s right to receive any installment payments shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (for example, “payment shall be made within thirty (30) days following the date of termination), the actual date of payment within the specified period shall be within the sole discretion of the Company. In no event may the Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement, to the extent that such payment is subject to Code Section 409A.

22.5 **No Company Warranties**. The Company makes no representation or warranty and shall have no liability to the Executive or any other person if any provisions in this Agreement are determined to constitute deferred compensation subject to Code Section 409A but do not satisfy an exemption from, or the conditions of, Code Section 409A.

23. **Notification to Subsequent Employer**. When the Executive's employment with the Company terminates, the Executive agrees to notify any subsequent employer of the restrictive covenants sections contained in this Agreement. The Executive will also deliver a copy of such notice to the Company before the Executive commences employment with any subsequent employer. In addition, the Executive authorizes the Company to provide a copy of sections 7 to 12 of this Agreement to third parties, including but not limited to, the Executive's subsequent, anticipated or possible future employer.

24. **Successors and Assigns**. This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The Company may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company. This Agreement shall inure to the benefit of the Company and permitted successors and assigns.

25. **Notice**. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt

requested, or by overnight carrier to the parties at the addresses set forth below (or such other addresses as specified by the parties by like notice):

If to the Company:
Veru Inc.
4400 Biscayne Blvd
Suite 888
Miami, FL 33137
Attention: EVP Legal

If to the Executive:
Dr. Robert H. Getzenberg Ph.D
358 N. Island Drive, # 106
Memphis, TN 38103

26. **Representations of the Executive**. The Executive represents and warrants to the Company that:

(a) The Executive's acceptance of employment with the Company and the performance of his duties hereunder will not conflict with or result in a violation of, a breach of, or a default under any contract, agreement or understanding to which he is a party or is otherwise bound; and

(b) The Executive's acceptance of employment with the Company and the performance of his duties hereunder will not violate any non-solicitation, non-competition or other similar covenant or agreement of a prior employer.

27. **Withholding**. The Company shall have the right to withhold from any amount payable hereunder any federal, state and/or local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

28. **Survival**. Upon the termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such termination to the extent necessary to carry out the intentions of the parties under this Agreement.

29. **Prior Employment Agreement Superseded.** This Agreement supersedes and replaces any and all previous employment agreements between the parties including, but not limited to, the employment agreement between Executive and The Female Health Company d/b/a Veru Healthcare dated as of February 17, 2017; provided, however, the provisions that are intended to continue and survive the termination or expiration of that employment agreement will continue and survive.

30. **Acknowledgement of Full Understanding**. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in Miami, Florida as of the date first written above.

VERU INC.

/s/ Mitchell Steiner
Mitchell S. Steiner, MD, FACS
CEO and President

Robert H. Getzenberg Ph.D

/s/ Robert Getzenberg
Executive

Exhibit 31.1

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

I, Mitchell S. Steiner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Veru 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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 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.

Date: May 10, 2018

/s/Mitchell S. Steiner
Mitchell S. Steiner
Chairman, Chief Executive Officer and President

Exhibit 31.2

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

I, Michele Greco, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Veru 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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 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.

Date: May 10, 2018

/s/Michele Greco
Michele Greco
Chief Financial Officer and Chief Administrative Officer

Exhibit 32.1

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Veru Inc. (the "Company") certifies that the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2018 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and information contained in that Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2018

/s/Mitchell S. Steiner
Mitchell S. Steiner
Chairman, Chief Executive Officer and President

Date: May 10, 2018

/s/Michele Greco
Michele Greco
Chief Financial Officer and
Chief Administrative Officer

This certification is made solely for purpose of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.