

CERUS CORP  
Form DEF 14A  
April 29, 2013

## SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. \_\_)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**CERUS CORPORATION**

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box)

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.



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**CERUS CORPORATION**

**2550 Stanwell Dr.**

**Concord, CA 94520**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To be held on June 12, 2013**

Dear Stockholder:

Notice is hereby given that the Annual Meeting of Stockholders of CERUS CORPORATION, a Delaware corporation (the Company), will be held on Wednesday, June 12, 2013 at 9:00 a.m. local time at the Company's principal executive offices, located at 2550 Stanwell Drive, Concord, California 94520 for the following purposes:

1. To elect the two nominees for director named in the Proxy Statement accompanying this Notice to the Board of Directors, to hold office until the 2016 Annual Meeting of Stockholders.
2. To approve the Company's 2008 Equity Incentive Plan, as amended.
3. To approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed in the Proxy Statement accompanying this Notice.
4. To ratify the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2013.
5. To conduct any other business properly brought before the annual meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the annual meeting is April 15, 2013. Only stockholders of record at the close of business on that date may vote at the annual meeting or any adjournment thereof.

By Order of the Board of Directors

Lori L. Roll

Secretary

Concord, California

April 29, 2013

**You are cordially invited to attend the annual meeting in person. Whether or not you expect to attend the annual meeting in person, please vote as soon as possible. You can vote over the telephone or the internet, or, if you received a printed copy of the proxy materials via mail, by completing, signing and returning the proxy card as instructed in the materials. Instructions on how to access the proxy materials over the internet or to request a paper or electronic copy of the full set of proxy materials may be found in the Notice of Internet Availability of Proxy Materials or the full set of proxy materials, as applicable, mailed to stockholders. If you vote over the telephone or the internet, your vote must be received no later than 11:59 p.m. Eastern Time on June 11, 2013. Even if you have voted by proxy, you may still vote in person if you attend the annual meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote in person at the annual meeting, you must bring with you a proxy issued in your name from that record holder that confirms that you are the beneficial owner of those shares or follow the instructions for internet or telephone voting procedures provided by your broker, bank or other nominee.**

**CERUS CORPORATION**

**2550 Stanwell Drive**

**Concord, CA 94520**

**PROXY STATEMENT**

**FOR THE 2013 ANNUAL MEETING OF STOCKHOLDERS**

**JUNE 12, 2013**

**QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING**

**Why did I receive a notice regarding the availability of proxy materials on the internet or a full set of proxy materials?**

Pursuant to rules adopted by the Securities and Exchange Commission, or the SEC, we have elected to provide access to our proxy materials to our stockholders over the internet. Accordingly, we are sending by mail only a Notice of Internet Availability of Proxy Materials, or the Notice, to certain of our stockholders of record and posting our proxy materials online at [www.proxyvote.com](http://www.proxyvote.com). In addition, certain of our stockholders who previously requested to receive paper copies of our proxy materials instead of a Notice will be furnished a full set of proxy materials in the mail instead of the Notice. We intend to mail the full sets of proxy materials to the stockholders described in the previous sentence on or about April 29, 2013.

The Notice contains only an overview of the complete proxy materials available. Stockholders are encouraged to access and review all the proxy materials on the website referred to in the Notice or request a paper or electronic copy of the full set of the proxy materials for review prior to voting. Instructions on how to access the proxy materials over the internet or to request a paper or electronic copy of the full set of the proxy materials may be found in the Notice. We intend to mail the Notice on or about April 29, 2013 to all stockholders of record as of April 15, 2013.

**If I received a Notice, will I receive any proxy materials by mail other than the Notice?**

No, if you received a Notice, you will not receive any other proxy materials by mail unless you request a paper or electronic copy of the proxy materials. To request that a full set of the proxy materials be sent to your specified postal or email address, please go to [www.proxyvote.com](http://www.proxyvote.com) or call 1-800-579-1639. Please have your proxy card in hand when you access the website or call and follow the instructions provided. You may also request a full set of the proxy materials by sending an email, referencing the control number set forth in the Notice, to [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com).

**How do I attend the annual meeting?**

The annual meeting will be held on Wednesday, June 12, 2013 at 9:00 a.m. local time at our principal executive offices located at 2550 Stanwell Dr., Concord, CA 94520. Directions to the annual meeting may be found at <http://www.cerus.com/About-Cerus/map-and-directions-usa/default.aspx>. Information on how to vote in person at the annual meeting is discussed below.

**Who can vote at the annual meeting?**

Only stockholders of record at the close of business on April 15, 2013 are entitled to vote at the annual meeting. On this record date, there were 69,715,330 shares of common stock outstanding and entitled to vote.

*Stockholder of Record: Shares Registered in Your Name*

If on April 15, 2013 your shares were registered directly in your name with our transfer agent, Wells Fargo Shareowner Services, then you are a stockholder of record. As a stockholder of record, you may vote in person at

the annual meeting or vote by proxy. Whether or not you plan to attend the annual meeting, we urge you to vote by proxy over the telephone or on the internet as instructed below, or if you request a printed copy of the proxy materials, we urge you to vote by returning your proxy card to ensure your vote is counted. If you submit your proxy telephonically or over the internet, you must vote no later than 11:59 p.m. Eastern Time on June 11, 2013.

*Beneficial Owner: Shares Registered in the Name of a Broker or Bank*

If on April 15, 2013 your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in street name and the Notice or the full set of proxy materials, as applicable, will be forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the annual meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the annual meeting unless you request and obtain a valid proxy from your broker or other agent.

**What am I voting on?**

There are four matters scheduled for a vote:

Proposal No. 1: Election of two directors;

Proposal No. 2: Approval of our 2008 Equity Incentive Plan, or the 2008 Plan, as amended;

Proposal No. 3: Advisory approval of the compensation of our named executive officers, as disclosed in this proxy statement in accordance with SEC rules; and

Proposal No. 4: Ratification of the selection by the Audit Committee of the Board of Directors, or the Board, of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013.

**What if another matter is properly brought before the annual meeting?**

The Board of Directors knows of no other matters that will be presented for consideration at the annual meeting. If any other matters are properly brought before the annual meeting, it is the intention of the persons named in the accompanying proxy to vote on those matters in accordance with their best judgment.

**How do I vote?**

You may either vote For all the nominees to the Board or you may Withhold your vote for any nominee you specify. For each of the other matters to be voted on, you may vote For or Against or abstain from voting. The procedures for voting are fairly simple:

*Stockholder of Record: Shares Registered in Your Name*

If you are a stockholder of record, you may vote in person at the annual meeting, vote by proxy over the telephone, vote by proxy through the internet or vote by proxy using a proxy card that you may request or that was delivered to you. Whether or not you plan to attend the annual meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the annual meeting and vote in person even if you have already voted by proxy.

To vote in person, come to the annual meeting and we will give you a ballot when you arrive.

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To vote using the proxy card, simply complete, sign and date the proxy card that you may request or that was delivered and return it promptly in the envelope provided. If you return your signed proxy card to us before the annual meeting, we will vote your shares as you direct.

2.

To vote over the telephone, dial toll-free 1-800-690-6903 using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the Notice or the full set of proxy materials. Your vote must be received by 11:59 p.m., Eastern Time on June 11, 2013 to be counted.

To vote through the internet, go to <http://www.proxyvote.com> to complete an electronic proxy card. You will be asked to provide the company number and control number from the Notice or the full set of proxy materials. Your vote must be received by 11:59 p.m. Eastern Time on June 11, 2013 to be counted.

*Beneficial Owner: Shares Registered in the Name of Broker or Bank*

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a Notice or the full set of proxy materials containing voting instructions from that organization rather than from us. Simply follow the voting instructions in the Notice or the full set of proxy materials to ensure that your vote is counted. Alternatively, you may vote by telephone or over the internet as instructed by your broker or bank. To vote in person at the annual meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

**We provide internet proxy voting to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your internet access, such as usage charges from internet access providers and telephone companies.**

#### **How many votes do I have?**

On each matter to be voted upon, you have one vote for each share of common stock you owned as of April 15, 2013.

#### **What happens if I do not vote?**

*Stockholder of Record: Shares Registered in Your Name*

If you are a stockholder of record and do not vote by completing a proxy card or you do not vote by telephone, through the internet or in person at the annual meeting, your shares will not be voted.

*Beneficial Owner: Shares Registered in the Name of Broker or Bank*

If you are a beneficial owner and do not instruct your broker, bank, or other agent how to vote your shares, the question of whether your broker or nominee will still be able to vote your shares depends on whether the New York Stock Exchange, or the NYSE, deems the particular proposal to be a routine matter. Brokers and nominees can use their discretion to vote uninstructed shares with respect to matters that are considered to be routine, but not with respect to non-routine matters. Under the rules and interpretations of the NYSE, non-routine matters are matters that may substantially affect the rights or privileges of stockholders, such as mergers, stockholder proposals, elections of directors (even if not contested), executive compensation (including any advisory stockholder votes on executive compensation and on the frequency of stockholder votes on executive compensation), and certain corporate governance proposals, even if management-supported. Accordingly, your broker or nominee may not vote your shares on Proposal Nos. 1, 2 or 3 without your instructions, but may vote your shares on Proposal No. 4.

**What if I return a proxy card or otherwise vote but do not make specific choices?**

If you return a signed and dated proxy card or otherwise vote without marking voting selections or if you indicate when voting on the internet or by telephone that you wish to vote as recommended by the Board, then your shares will be voted, as applicable, For the election of both nominees for director named herein to the Board to hold office until the 2016 Annual Meeting of Stockholders; For the approval of the 2008 Plan, as amended; For advisory approval of the compensation of our named executive officers, as disclosed in this proxy statement; and For the ratification of the selection by the Audit Committee of the Board of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2013 (each as further described in this Proxy Statement). If any other matter is properly presented at the annual meeting, your proxyholder (one of the individuals identified on the proxy card) will vote your shares using his or her best judgment.

**Who is paying for this proxy solicitation?**

We will pay for the entire cost of soliciting proxies. We estimate that we will pay Alliance Advisors, LLC, our proxy solicitor, a fee of up to \$10,000 to solicit proxies, though the costs of this proxy solicitation process could be lower or higher than our estimate. In addition to these written proxy materials, our proxy solicitor, directors and employees may also solicit proxies in person, by telephone or by other means of communication; however, our directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

**What does it mean if I receive more than one Notice or more than one set of proxy materials?**

If you receive more than one Notice or more than one set of proxy materials, your shares may be registered in more than one name or in different accounts. Please follow the voting instructions for each Notice or set of proxy materials that you receive to ensure that all of your shares are voted.

**Can I change or revoke my vote after submitting my proxy?**

*Stockholder of Record: Shares Registered in Your Name*

Yes. You can revoke your proxy and change your vote at any time before the final vote at the annual meeting. If you are the record holder of your shares, you may revoke your proxy and change your vote in any one of the following ways, regardless of how you previously voted:

You may submit another properly completed proxy card with a later date.

You may grant a subsequent proxy by telephone or through the internet.

You may send a timely written notice that you are revoking your proxy to our Corporate Secretary at 2550 Stanwell Drive, Concord, California 94520.

You may attend the annual meeting and vote in person. Simply attending the annual meeting will not, by itself, revoke your proxy. Your most current proxy card or telephone or internet proxy is the one that is counted.

*Beneficial Owner: Shares Registered in the Name of Broker or Bank.* If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions to change or revoke your vote provided by your broker or bank.

**When are stockholder proposals due for next year's annual meeting?**

Our stockholders may submit proposals on matters appropriate for stockholder action at annual stockholder meetings in accordance with Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended, or the 1934 Act. For such proposals to be included in our proxy materials relating to our 2014 Annual Meeting of Stockholders, all applicable requirements of Rule 14a-8 must be satisfied and your proposal must be submitted in writing by December 30, 2013 to our Corporate Secretary at 2550 Stanwell Drive, Concord, California 94520. However, if our 2014 Annual Meeting of Stockholders is not held between May 13, 2014 and July 12, 2014, then the deadline will be a reasonable time prior to the time that we begin to print and mail our proxy materials.

Pursuant to our bylaws, if you wish to submit a proposal or nominate a director at our 2014 Annual Meeting of Stockholders, but you are not requesting that your proposal or nomination be included in next year's proxy materials, you must submit your proposal in writing to our Corporate Secretary at 2550 Stanwell Drive, Concord, California 94520 by no earlier than the close of business on March 14, 2014 and no later than the close of business on April 13, 2014. However, if our 2014 Annual Meeting of Stockholders is not held between May 13, 2014 and July 12, 2014, then you must notify our Corporate Secretary, in writing, no earlier than the close of business on the 90<sup>th</sup> day prior to the date of the 2014 Annual Meeting of Stockholders and no later than the close of business on the later of (i) the 60<sup>th</sup> day prior to the date of the 2014 Annual Meeting of Stockholders, or (ii) if we publicly announce the date of the 2014 Annual Meeting of Stockholders fewer than 70 days prior to the date of the 2014 Annual Meeting of Stockholders, the 10<sup>th</sup> day following the day that we first make a public announcement of the date of the 2014 Annual Meeting of Stockholders. We also advise you to review our bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations. The chairperson of the 2014 Annual Meeting of Stockholders may determine, if the facts warrant, that a matter has not been properly brought before the annual meeting and, therefore, may not be considered at the annual meeting. In addition, if you do not also comply with the requirements of the 1934 Act, our management will have discretionary authority to vote all shares for which we have proxies in opposition to any such stockholder proposal or director nomination.

**How are votes counted?**

Votes will be counted by the inspector of election appointed for the annual meeting, who will separately count, for the proposal to elect directors, votes For, Withhold and broker non-votes and, with respect to the other proposals, votes For, Against, abstentions and broker non-votes. Abstentions and broker non-votes will be treated as shares present for the purpose of determining the presence of a quorum for the transaction of business at the annual meeting. Abstentions and broker non-votes are not counted for the purpose of determining the number of votes cast and will therefore not have any effect with respect to any of the proposals.

**What are broker non-votes ?**

As discussed above, when a beneficial owner of shares held in street name does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed by the NYSE to be non-routine, the broker or nominee cannot vote the shares. These unvoted shares are counted as broker non-votes.

**How many votes are needed to approve each proposal?**

For the election of directors, the two nominees receiving the highest number of For votes (from the holders of shares present in person or represented by proxy and entitled to vote) will be elected as directors.

To be approved, Proposal No. 2, approval of the 2008 Plan, as amended, must receive For votes from the holders of a majority of the votes cast in person or by proxy at the Annual Meeting.

Proposal No. 3, advisory approval of the compensation of our named executive officers as disclosed in this proxy statement, will be considered to be approved if it receives For votes from the holders of a majority of the votes cast in person or by proxy at the Annual Meeting.

To be approved, Proposal No. 4, the ratification of the selection by the Audit Committee of the Board of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013, must receive For votes from the holders of a majority of the votes cast in person or by proxy at the Annual Meeting.

**What is the quorum requirement?**

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if stockholders holding at least a majority of the outstanding shares entitled to vote are present at the annual meeting in person or represented by proxy. On the record date, there were 69,715,330 shares outstanding and entitled to vote. Thus, the holders of 34,857,666 shares must be present in person or represented by proxy at the annual meeting to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or vote over the telephone or on the internet, or if you vote in person at the Annual Meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, the chair of the annual meeting or the holders of a majority of shares present at the annual meeting in person or represented by proxy may adjourn the annual meeting to another date.

**What proxy materials are available on the internet?**

Our proxy statement and annual report to stockholders are available at [www.proxyvote.com](http://www.proxyvote.com).

**How can I find out the results of the voting at the annual meeting?**

Preliminary voting results will be announced at the annual meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four business days after the annual meeting. If final voting results are not available to us in time to file a Form 8-K within four business days after the meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional Form 8-K to publish the final results.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

*This proxy statement contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the 1934 Act that involve risks and uncertainties. The forward-looking statements are contained principally in Proposal No. 2 Approval of the 2008 Equity Incentive Plan, as amended. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements about our estimates regarding our the number of shares needed to attract and retain qualified employees, the submission of modular PMA filings for the INTERCEPT Blood System for platelets and plasma, and the timing thereof, our ability to obtain and maintain regulatory approvals of the INTERCEPT Blood System, our estimates regarding our ability to commercialize and achieve market acceptance of the INTERCEPT Blood System, the anticipated progress of our research, development and clinical programs, and our ability to attract and retain key employees. In some cases, you can identify forward-looking statements by terms such as anticipate, will, believe, estimate, expect, plan, and similar expressions intended to identify such forward-looking statements. Forward-looking*

*statements reflect our current views with respect to future events, are based on assumptions, and are subject to risks and uncertainties. There can be no assurance that these statements will prove to be correct. Certain important factors could cause actual results to differ materially from those discussed in such statements, including whether our pre-clinical and clinical data or data from commercial use will be considered sufficient by regulatory authorities to grant marketing approval for our products, market acceptance of our products, reimbursement, development and testing of additional configurations of our products, regulation by domestic and foreign regulatory authorities, our limited experience in sales, marketing and regulatory support for the INTERCEPT Blood System, incompatibility of our platelet system with some commercial platelet collection methods, our need to complete certain of our product components commercial design, more effective product offerings by, or clinical setbacks of, our competitors, volatility in our stock price, and other factors discussed below and under the caption Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC on March 12, 2013. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.*

7.

**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

This Proposal No. 1 is to elect the two nominees for director named herein to the Board. The Board is divided into three classes and each class has a three-year term. Vacancies on the Board may be filled by a majority of the remaining directors, unless the Board determines by resolution that a vacancy be filled by our stockholders. A director elected by the Board to fill a vacancy in a class, including a vacancy created by an increase in the number of directors, shall serve for the remainder of the full term of that class and until the director's successor is elected and qualified.

The Board presently has seven members. There are two directors in the class whose term of office expires at the annual meeting. Proxies will not be voted for a greater number of persons than the two nominees named below. Each of the nominees listed below was previously elected as a director of Cerus by our stockholders. If elected at the annual meeting, each of these nominees would serve until the 2016 annual meeting and until his or her successor has been duly elected and qualified, or, if sooner, until the director's death, resignation or removal. It is our policy to invite directors and nominees for director to attend our annual meetings of stockholders. In 2012, Mr. Greenman attended our annual meeting of stockholders.

Directors are elected by a plurality of the votes of the holders of shares present in person or represented by proxy and entitled to vote on the election of directors. The two nominees receiving the highest number of affirmative votes will be elected. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of both of the nominees named below. If any nominee becomes unavailable for election as a result of an unexpected occurrence, the proxies will be voted for the election of a substitute nominee or nominees proposed by our Nominating and Corporate Governance Committee of the Board. Each nominee for election has agreed to serve if elected. Our management has no reason to believe that either of these nominees will be unable to serve.

The Nominating and Corporate Governance Committee seeks to assemble a board that, as a whole, possesses the appropriate balance of professional and industry knowledge, financial expertise and high-level management experience necessary to oversee and direct our business. To that end, the Nominating and Corporate Governance Committee has identified and evaluated nominees in the broader context of the Board's overall composition, with the goal of recruiting members who complement and strengthen the skills of other members and who also exhibit integrity, collegiality, sound business judgment and other qualities that the Nominating and Corporate Governance Committee views as critical to the effective functioning of the Board. The brief biographies below include information, as of the date of this proxy statement, regarding the specific and particular experience, qualifications, attributes or skills of each director or nominee that led the Nominating and Corporate Governance Committee to believe that such nominee or director should continue to serve on the Board. However, each of the members of the Nominating and Corporate Governance Committee may have a variety of reasons why he or she believes a particular person would be an appropriate nominee for the Board, and these views may differ from the views of other members.

**NOMINEES FOR ELECTION FOR A THREE YEAR TERM EXPIRING AT THE 2016 ANNUAL MEETING**

*Dr. Laurence M. Corash, 69*, one of our co-founders, has served as a member of our Board since December 2002. The Nominating and Corporate Governance Committee concluded that Dr. Corash continues to be a valuable member of the Board in part due to his extensive knowledge of us, having been a director since 2002, which brings historic knowledge and continuity to the Board. The Board also considered his scientific expertise obtained from almost 30 years as an M.D. in the field of hematology, which is relevant to our pathogen inactivation technology for blood products. Dr. Corash has been our Senior Vice President and Chief Medical and Chief Scientific Officer since July 2009. Previously, he had been our Senior Vice President and Chief Medical Officer since March 2008. Prior to that, he had been our Vice President, Medical Affairs since July 1996

and Director of Medical Affairs from July 1994. Dr. Corash was a consultant to us from 1991 until 1994, when he joined us as Director, Medical Affairs. Dr. Corash has been a Professor of Laboratory Medicine at the University of California, San Francisco since July 1985. He was the Chief of the Hematology Laboratory for the Medical Center at the University of California, San Francisco from 1982 to 1997. From February 1990 to July 1994, Dr. Corash was a member of the FDA Advisory Panel for Hematology Devices. From 2008 until 2011, Dr. Corash served as the industry representative on the Department of Health and Human Services Advisory Committee on Blood Safety and Availability.

*Gail Schulze, 61*, has served as a member of our Board since 2007. The Nominating and Corporate Governance Committee concluded that Ms. Schulze continues to be a valuable member of the Board in part due to her extensive experience in executive roles in both large and small life sciences organizations at various stages of development. From May 2008 until June 2012, she was the Chief Executive Officer and Chairman of the Board of Directors of Zosano Pharma, a private biopharmaceutical company. From May 2006 to March 2007, she was the Chief Executive Officer and a director of YM Biosciences US and President, YM Biosciences, Inc., a global biopharmaceutical organization with three late-stage oncology programs. Prior to joining YM Biosciences in 2006, she was President, Chief Executive Officer and director of Eximias Pharmaceutical Corporation, also a late-stage biopharmaceutical company focused on oncology. From 2001 to 2004, Ms. Schulze was Chief Operating Officer and Deputy Chief Executive Officer of Aventis Behring LLC, a fully independent biologics subsidiary of Aventis, and from 1997 to 2001, she was Senior Executive Vice President and Chief Commercial Officer. From 1995 to 1997, she was Corporate Vice President of Allegiance Healthcare Corporation, where she led the creation and management of the Cost Management Services group of divisions. From 1979 to 1995, Ms. Schulze held multiple positions within Baxter Healthcare Corporation focused on the global development and commercialization of chronic therapies, most recently as President of the US Managed Care division and President of Renal Division Europe. Ms. Schulze has served on multiple private and public boards. She received a B.A. with highest honors in psychobiology from the University of California, Santa Cruz, studied neurophysiology at the University of Wisconsin and received her M.B.A. from the Stanford Graduate School of Business.

**THE BOARD OF DIRECTORS RECOMMENDS**

**A VOTE IN FAVOR OF EACH NAMED NOMINEE.**

**DIRECTORS CONTINUING IN OFFICE UNTIL THE 2014 ANNUAL MEETING**

*Timothy B. Anderson, 66*, has served as a member of our Board since 2003. The Nominating and Corporate Governance Committee concluded that Mr. Anderson should continue to serve as a member of the Board in part due to his extensive knowledge of us, having been a director since 2003, which brings historic knowledge and continuity to the Board. The Board also considered his operational and global industry experience obtained from his many years as an executive with Baxter International. Mr. Anderson was Senior Vice President of Strategy and Business Development of Baxter International, Inc., a pharmaceutical company, from 1999 until 2002, and held various management positions at Baxter International from 1992 until 1999, including President, Biotech Group from 1992 until 1997, Group Vice President from 1993 until 1997 and Chairman, Baxter Europe from 1997 until 1999. From 2006 until 2010, Mr. Anderson served as a member of the board of directors of Puricore Public Limited Company.

*Bruce C. Cozadd, 49*, has served as a member of our Board since November 2001. The Nominating and Corporate Governance Committee concluded that Mr. Cozadd should continue to serve as a member of the Board in part due to his extensive financial management expertise as the former Chief Financial Officer of ALZA Corporation and his industry expertise as the Chairman and Chief Executive Officer of Jazz Pharmaceuticals plc. This expertise has also led the Board to determine that he is an audit committee financial expert as defined by the SEC. The Board also believes that because Mr. Cozadd has been a director since 2001, he brings historic knowledge and continuity to the Board. Mr. Cozadd is a co-founder of Jazz Pharmaceuticals, Inc. and has served

as its Chairman and Chief Executive Officer since April 2009. In January 2012, Mr. Cozadd became the Chairman and Chief Executive Officer of Jazz Pharmaceuticals plc, the successor to Jazz Pharmaceuticals, Inc. From 2003 until April 2009, he served as Executive Chairman of Jazz Pharmaceuticals, Inc. From 1991 until 2001, he held various positions with ALZA Corporation, a pharmaceutical company now owned by Johnson & Johnson, most recently as its Executive Vice President and Chief Operating Officer, with responsibility for research and development, manufacturing and sales and marketing and prior to that as Chief Financial Officer and Vice President, Corporate Planning and Analysis. Previously, Mr. Cozadd was a member of the health care investment banking team at Smith Barney, Harris Upham & Co. He serves on the boards of Jazz Pharmaceuticals plc, Threshold Pharmaceuticals, a biotechnology company, and The Nueva School and Stanford Hospital and Clinics, both non-profit organizations. He received a B.S. in molecular biophysics & biochemistry and economics from Yale University and an M.B.A. from the Stanford Graduate School of Business.

*William M. Greenman, 46*, has served our President and Chief Executive Officer and a member of our Board since April 2011. The Nominating and Corporate Governance concluded that Mr. Greenman should continue to serve as a member of the Board in part due to his extensive knowledge of our day-to-day operations obtained as a result of his various executive roles at Cerus over the last eighteen years. Mr. Greenman served as our Senior Vice President, Business Development and Marketing from August 2008 until April 2011 and was named our Chief Business Officer in April 2010. Mr. Greenman served as our President, Cerus Europe, from 2006 until August 2008. From 1999 to 2006, Mr. Greenman served as our Vice President, Business Development after returning to Cerus after a brief time in the venture capital business. Prior to joining us in 1995 as Director of Business Development, Mr. Greenman worked in various marketing and business development positions in Baxter's Biotech Division from 1991 to 1995. Mr. Greenman has served on the board of directors of Aduro BioTech, a venture backed private cancer vaccines company, since June 2010. Mr. Greenman holds a B.A.S. in economics and biological sciences from Stanford University.

#### **DIRECTORS CONTINUING IN OFFICE UNTIL THE 2015 ANNUAL MEETING**

*B.J. Cassin, 79*, has served as Chair of the Board since December 1992. The Nominating and Corporate Governance Committee concluded that Mr. Cassin continues to be a valuable member of the Board in part due to his extensive knowledge of us, having been a director since 1992, which brings historic knowledge and continuity to the Board. Mr. Cassin has been a private venture capitalist since 1979. Previously, Mr. Cassin co-founded Xidex Corporation, a manufacturer of data storage media, in 1969. Mr. Cassin is currently a director of a number of private companies.

*Daniel N. Swisher Jr., 50*, has served as a member of our Board since June 2011. The Nominating and Corporate Governance Committee concluded that Mr. Swisher continues to be a valuable member of the Board in part due to his extensive financial management expertise as the former Chief Financial Officer of Sunesis Pharmaceuticals, Inc., or Sunesis, and his industry expertise as the current President and Chief Executive Officer of Sunesis. Mr. Swisher has served as the Chief Executive Officer of Sunesis and a member of its board of directors since January 2004 and as its President since August 2005. From December 2001 to December 2003, he served as the Chief Business Officer and Chief Financial Officer of Sunesis. From June 1992 to September 2001, Mr. Swisher served in various management roles, including Senior Vice President of Sales and Marketing, for ALZA Corporation. Mr. Swisher holds a B.A. from Yale University and an M.B.A. from the Stanford Graduate School of Business.

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## INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

### INDEPENDENCE OF THE BOARD OF DIRECTORS

The NASDAQ Stock Market, or NASDAQ, listing standards require that a majority of the members of a listed company's board of directors qualify as independent, as affirmatively determined by the Board. The Board consults with our counsel to ensure that the Board's determinations are consistent with all relevant securities and other laws and regulations regarding the definition of independent, including those set forth in applicable NASDAQ listing standards, as in effect from time to time.

Consistent with these considerations, after its review to determine if there were any relevant transactions or relationships between each director, or any of his or her family members, and us, our senior management and our independent registered public accounting firm, the Board has affirmatively determined that the following five current directors are independent directors within the meaning of the applicable NASDAQ listing standards: Ms. Schulze and Messrs. Anderson, Cassin, Cozadd and Swisher. In making this determination, the Board found that none of these directors had a material or other disqualifying relationship with us. Mr. Greenman, our President and Chief Executive Officer, and Dr. Corash, our Senior Vice President and Chief Medical and Chief Scientific Officer, are not independent directors by virtue of their employment with us.

### BOARD LEADERSHIP STRUCTURE

The Board has an independent chair, Mr. Cassin, who has authority, among other things, to call and preside over Board meetings, including meetings of the independent directors, to set meeting agendas and to determine materials to be distributed to the Board. Accordingly, the Board Chair has substantial ability to shape the work of the Board. We believe that separation of the positions of Board Chair and Chief Executive Officer reinforces the independence of the Board in its oversight of our business and affairs. In addition, we believe that having an independent Board Chair creates an environment that is more conducive to objective evaluation and oversight of management's performance, increasing management accountability and improving the ability of the Board to monitor whether management's actions are in our best interests and the best interests of our stockholders. As a result, we believe that having an independent Board Chair can enhance the effectiveness of the Board as a whole.

### ROLE OF THE BOARD IN RISK OVERSIGHT

Our management team is responsible for identifying and reviewing risks facing us, including, without limitation, strategic, operational, financial and regulatory risks and generally meets on a weekly basis as part of such responsibility to review and discuss our risk exposure on a day-to-day basis. The Board does not have a standing risk management committee, but rather administers this oversight function directly through the Board as a whole, as well as through various Board standing committees that address risks inherent in their respective areas of oversight. In particular, our Board is responsible for monitoring and assessing strategic risk exposure, our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The Audit Committee also monitors compliance with securities and financial regulations, in addition to oversight of the performance of our internal audit function. Our Nominating and Corporate Governance Committee monitors the effectiveness of our corporate governance guidelines. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking. To the extent any risks identified by each standing committee of the Board are material to our strategic, operational, financial or regulatory matters or otherwise merit discussion by the whole Board, the respective committee chair will raise those risks at the next scheduled meeting of the Board. Typically, the Audit Committee of the Board meets at least quarterly to review our major financial risk exposures in connection with various matters, including the filing of our annual and quarterly reports with the SEC. The other committees of the Board meet at least annually to review and discuss each committee's respective areas of oversight and related risk exposures in such areas.

The Board and its committees periodically receive risk management updates through monthly business reports provided by management and discussed at meetings of the Board or its committees throughout the year. Following consideration of the information provided by management, the Board provides feedback and makes recommendations, as needed, to help minimize our risk exposure.

#### MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met five times during 2012. Each Board member attended 75% or more of the aggregate number of the meetings held by the Board and of the committees on which he or she served that were held during the period for which he or she was a director or committee member.

As required under applicable NASDAQ listing standards, in 2012, our independent directors met five times in regularly scheduled executive sessions at which only independent directors were present.

#### INFORMATION REGARDING COMMITTEES OF THE BOARD OF DIRECTORS

The Board has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The following table provides membership and meeting information for fiscal 2012 for each of the Board committees:

Name	Audit	Compensation	Nominating and Corporate Governance
B.J. Cassin		X	X*
Timothy B. Anderson	X		X
Bruce C. Cozadd	X*	X	X
Gail Schulze		X*	X
Daniel N. Swisher, Jr.	X		X
Total meetings in fiscal 2012	4	3	1

\* Committee Chairperson

Below is a description of each standing committee of the Board. Each of the committees has authority to engage legal counsel or other experts or consultants, as it deems appropriate to carry out its responsibilities. The Board has determined that each member of each committee meets the applicable NASDAQ and SEC rules and regulations regarding independence and that each member is free of any relationship that would impair his or her individual exercise of independent judgment with regard to us.

#### Audit Committee

The Audit Committee of the Board was established by the Board in accordance with Section 3(a)(58)(A) of the 1934 Act to oversee our corporate accounting and financial reporting processes and audits of our financial statements. The Audit Committee: evaluates the performance of and assesses the qualifications of the independent registered public accounting firm; reviews the relationships between us and any prospective independent registered public accounting firm that may bear on independence and discusses those relationships with the prospective independent registered public accounting firm; determines and approves the engagement of the independent registered public accounting firm; determines whether to retain or terminate the existing independent registered public accounting firm or to appoint and engage a new independent registered public accounting firm; reviews and approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent registered public accounting firm on our audit engagement team as required by law; confers with management and the independent registered public accounting firm regarding the effectiveness of internal controls over

financial reporting; establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints we receive regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; reviews the financial statements to be included in our annual report on Form 10-K; discusses with management and the independent registered public accounting firm the results of the annual audit and the results of our quarterly financial statements; annually discusses with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board; reviews the results of management's efforts to monitor compliance with our programs and policies designed to ensure adherence to applicable laws and rules, as well as to our Ethics Code, including review and approval of related-party transactions, and reviews and discusses with management and the independent registered public accounting firm our disclosures under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in periodic reports filed with the SEC. The Audit Committee also performs those specific functions as set forth above under the heading "Role of the Board in Risk Oversight."

The Audit Committee is composed of three directors: Messrs. Anderson, Cozadd (Chair) and Swisher, all of whom were on the Audit Committee for all of 2012. The Audit Committee met four times during the fiscal year. The Audit Committee has adopted a written charter that is available to stockholders on our website at [www.cerus.com](http://www.cerus.com) under the section entitled "Investors" at "Corporate Governance."

The Board reviews the NASDAQ listing standards and applicable definitions of independence for Audit Committee members on an annual basis and has determined that all members of our Audit Committee are independent (as independence is currently defined in Rule 5605(c)(2)(A)(i) and (ii) of the NASDAQ listing standards).

The Board has also determined that Mr. Cozadd qualifies as an audit committee financial expert, as defined in applicable rules and regulations promulgated by the SEC and satisfied the financial sophistication requirements of the NASDAQ listing standards. The Board made a qualitative assessment of Mr. Cozadd's level of knowledge and experience based on a number of factors, including his formal education and his service in executive capacities having financial oversight responsibilities. These positions include various management positions at ALZA Corporation, Jazz Pharmaceuticals, Inc. and Jazz Pharmaceuticals plc, pursuant to which Mr. Cozadd has experience supervising the preparation of financial reports. For further information on Mr. Cozadd's experience, please see his biography under "Proposal No. 1 Election of Directors."

#### **Report of the Audit Committee of the Board of Directors<sup>1</sup>**

Our management has primary responsibility for preparing our financial statements and establishing the financial reporting process. Our independent registered public accounting firm is responsible for performing an audit of our financial statements and expressing an opinion as to the conformity of such financial statements with United States generally accepted accounting principles.

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2012 with our management. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board, or PCAOB. The Audit Committee has also received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent accountants

<sup>1</sup> The material in this Report of the Audit Committee of the Board of Directors is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Cerus Corporation under the Securities Act of 1933, as amended, or the 1933 Act, or 1934 Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

communications with the audit committee concerning independence, and has discussed with the independent registered public accounting firm, the accounting firm's independence. Based on the foregoing, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Audit Committee:

Mr. Bruce C. Cozadd

Mr. Timothy B. Anderson

Mr. Daniel N. Swisher, Jr.

### **Compensation Committee**

The Compensation Committee is composed of three directors: Mr. Cassin, Mr. Cozadd and Ms. Schulze (Chair), all of whom were on the Compensation Committee for all of 2012. All members of our Compensation Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). The Compensation Committee met three times during the 2012 fiscal year. The Compensation Committee has adopted a written charter that is available to stockholders on our website at [www.cerus.com](http://www.cerus.com) under the section entitled "Investors" at Corporate Governance.

The Compensation Committee acts on behalf of the Board to review, adopt and oversee our compensation strategy, policies, plans and programs including: establishment of corporate objectives relevant to the compensation of our executive officers and other senior management and evaluation of performance in light of these stated objectives; review and approval of the compensation and other terms of employment or service, including severance and change-in-control arrangements of our chief executive officer and the other executive officers; and administration of our equity compensation plans, pension and profit-sharing plans, deferred compensation plans and other similar plan and programs. The Compensation Committee also performs those specific functions as set forth above under the heading "Role of The Board in Risk Oversight." Under its charter, the Compensation Committee may form and delegate authority to subcommittees as appropriate, including, but not limited to, a subcommittee composed of one or more members of the Board, to grant stock awards under our equity incentive plans to persons who are not (i) Covered Employees as defined under Section 162(m) of the Internal Revenue Code of 1986, as amended from time to time, or the Code; (ii) individuals with respect to whom we wish to comply with Section 162(m) or (iii) then subject to Section 16 of the 1934 Act.

Under its charter, the Compensation Committee has the authority to retain and terminate any compensation consultant to assist in the evaluation of executive compensation, including the authority to approve such consultant's reasonable fees and other retention terms, all at our expense. In this regard, the Compensation Committee engaged Radford, an AON Hewitt Consulting Company, or Radford Consulting, as a compensation consultant to evaluate certain aspects of executive compensation in 2012, as described in greater detail under the "Compensation Discussion and Analysis" section of this Proxy Statement. In April 2013, the Compensation Committee analyzed whether the work of Radford Consulting as a compensation consultant raised any conflict of interest, taking into consideration the following factors: (i) the provision of other services to our company by Radford Consulting; (ii) the amount of fees from our company paid to Radford Consulting as a percentage of the firm's total revenue; (iii) Radford Consulting's policies and procedures that are designed to prevent conflicts of interest; (iv) any business or personal relationship of Radford Consulting or the individual compensation advisors employed by the firm with an executive officer of our company; (v) any business or personal relationship of the individual compensation advisors with any member of the Compensation Committee; and (vi) any stock of our company owned by the individual compensation advisors employed by the firm. The Compensation Committee determined, based on its analysis of the above factors, that the work of Radford Consulting and the individual compensation advisors employed by Radford as compensation consultants to our company has not created any conflict of interest. Going forward, the Compensation Committee intends to assess the independence of any of our compensation advisers by reference to the foregoing factors, consistent with applicable NASDAQ listing standards.

For additional information on the specific processes, procedures and determinations of the Compensation Committee with respect to executive compensation for 2012 and 2013 to date, including the roles of executive officers and Radford Consulting in determining the amount and form of executive compensation, please refer to the Compensation Discussion and Analysis section of this Proxy Statement.

With respect to director compensation matters, the Compensation Committee determines and sets non-employee director compensation in the manner more fully described under the section of this Proxy Statement entitled Director Compensation.

#### **Compensation Committee Interlocks and Insider Participation**

As noted above, our Compensation Committee consists of Messrs. Cassin and Cozadd and Ms. Schulze. No member of the Compensation Committee is or has ever been one of our officers or employees. None of our executive officers has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Compensation Committee, nor has such a relationship existed in the past.

#### **Compensation Committee Report<sup>2</sup>**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis, or the CD&A, contained in this proxy statement. Based on this review and discussion, the Compensation Committee has recommended to the Board that the CD&A be included in this proxy statement and incorporated into our Annual Report on Form 10-K for the fiscal year ended 2012.

Compensation Committee:

Ms. Gail Schulze

Mr. B.J. Cassin

Mr. Bruce C. Cozadd

#### **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee of the Board is responsible for identifying, reviewing and evaluating candidates to serve as directors; reviewing, evaluating and considering the recommendation for nomination of incumbent directors; recommending to the Board candidates for election to the Board; considering recommendations for Board nominees and proposals submitted by our stockholders; making recommendations regarding the membership of the committees of the Board; assessing the performance of the Board; overseeing all aspects of our corporate governance functions on behalf of the Board; and making recommendations to the Board regarding corporate governance issues. The Nominating and Corporate Governance Committee also performs those specific functions as set forth above under the heading Role of the Board in Risk Oversight.

The Nominating and Corporate Governance Committee consists of five directors: Messrs. Cassin (Chair), Anderson, Cozadd, Swisher and Ms. Schulze, all of whom were on the Nominating and Corporate Governance Committee for all of 2012. All members of the Nominating and Corporate Governance Committee are independent (as independence is currently defined in Rule 5605(a)(2) of the NASDAQ listing standards). The

<sup>2</sup> The material in this report is not soliciting material, is furnished to, but not deemed filed with, the SEC and is not deemed to be incorporated by reference in any filing of Cerus under the Securities Act or the 1934 Act, other than the Cerus Annual Report on Form 10-K, where it shall be deemed to be furnished, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Nominating and Corporate Governance Committee met once during 2012. The Nominating and Corporate Governance Committee has adopted a written charter that is available to stockholders on our website at [www.cerus.com](http://www.cerus.com) under the section entitled Investors at Corporate Governance.

The Nominating and Corporate Governance Committee has not determined specific minimum criteria that a Board member must possess, but generally a qualified candidate must possess the highest personal and professional integrity, have demonstrated exceptional ability and judgment and have the ability to work effectively with other members of the Board. While we do not have a formal policy on Board diversity, the Nominating and Corporate Governance Committee takes into account a broad range of diversity considerations when assessing director candidates, including individual backgrounds and skill sets, professional experience and other factors that contribute to our Board having an appropriate range of expertise, talents, experiences and viewpoints, and considers those diversity considerations, in view of the needs of the Board as a whole, when making decisions on director nominations. In the case of incumbent directors whose terms of office are set to expire, the Nominating and Corporate Governance Committee evaluates these directors' overall service to us during their terms, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair the directors' independence. In identifying potential new members to our Board, the Nominating and Corporate Governance Committee uses an informal network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. For the directors nominated for re-election for a three-year term expiring at the 2016 annual meeting, the Nominating and Corporate Governance Committee did not pay a fee to any third party to assist in the process of identifying or evaluating director candidates but has in the past, and may again in the future, pay fees to third parties to assist in identifying or evaluating director candidates.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. When considering candidates for membership to the Board that are nominated by stockholders, the Nominating and Corporate Governance Committee employs the same policy that it uses to evaluate candidates recommended by members of the Board. Any stockholder wishing to nominate a director candidate should submit in writing the candidate's name, biographical information, business qualifications, including a description of the proposed nominee's business experience for at least the previous five years, and a representation that the nominating stockholder is a beneficial or record owner of our stock, to Mr. Cassin, Chair of the Nominating and Corporate Governance Committee, Cerus Corporation at 2550 Stanwell Drive, Concord, California 94520. Any such submission also must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. All qualified submissions are reviewed by the Nominating and Corporate Governance Committee at the next appropriate meeting. If a stockholder wishes the Nominating and Corporate Governance Committee to consider a director candidate for nomination at our next annual meeting of stockholders, then recommendations must be received by us no sooner than 90 and no later than 60 days prior to the first anniversary of the preceding year's annual meeting of stockholders.

To date, the Nominating and Corporate Governance Committee has not rejected a timely director nominee from a stockholder or group of stockholders that beneficially owned more than 5% of our voting stock.

#### **STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

To date, we have not adopted a formal process for stockholder communications with the Board. However, every effort has been made to ensure that the views of stockholders are heard by the Board or individual directors, as applicable, and that appropriate responses are provided to stockholders in a timely manner. We believe our responsiveness to stockholder communications to the Board has been excellent. Our stockholders may communicate directly with any member of our senior management, the independent members of the Board or any Chair of a Board Committee, including the Chair of the Board, by writing directly to those individuals at Cerus Corporation at 2550 Stanwell Drive, Concord, California 94520. Stockholder communications related to director candidate recommendations should be directed to the Chair of the Nominating and Corporate

Governance Committee, Mr. Cassin. In addition, if our stockholders or employees have any concerns related to our financial or accounting practices, we encourage communicating those concerns directly to the Chair of the Audit Committee, Mr. Cozadd.

**Code of Ethics**

We have adopted the Cerus Corporation Code of Business Conduct and Ethics, or the Ethics Code, that applies to all of our officers, directors and employees. The Ethics Code is available on our website at [www.cerus.com](http://www.cerus.com) on the Corporate Governance page of the section entitled Investors. If we make any substantive amendments to the Ethics Code or grant any waiver from a provision of the Ethics Code to any executive officer or director, we intend to promptly disclose the nature of the amendment or waiver as required by applicable laws. To satisfy our disclosure requirements, we may post any waivers of or amendments to the Ethics Code on our website in lieu of filing such waivers or amendments on a Form 8-K.

Our employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Ethics Code. The Audit Committee has established procedures to receive, retain and address complaints regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of related concerns.

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**PROPOSAL NO. 2**

**APPROVAL OF THE 2008 EQUITY INCENTIVE PLAN, AS AMENDED**

Our 2008 Equity Incentive Plan, or the 2008 Plan, was originally adopted by the Compensation Committee of the Board on April 22, 2008, pursuant to authority delegated by the Board, and subsequently approved by our stockholders. The 2008 Plan is the successor to and continuation of our 1999 Equity Incentive Plan and 1998 Non-Officer Stock Option Plan, or the Prior Plans. Prior to stockholder approval of this Proposal No. 2, there is an aggregate total of 13,540,940 shares of common stock previously authorized for issuance under the 2008 Plan.

As of March 31, 2013, there were 2,095,152 shares of common stock (plus any shares that might in the future be returned to the 2008 Plan as a result of the cancellation or expiration of options) available for future grant under the 2008 Plan, which is the only equity incentive plan under which we make grants. In addition, as of such date, options covering an aggregate of 10,663,343 shares were outstanding. No other equity awards were outstanding as of such date. The weighted average exercise price of all options outstanding as of March 31, 2013 was approximately \$3.43 and the weighted average remaining term of such options was approximately 7.13 years. A total of 69,715,330 shares of our common stock were outstanding as of April 15, 2013. Also as of April 15, 2013, there were warrants to purchase 6,079,127 shares of our common stock and no shares of convertible preferred stock outstanding. As of April 15, 2013, the closing sale price for our common stock was \$4.77 per share.

In April 2013, our Board approved an amendment to the 2008 Plan, subject to stockholder approval, to increase the number of shares authorized for issuance under the 2008 Plan by 6,000,000 shares of common stock, which includes a corresponding increase in the number of shares available for issuance under the 2008 Plan pursuant to the grant of incentive stock options (we refer to the 2008 Plan, as amended by the Board in April 2013, as the Amended 2008 Plan throughout this proxy statement). Our Board adopted the Amended 2008 Plan to help ensure that we have sufficient shares available under the 2008 Plan to attract and retain qualified employees to support our operations as we continue to prepare and file submissions in connection with our modular Premarket Approval Application, or PMA, for our plasma system with the United States Food and Drug Administration, or FDA, as well as potential modular PMA submissions to the FDA in connection with our platelet system. In addition, the additional shares that are subject to the Amended 2008 Plan will be used to attract and retain qualified employees to support us with a potential commercial launch in the United States in the event that our plasma and/or platelet systems are approved by the FDA for sale in the United States. Our Compensation Committee believes that the Amended 2008 Plan will enable us to continue to grant stock options and other stock awards under the 2008 Plan at levels determined appropriate by our Board and Compensation Committee. Except for the increase in the number of shares authorized for issuance, the Amended 2008 Plan is identical to the 2008 Plan.

If the stockholders approve the Amended 2008 Plan, it will become effective on the date of the Annual Meeting. If the stockholders fail to approve this Proposal No. 2, the 2008 Plan will remain as is without any changes thereto. If the Amended 2008 Plan is not approved, we will not have enough shares available under the 2008 Plan to make meaningful grants to help us attract and retain top employees.

Approval of the Amended 2008 Plan by our stockholders will also constitute reapproval of the terms and conditions that will permit us to grant stock options and performance awards under the Amended 2008 Plan that may qualify as performance-based compensation within the meaning of Section 162(m) of the Code. Section 162(m) of the Code denies a deduction to any publicly held corporation and its affiliates for certain compensation paid to covered employees in a taxable year to the extent that compensation to a covered employee exceeds \$1 million. However, some kinds of compensation, including qualified performance-based compensation, are not subject to this deduction limitation. We believe it is in the best interests of Cerus and our stockholders to preserve our ability to grant performance-based compensation under Section 162(m) of the Code. For the grant of awards under a plan to qualify as performance-based compensation under Section 162(m) of the Code, among other things, the plan must (i) describe the employees eligible to receive such awards, (ii) provide a per-person limit on the number of shares subject to stock options and performance stock

awards, and the amount of cash that may be subject to performance cash awards, granted to any employee under the plan in any year, and (iii) include one or more pre-established business criteria upon which the performance goals for performance awards may be granted (or become vested or exercisable). These terms must be approved by the stockholders and, accordingly, our stockholders are requested to approve the Amended 2008 Plan, which includes terms regarding eligibility for awards, per-person limits on awards and the business criteria for performance awards granted under the Amended 2008 Plan (as described in the summary below). If the stockholders approve the Amended 2008 Plan, it will for purposes of Section 162(m) of the Code, also serve as (i) reapproval of the existing award limits for purposes of compliance with Section 162(m) of the Code, and (ii) reapproval of existing performance criteria upon which performance goals may be based with respect to performance awards granted under the Amended 2008 Plan.

The Board believes that it is very important that our eligible employees, consultants and directors receive part of their compensation in the form of equity awards to foster their investment in us, reinforce the link between their financial interests and those of our other stockholders and maintain a competitive compensation program. Equity compensation fosters an employee ownership culture, motivates employees to create stockholder value and, because the awards are typically subject to vesting and other conditions, promotes a focus on long-term value creation. The equity incentive programs we have in place have worked to build stockholder value by attracting and retaining extraordinarily talented employees, consultants and directors. The Board believes we must continue to offer competitive equity compensation packages in order to attract and motivate the talent necessary for our continued growth and success. See Compensation Discussion and Analysis contained in this proxy statement for more information regarding our executive compensation strategy.

Stockholders are requested in this Proposal No. 2 to approve the Amended 2008 Plan. The affirmative vote of the holders of a majority of the votes cast in person or by proxy at the annual meeting will be required to approve the Amended 2008 Plan. Abstentions and broker non-votes are not counted for the purpose of determining the number of votes cast and will therefore not have any effect on the outcome of the vote on this Proposal No. 2.

**THE BOARD OF DIRECTORS RECOMMENDS**

**A VOTE IN FAVOR OF PROPOSAL NO. 2**

**Important Features of the Amended 2008 Plan Designed to Protect our Stockholders' Interests**

We recognize that equity compensation awards dilute stockholder equity and must be used judiciously. Our equity compensation practices are designed to be in line with industry norms, and we believe our historical share usage has been responsible and mindful of stockholder interests. Certain provisions in the Amended 2008 Plan are designed to protect our stockholders' interests and to reflect corporate governance best practices including:

*Flexibility in designing equity compensation scheme.* The Amended 2008 Plan allows us to provide a broad array of equity incentives, including traditional stock option grants, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance stock awards and performance cash awards. By providing this flexibility we can quickly and effectively react to trends in compensation practices and continue to offer competitive compensation arrangements to attract and retain the talent necessary for the success of our business.

*Stockholder approval is required for additional shares.* The Amended 2008 Plan does not contain an annual evergreen provision. Thus, stockholder approval is required each time we need to increase the share reserve allowing our stockholders the ability to have a say on our equity compensation programs.

*Repricing is not allowed without prior stockholder approval.* The Amended 2008 Plan prohibits the repricing of outstanding equity awards and the cancellation of any outstanding equity awards that have an exercise price or strike price greater than the current fair market value of our common stock in exchange for cash or other stock awards under the Amended 2008 Plan unless our stockholders previously approve such action.

*Fungible share counting provisions.* The share reserve under the Amended 2008 Plan is reduced by one share for each share of common stock issued pursuant to a stock option or stock appreciation right and 1.5 shares for each share of common stock issued pursuant to restricted stock, restricted stock units, performance stock awards, or other stock awards. This helps to ensure that we are using the share reserve effectively and with regard to the value of each type of equity award.

*Submission of Amended 2008 Plan amendments to stockholders.* The Amended 2008 Plan requires stockholder approval for certain material amendments to the Amended 2008 Plan, including as noted above, any increase in the number of shares reserved for issuance under the Amended 2008 Plan.

### Overhang

The following table provides certain additional information regarding options granted under our equity incentive programs, as well as our stock generally.

As of March 31, 2013	
Total Shares Subject to Outstanding Stock Options	10,663,343
Weighted-Average Exercise Price of Outstanding Stock Options	\$ 3.43
Weighted-Average Remaining Term of Outstanding Stock Options	7.13 years
Total Shares Available for Grant under the 2008 Plan (Excluding 6,000,000 Share Increase)	2,095,152
As April 15, 2013	
(the Record Date)	
Total Common Stock Outstanding	69,715,330
Closing Price of Common Stock as Reported on NASDAQ	\$ 4.77

### Description of the Amended 2008 Plan

The material features of the Amended 2008 Plan are outlined below. This summary is qualified in its entirety by reference to the complete text of the Amended 2008 Plan. Stockholders are urged to read the actual text of the Amended 2008 Plan in its entirety, which is appended to this proxy statement as *Appendix A*.

#### *Background and Purpose*

The terms of the Amended 2008 Plan provide for the grant of stock options, restricted stock, restricted stock units, stock appreciation rights, other stock-related awards, and performance awards that may be settled in cash, stock, or other property.

The purpose of the Amended 2008 Plan is to provide a means by which employees, directors, and consultants may be given an opportunity to purchase our common stock to assist us in securing and retaining the services of such persons, to secure and retain the services of persons capable of filling such positions, and to provide incentives for such persons to exert maximum efforts for our success.

#### *Shares Available for Awards*

If this Proposal No. 2 is approved, the total number of shares of our common stock reserved for issuance under the Amended 2008 Plan will consist of:

13,540,940 shares of common stock previously authorized for issuance under the 2008 Plan; plus

an additional 6,000,000 shares.

We call this aggregate number the Share Reserve. The number of shares available for issuance under the 2008 Plan is reduced by (i) one share for each share of common stock issued pursuant to an option grant or stock



appreciation right with a strike price of at least 100% of the fair market value of the underlying common stock on the date of grant, and (ii) one and one-half (1.5) shares for each share of common stock issued pursuant to restricted stock awards, restricted stock unit awards, performance stock awards, or other stock-related awards granted under the 2008 Plan.

If a stock award expires or otherwise terminates without having been exercised in full or is settled in cash, such expiration, termination or settlement shall not reduce (or otherwise offset) the number of shares of the common stock that may be issued pursuant to the Amended 2008 Plan. If any shares of common stock issued pursuant to a stock award are forfeited back to us because of the failure to meet a contingency or condition required to vest such shares in the participant, then the shares which are forfeited shall revert to and again become available for issuance under the Amended 2008 Plan. Any shares reacquired by us pursuant to our withholding obligations or as consideration for the exercise of an option shall not again become available for issuance under the Amended 2008 Plan. In addition, if the exercise price of any award is satisfied by the tender of shares of common stock to us (whether by actual delivery or attestation), the shares tendered will not again be available for issuance under the 2008 Plan. The Amended 2008 Plan does not permit shares repurchased by us with proceeds collected in connection with the exercise of outstanding options to be returned to the Share Reserve.

To the extent there is a share of common stock issued pursuant to a stock award that counted as one and one-half (1.5) shares against the number of shares available for issuance under the Amended 2008 Plan and such share of common stock again becomes available for issuance under the Amended 2008 Plan, then the number of shares of common stock available for issuance under the Amended 2008 Plan shall increase by one and one-half (1.5) shares.

#### *Eligibility*

Incentive stock options may be granted under the Amended 2008 Plan only to our employees (including officers) and employees of our affiliates. Our employees (including officers), consultants and directors, and employees (including officers) and consultants of our affiliates, are eligible to receive all other types of awards under the Amended 2008 Plan. As of March 31, 2013, approximately 93 of our 97 employees, five non-employee directors and 11 consultants are eligible to participate in the Amended 2008 Plan.

#### *Administration*

The Amended 2008 Plan is administered by our Board, which may in turn delegate authority to administer the plan to a committee. Our Board has delegated administration of the Amended 2008 Plan to our Compensation Committee. Subject to the terms of the Amended 2008 Plan, our Compensation Committee determines recipients, the numbers and types of stock awards to be granted and the terms and conditions of the stock awards, including the period of their exercisability and vesting. Subject to the limitations set forth below, our Compensation Committee also determines the exercise price of options granted under the Amended 2008 Plan. The Compensation Committee has also delegated authority to a Non-Officer Stock Option Committee, or NOSOC, whose sole member is our Chief Executive Officer, to grant, within certain guidelines and without any further action required by the Compensation Committee, stock options to our non-officer employees. The purpose of this delegation of authority is to enhance the flexibility of option administration and to facilitate the timely grant of options to non-officer employees, including newly hired employees, within specified limits approved by the Compensation Committee. The size of grants made by the NOSOC must be within limits pre-approved by the Compensation Committee.

#### *Repricing*

The Amended 2008 Plan expressly provides that, without the approval of the stockholders within 12 months prior to such event, the Committee shall not have the authority to reduce the exercise price of any outstanding stock awards under the plan, reprice any outstanding stock awards under the plan or cancel and re-grant any outstanding stock awards under the plan.

### *Stock Options*

Stock options will be granted pursuant to stock option agreements. Generally, the exercise price for an option cannot be less than 100% of the fair market value of the common stock subject to the option on the date of grant. Options granted under the Amended 2008 Plan will vest at the rate specified in the option agreement. A stock option agreement may provide for early exercise, prior to vesting, subject to our right to repurchase unvested shares in certain circumstances. Unvested shares of our common stock issued in connection with an early exercise may be repurchased by us.

In general, the term of stock options granted under the Amended 2008 Plan may not exceed ten years. Unless the terms of an optionholder's stock option agreement provide for earlier or later termination, if an optionholder's service relationship with us, or any affiliate of ours, ceases due to disability or death, the optionholder, or his or her beneficiary, may exercise any vested options for up to 12 months in the event of disability or 18 months in the event of death, after the date the service relationship ends. If an optionholder's service relationship with us, or any affiliate of ours, ceases for any reason other than disability or death, the optionholder may exercise any vested options for up to three months after the date the service relationship ends, unless the terms of the stock option agreement provide for a longer or shorter period to exercise the option. In no event may an option be exercised after its expiration date.

Acceptable forms of consideration for the purchase of our common stock issued under the Amended 2008 Plan will be determined by our Compensation Committee and may include cash, common stock previously owned by the optionholder, payment through a broker assisted exercise or a net exercise feature, or other legal consideration approved by our Compensation Committee.

Generally, an optionholder may not transfer a stock option other than by will or the laws of descent and distribution or a domestic relations order. However, to the extent permitted under the terms of the applicable stock option agreement, an optionholder may designate a beneficiary who may exercise the option following the optionholder's death.

Under our Amended and Restated Non-Employee Director Compensation Policy, each of our non-employee directors currently receives a nonstatutory stock option grant under the 2008 Plan covering 25,000 shares of our common stock upon his or her initial election to the Board, and a nonstatutory stock option grant under the 2008 Plan covering 25,000 shares, or 32,500 shares in the case of the Chair of the Board, of our common stock each calendar year thereafter on the first trading day of the year. The number of shares subject to the director's first annual award is pro-rated based on the number of days he or she served in his or her first year of service. The initial stock option grant vests over four years and the annual stock option grant vests over 12 months, in each case subject to continued service. The terms of these initial and annual grants are described in more detail under "Director Compensation" below. Although we anticipate that our Board will continue our equity compensation arrangements for non-employee directors on the same terms for initial and annual grants under the Amended 2008 Plan, it is within the Board's discretion to continue our equity compensation arrangements for non-employee directors, and the Board may determine to implement new or revised equity compensation arrangements for our nonemployee directors that differ from those described above, including with respect to the number of shares subject to these initial and annual grants.

### *Limitations*

No employee may be granted options or stock appreciation rights under the Amended 2008 Plan covering more than eight hundred thousand (800,000) shares of our common stock in any calendar year.

The aggregate maximum number of shares of common stock that may be issued pursuant to the exercise of ISOs granted under the Amended 2008 Plan is equal to the Share Reserve. The aggregate fair market value, determined at the time of grant, of shares of our common stock with respect to ISOs that are exercisable for the

first time by an optionholder during any calendar year under all of our stock plans may not exceed \$100,000. The options or portions of options that exceed this limit are treated as nonstatutory stock options, or NSOs. No ISO may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any affiliate unless the following conditions are satisfied:

the option exercise price must be at least 110% of the fair market value of the stock subject to the option on the date of grant; and

the term of the ISO award must not exceed five years from the date of grant.

*Restricted Stock Awards*

Restricted stock awards will be granted pursuant to restricted stock award agreements. A restricted stock award may be granted in consideration for the recipient's past or future services performed for us or an affiliate of ours. Shares of our common stock acquired under a restricted stock award may be subject to forfeiture to us in accordance with a vesting schedule to be determined by our Compensation Committee. Rights to acquire shares of our common stock under a restricted stock award may be transferred only upon such terms and conditions as are set forth in the restricted stock award agreement.

*Restricted Stock Unit Awards*

Restricted stock unit awards will be granted pursuant to restricted stock unit award agreements. Payment of any purchase price may be made in any legal form acceptable to the Compensation Committee. We will settle a payment due to a recipient of a restricted stock unit award by delivery of shares of our common stock, by cash, by a combination of cash and stock as deemed appropriate by our Compensation Committee, or in any other form of consideration determined by our Compensation Committee and set forth in the restricted stock unit award agreement. Dividend equivalents may be credited in respect of shares of our common stock covered by a restricted stock unit award. Restricted stock unit awards may be subject to vesting in accordance with a vesting schedule to be determined by our Compensation Committee. Except as otherwise provided in the applicable restricted stock unit award agreement, restricted stock units that have not vested will be forfeited upon the participant's termination of continuous service for any reason.

*Stock Appreciation Rights*

Stock appreciation rights will be granted pursuant to a stock appreciation rights agreements. Each stock appreciation right is denominated in common stock share equivalents. The strike price of each stock appreciation right will be determined by our Compensation Committee or its authorized committee, but shall in no event be less than 100% of the fair market value of the stock subject to the stock appreciation right at the time of grant. Our Compensation Committee may also impose restrictions or conditions upon the vesting of stock appreciation rights that it deems appropriate. Stock appreciation rights may be paid in our common stock or in cash or any combination of the two, or any other form of legal consideration approved by our Compensation Committee. If a stock appreciation right recipient's relationship with us, or any affiliate of ours, ceases for any reason, the recipient may exercise any vested stock appreciation right up to three months from cessation of service, unless the terms of the stock appreciation right agreement provide that the right may be exercised for a longer or shorter period.

*Performance Awards*

The Amended 2008 Plan provides for the grant of two types of performance awards: performance stock awards and performance cash awards. Performance awards may be granted, vest or be exercised based upon the attainment during a certain period of time of certain performance goals. The length of any performance period, the performance goals to be achieved during the performance period, and the measure of whether and to what degree such performance goals have been attained shall be determined by our Compensation Committee. The

maximum amount to be granted to any individual in a calendar year attributable to such performance awards may not exceed five hundred thousand (500,000) shares of our common stock in the case of performance stock awards, or one million dollars (\$1,000,000) in the case of performance cash awards. We have never paid dividends or dividend equivalents on unvested performance awards.

Performance goals under the Amended 2008 Plan shall be determined by the our Compensation Committee, based on one or more of the following performance criteria: (i) earnings per share; (ii) earnings before interest, taxes and depreciation; (iii) earnings before interest, taxes, depreciation and amortization; (iv) total stockholder return; (v) return on equity; (vi) return on assets, investment, or capital employed; (vii) operating margin; (viii) gross margin; (ix) operating income; (x) net income (before or after taxes); (xi) net operating income; (xii) net operating income after tax; (xiii) pre-tax profit; (xiv) operating cash flow; (xv) sales or revenue targets; (xvi) increases in revenue or product revenue; (xvii) expenses and cost reduction goals; (xviii) improvement in or attainment of working capital levels; (xix) economic value added (or an equivalent metric); (xx) market share; (xxi) cash flow; (xxii) cash flow per share; (xxiii) share price performance; (xxiv) debt reduction; (xxv) implementation or completion of projects or processes; (xxvi) customer satisfaction; (xxvii) stockholders' equity; and (xxviii) to the extent that an Award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Compensation Committee.

The Compensation Committee is authorized to determine whether, when calculating the attainment of performance goals for a performance period: (i) to exclude restructuring and/or other nonrecurring charges; (ii) to exclude exchange rate effects, as applicable, for non-U.S. dollar denominated net sales and operating earnings; (iii) to exclude the effects of changes to generally accepted accounting standards required by the Financial Accounting Standards Board; (iv) to exclude the effects of any statutory adjustments to corporate tax rates; and (v) to exclude the effects of any extraordinary items as determined under generally accepted accounting principles. In addition, the Compensation Committee retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of performance goals.

#### *Other Stock Awards*

Other forms of stock awards valued in whole or in part with reference to our common stock may be granted either alone or in addition to other stock awards under the Amended 2008 Plan. Our Compensation Committee will have sole and complete authority to determine the persons to whom and the time or times at which such other stock awards will be granted, the number of shares of our common stock to be granted and all other conditions of such other stock awards. Other forms of stock awards may be subject to vesting in accordance with a vesting schedule to be determined by our Compensation Committee.

#### *Changes to Capital Structure*

In the event that there is a specified type of change in our capital structure not involving the receipt of consideration by us, such as a stock split or stock dividend, the class and number of shares reserved under the Amended 2008 Plan (including share limits) and the class and number of shares and exercise price or strike price, if applicable, of all outstanding stock awards will be appropriately adjusted.

#### *Effect of Certain Corporate Events*

The Amended 2008 Plan provides that, in the event of a dissolution or liquidation of us, then all outstanding awards shall terminate immediately prior to such dissolution or liquidation. The Amended 2008 Plan further provides that, unless otherwise provided in the award agreement, the following treatment will apply in the event of a sale, lease or other disposition of all or substantially all of the assets of us, sale of 90% or more of our outstanding securities, or specified types of mergers or consolidations (each, a corporate transaction). In the event of certain corporate transactions, all outstanding stock awards under the Amended 2008 Plan may be assumed, continued or substituted for by any surviving entity. If the surviving entity elects not to assume,

continue or substitute for such awards, the vesting and exercisability of such stock awards held by persons whose service with us has not terminated generally will be accelerated in full and our repurchase rights will generally lapse and such stock awards will terminate if and to the extent not exercised at or prior to the effective time of the corporate transaction. With respect to any awards that are held by other participants that terminated service with us prior to the corporate transaction, the vesting and exercisability provisions of such awards will not be accelerated and such awards will terminate if not exercised prior to the corporate transaction.

#### *Plan Amendments*

Our Compensation Committee will have the authority to amend or terminate the Amended 2008 Plan. However, no amendment or termination of the plan will adversely affect any rights under awards already granted to a participant unless agreed to by the affected participant. We will obtain stockholder approval of any amendment to the Amended 2008 Plan as required by applicable law.

#### *Plan Termination*

Unless sooner terminated by the Board, the Amended 2008 Plan shall automatically terminate on the day before the tenth (10th) anniversary of the date the Amended 2008 Plan is adopted by the Board or approved by the stockholders, whichever is earlier.

### **U.S. Federal Income Tax Consequences**

The information set forth below is a summary of the principal United States federal income taxation consequences to us and our employees only and does not purport to be complete. This summary does not discuss the income tax laws of any city, state or foreign jurisdiction in which a participant may reside. The information is based upon current federal income tax rules and therefore is subject to change when those rules change. Because the tax consequences to any recipient may depend on his or her particular situation, each recipient should consult the recipient's tax adviser regarding the federal, state, local, and other tax consequences of the grant or exercise of an award or the disposition of stock acquired as a result of an award. The Amended 2008 Plan is not qualified under the provisions of Section 401(a) of the Code, and is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974. Our ability to realize the benefit of any tax deductions described below depends on our generation of taxable income.

#### *Nonstatutory Stock Options*

Generally, there is no taxation upon the grant of an NSO where the option is granted with an exercise price equal to the fair market value of the underlying stock on the grant date. On exercise, an optionee will recognize ordinary income equal to the excess, if any, of the fair market value on the date of exercise of the stock over the exercise price. If the optionee is employed by us or one of our affiliates, that income will be subject to withholding tax. The optionee's tax basis in those shares will be equal to their fair market value on the date of exercise of the option, and the optionee's capital gain holding period for those shares will begin on that date.

Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the optionee.

#### *Incentive Stock Options*

The Amended 2008 Plan provides for the grant of stock options that qualify as incentive stock options, as defined in Section 422 of the Code. Under the Code, an optionee generally is not subject to ordinary income tax upon the grant or exercise of an ISO. If the optionee holds a share received on exercise of an ISO for more than two years from the date the option was granted and more than one year from the date the option was exercised, which is referred to as the required holding period, the difference, if any, between the amount realized on a sale or other taxable disposition of that share and the holder's tax basis in that share will be long-term capital gain or loss.

If, however, an optionee disposes of a share acquired on exercise of an ISO before the end of the required holding period, which is referred to as a disqualifying disposition, the optionee generally will recognize ordinary income in the year of the disqualifying disposition equal to the excess, if any, of the fair market value of the share on the date the ISO was exercised over the exercise price. However, if the sales proceeds are less than the fair market value of the share on the date of exercise of the option, the amount of ordinary income recognized by the optionee will not exceed the gain, if any, realized on the sale. If the amount realized on a disqualifying disposition exceeds the fair market value of the share on the date of exercise of the option, that excess will be short-term or long-term capital gain, depending on whether the holding period for the share exceeds one year.

For purposes of the alternative minimum tax, the amount by which the fair market value of a share of stock acquired on exercise of an ISO exceeds the exercise price of that option generally will be an adjustment included in the optionee's alternative minimum taxable income for the year in which the option is exercised. In computing alternative minimum taxable income, the tax basis of a share acquired on exercise of an ISO is increased by the amount of the adjustment taken into account with respect to that share for alternative minimum tax purposes in the year the option is exercised.

We are not allowed an income tax deduction with respect to the grant or exercise of an ISO or the disposition of a share acquired on exercise of an ISO after the required holding period. If there is a disqualifying disposition of a share, however, we are allowed a deduction in an amount equal to the ordinary income includible in income by the optionee, subject to Section 162(m) of the Code and provided that amount constitutes an ordinary and necessary business expense for us and is reasonable in amount, and either the employee includes that amount in income or we timely satisfy our reporting requirements with respect to that amount.

#### *Restricted Stock Awards*

Generally, the recipient of a restricted stock award will recognize ordinary compensation income at the time the stock is received equal to the excess, if any, of the fair market value of the stock received over any amount paid by the recipient in exchange for the stock. If, however, the stock is not vested when it is received (for example, if the employee is required to work for a period of time in order to have the right to sell the stock), the recipient generally will not recognize income until the stock becomes vested, at which time the recipient will recognize ordinary compensation income equal to the excess, if any, of the fair market value of the stock on the date it becomes vested over any amount paid by the recipient in exchange for the stock. A recipient may, however, file an election with the Internal Revenue Service, within 30 days of his or her receipt of the stock award, to recognize ordinary compensation income, as of the date the recipient receives the award, equal to the excess, if any, of the fair market value of the stock on the date the award is granted over any amount paid by the recipient in exchange for the stock.

The recipient's basis for the determination of gain or loss upon the subsequent disposition of shares acquired from stock awards will be the amount paid for such shares plus any ordinary income recognized either when the stock is received or when the stock becomes vested. Upon disposition of the stock acquired upon the receipt of a restricted stock award, the participant will recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for such stock plus any amount recognized as ordinary income upon issuance (or vesting) of the stock. Such gain or loss will be long-term or short-term depending on whether the stock was held for more than one year.

Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the recipient of the stock award.

#### *Stock Appreciation Rights*

We may grant under the Amended 2008 Plan stock appreciation rights separate from any other award or in tandem with other awards under the Amended 2008 Plan.

Where the rights are granted with a strike price equal to the fair market value of the underlying stock on the grant date and where the recipient may only receive the appreciation inherent in the stock appreciation rights in shares of our common stock, the recipient will recognize ordinary compensation income equal to the fair market value of the stock received upon such exercise. If the recipient may receive the appreciation inherent in the stock appreciation rights in cash or other property and the stock appreciation right has been structured to conform to the requirements of Section 409A of the Code, then the cash will be taxable as ordinary compensation income to the recipient at the time that the cash is received.

Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code, and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the recipient of the stock appreciation right.

#### *Restricted Stock Units*

Generally, stock unit awards granted under the Plan will be structured to conform to the requirements of Section 409A of the Code or qualify for an exception from application of Section 409A of the Code. Recipients of stock unit awards will recognize ordinary compensation income at the time the stock is delivered equal to the excess, if any, of the fair market value of the shares of our common stock received over any amount paid by the recipient in exchange for the shares of our common stock.

The recipient's basis for the determination of gain or loss upon the subsequent disposition of shares acquired from stock units will be the amount paid for such shares plus any ordinary income recognized when the stock is delivered.

Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the recipient of the stock award.

#### *Potential Limitation on Company Deductions Under Section 162(m)*

Section 162(m) of the Code denies a deduction to any publicly-held corporation for compensation paid to certain covered employees in a taxable year to the extent that compensation to each covered employee exceeds \$1,000,000. It is possible that compensation attributable to awards, when combined with all other types of compensation received by a covered employee from us, may cause this limitation to be exceeded in any particular year. Certain kinds of compensation, including qualified performance-based compensation, are disregarded for purposes of the deduction limitation. In accordance with Treasury Regulations issued under Section 162(m) of the Code, generally, compensation attributable to stock options and stock appreciation rights granted under the Amended 2008 Plan will qualify as performance-based compensation. Compensation attributable to performance awards under the Amended 2008 Plan will qualify as Section 162(m) performance-based compensation, provided that: (i) the award is granted by a compensation committee comprised solely of outside directors, (ii) the award is granted (or exercisable) only upon the achievement of an objective performance goal established in writing by the compensation committee while the outcome is substantially uncertain and (iii) the compensation committee certifies in writing prior to the granting (or exercisability) of the award that the performance goal has been satisfied.

#### **New Plan Benefits**

Awards will be granted under the Amended 2008 Plan at our discretion. Therefore, we cannot currently determine the benefits or number of shares subject to awards that may be granted in the future to executive officers, directors, and employees under the Amended 2008 Plan. In this regard, although our current Amended and Restated Non-Employee Director Compensation Policy establishes the number of shares subject to initial and annual stock option grants made to our non-employee directors under the 2008 Plan (or the Amended 2008 Plan

if this Proposal No. 2 is approved by our stockholders), our Board has the discretion to change the number of shares subject to these grants at any time. Pursuant to this policy, if this Proposal No. 2 is approved by our stockholders, and assuming this policy is not subsequently amended or modified by the Board, each of our non-employee directors will be granted an annual nonstatutory stock option under the Amended 2008 Plan on the first trading day of 2014 to purchase 25,000 shares of our common stock, or 32,500 shares in the case of Mr. Cassin, for a total of 132,500 shares for our current non-employee directors as a group. As of April 15, 2013, no options or other stock awards have been granted on the basis of the 6,000,000 share increase that is part of the Amended 2008 Plan.

**Award Transactions**

The following table sets forth, for each of the individuals and groups indicated, the number of shares of our common stock subject to awards granted under the 2008 Plan since its original effectiveness and through March 31, 2013.

**Awards Granted under the 2008 Plan**

Name	Number of Securities Underlying Awards Granted
William M. Greenman, President and Chief Executive Officer	1,757,689
Kevin D. Green, Vice President, Finance and Chief Financial Officer	437,795
Laurence M. Corash, Senior Vice President, Chief Medical and Chief Scientific Officer and Director Nominee	733,788
Howard G. Ervin, Vice President, Legal Affairs	362,677
Caspar Hogeboom, President, Cerus Europe	661,248
Gail Schulze, Director Nominee	132,500
All Current Executive Officers as a Group	4,320,482
All Current Directors who are not Executive Officers as a Group	644,127
All Current Employees who are not Executive Officers as a Group	5,012,710

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**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table provides certain information with respect to all of our equity compensation plans in effect as of December 31, 2012.

**EQUITY COMPENSATION PLAN INFORMATION**

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	8,472,683	\$ 3.38(1)	4,903,552(2)
Equity compensation plans not approved by security holders(3)	85,400	\$ 5.41	
<b>Total</b>	<b>8,558,083</b>	<b>\$ 3.40(1)</b>	<b>4,903,552(2)</b>

- (1) The number of securities to be issued upon exercise of outstanding options, warrants and rights (column (a)) includes shares subject to restricted stock units granted under the 2008 Equity Incentive Plan, or the 2008 Plan, which restricted stock units do not carry an exercise price. Accordingly, the weighted average exercise price of outstanding options, warrants and rights (column (b)) excludes the grant of restricted stock units.
- (2) Includes 581,879 shares authorized for future issuance under the 1996 Employee Stock Purchase Plan as of December 31, 2012.
- (3) The 1998 Non-Officer Stock Option Plan, or the 1998 Plan, was adopted without the approval of our security holders. The 1998 Plan provides for grants of nonstatutory stock options to our employees and consultants who are not officers or directors. In 2008, we adopted the 2008 Plan as the successor to and continuation of the 1999 Equity Incentive Plan and the 1998 Plan (together, the Prior Plans), and following the effective date of the 2008 Plan in June 2008, no additional stock awards may be granted under the Prior Plans. All shares of common stock that had been reserved for future issuance under the 1998 Plan have been included under the 2008 Plan. As of March 31, 2013, options to purchase 85,325 shares were outstanding under the 1998 Plan. The exercise price of options granted under the 1998 Plan was not less than 85% of the fair market value of our common stock on the date of grant. All options granted under the 1998 Plan have a maximum term of ten years and typically vest over a four-year period. Options may be exercised prior to vesting, subject to repurchase rights in our favor that expire over the vesting period. The 1998 Plan and options thereunder may be amended by the Board at any time or from time to time in accordance with the terms of the 1998 Plan and applicable law.

**PROPOSAL NO. 3**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

At the 2011 Annual Meeting of Stockholders, our stockholders indicated their preference that we solicit a non-binding advisory vote on the compensation of our named executive officers, commonly referred to as a say-on-pay vote, every year. The Board has adopted a policy that is consistent with that preference. In accordance with that policy, this year, we are again asking our stockholders to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with SEC rules.

This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement. The compensation of our named executive officers is disclosed in the Compensation Discussion and Analysis, the compensation tables, and the related narrative disclosure contained in this proxy statement. As discussed in those disclosures, we believe that our compensation policies and decisions are designed to enhance stockholder value by attracting and retaining qualified individuals and motivating those individuals to perform at the highest of professional levels and to contribute to our growth and success. Compensation of our named executive officers is designed to enable us to attract and retain talented and experienced executives to lead us successfully in a competitive environment.

Accordingly, the Board is asking our stockholders to indicate their support for the compensation of our named executive officers as described in this proxy statement by casting a non-binding advisory vote FOR the following resolution at the annual meeting:

RESOLVED, that the compensation paid to Cerus Corporation's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion is hereby APPROVED.

Because the vote is advisory, it is not binding on the Board or us. Nevertheless, the views expressed by the stockholders, whether through this vote or otherwise, are important to management and the Board and, accordingly, the Board and the Compensation Committee intend to consider the results of this vote in making determinations in the future regarding executive compensation arrangements.

Approval of this Proposal No. 3 requires a For vote from the holders of a majority of the votes cast in person or by proxy at the Annual Meeting. Abstentions and broker non-votes are not counted for the purpose of determining the number of votes cast and will therefore not have any effect on the outcome of the vote on this Proposal No. 3.

Unless the Board decides to modify its policy regarding the frequency of soliciting advisory votes on the compensation of our named executives, the next scheduled say-on-pay vote will be at the 2014 Annual Meeting of Stockholders.

**THE BOARD OF DIRECTORS RECOMMENDS**

**A VOTE IN FAVOR OF PROPOSAL NO. 3**

**PROPOSAL NO. 4****RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has selected Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013 and has further directed that management submit the selection of independent registered public accounting firm for ratification by the stockholders at the 2013 Annual Meeting of Stockholders. Ernst & Young LLP has audited our financial statements since our inception in 1991. Representatives of Ernst & Young LLP are expected to be present at the annual meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither our bylaws nor our other governing documents or law require stockholder ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm. However, the Audit Committee is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of us and our stockholders.

Approval of this Proposal No. 4 requires a For vote from the holders of a majority of the votes cast in person or by proxy at the Annual Meeting. Abstentions and broker non-votes are not counted for the purpose of determining the number of votes cast and will therefore not have any effect on the outcome of the vote on this Proposal No. 4.

**ON BEHALF OF THE AUDIT COMMITTEE, THE BOARD OF DIRECTORS RECOMMENDS****A VOTE IN FAVOR OF PROPOSAL NO. 4****PRINCIPAL ACCOUNTANT FEES AND SERVICES**

In connection with the audit of the 2012 financial statements, we entered into an engagement agreement with Ernst & Young LLP that sets forth the terms by which Ernst & Young LLP will perform audit and interim review services for us. That agreement is subject to alternative dispute resolution procedures.

The following table represents aggregate fees billed to us for the fiscal years ended December 31, 2012 and December 31, 2011, by Ernst & Young LLP, our independent registered public accounting firm.

	<b>Fiscal Year Ended</b>	
	<b>2012</b>	<b>2011</b>
	<b>(in thousands)</b>	
Audit Fees	\$ 878	\$ 820
Audit-Related Fees		
Tax Fees	51	58
All Other Fees	2	1
<b>Total Fees</b>	<b>\$ 931</b>	<b>\$ 879</b>

**Audit Fees.** Audit fees consist of fees for services rendered in connection with the annual audit of our financial statements and review of the interim financial statements in quarterly reports. This category also includes fees for audits provided in connection with statutory and regulatory filings and engagements or services that generally only the independent registered public accounting firm reasonably can provide to a client.

**Audit-Related Fees.** Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees. There were no fees incurred under this category in 2012 and 2011.

**Tax Fees.** Tax fees include fees for tax compliance, tax planning and tax advice. Specifically, the amounts reflect fees paid to Ernst & Young LLP to prepare our federal and state tax returns, as well as other tax compliance work.

**All Other Fees.** Consists of fees for products and services other than the services described above. Specifically, the amounts reflect fees paid to Ernst & Young LLP in connection with the assessment of our internal controls specific to our information technology systems.

All fees described above were pre-approved by the Audit Committee.

**PRE-APPROVAL POLICIES AND PROCEDURES**

The Audit Committee is responsible for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. The Audit Committee has established a policy regarding pre-approval of all audit and non-audit services provided by the independent registered public accounting firm. On an on-going basis, management communicates specific projects and categories of service for which the advance approval of the Audit Committee is requested. The Audit Committee reviews these requests and advises management if the Audit Committee approves the engagement of the independent registered public accounting firm. On a periodic basis, management reports to the Audit Committee regarding the actual spending for such projects and services compared to the approved amounts. The Audit Committee also may delegate the ability to pre-approve audit and permitted non-audit services to one or more of its members, provided that any such pre-approvals are reported at the next scheduled Audit Committee meeting.

**SECURITY OWNERSHIP OF  
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the ownership of our common stock as of March 31, 2013 (except as noted) by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table below; (iii) all our executive officers and directors as a group; and (iv) all those known by us to be beneficial owners of more than five percent of our common stock.

Name and Address of Beneficial Owner Beneficial Owner(2)	Beneficial Ownership(1)	
	Number of Shares	Percent of Total
Baker Bros. Advisors LLC	5,942,845	8.5
745 Fifth Avenue		
New York, NY 10151(3)		
Royce & Associates LLC	4,523,011	6.5
745 Fifth Avenue		
New York, NY 10151(4)		
BlackRock, Inc.	3,695,757	5.3
40 East 52 <sup>nd</sup> Street		
New York, NY 10022(5)		
FMR LLC	3,648,078	5.2
82 Devonshire Street		
Boston, MA 02109(6)		
William M. Greenman(7)	1,184,364	1.7
Laurence M. Corash(8)	1,131,629	1.6
Howard G. Ervin(9)	509,919	*
Kevin D. Green(10)	265,349	*
Caspar Hogeboom(11)	274,998	*
B.J. Cassin(12)	523,475	*
Bruce C. Cozadd(13)	204,166	*
Timothy B. Anderson(14)	218,773	*
Gail Schulze(15)	160,294	*
Daniel N. Swisher, Jr.(16)	62,877	*
All executive officers and directors as a group (11 persons)(17)	4,374,074	6.0

\* Less than one percent.

- (1) This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the SEC. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of March 31, 2013 are deemed to be outstanding for the purpose of computing the number of shares held and the percent of total ownership of the person holding those options, but are not treated as outstanding for the purpose of computing the percent of total ownership of any other person. Applicable percentages are based on 69,714,088 shares outstanding on March 31, 2013, adjusted as required by rules promulgated by the SEC.
- (2) Unless otherwise provided, the address for each of the beneficial owners listed is c/o Cerus Corporation, 2550 Stanwell Drive, Concord, California 94520.

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- (3) Based upon information provided by Baker Bros. Advisors LLC. Baker Bros. Advisors, LLC (the Adviser ) has complete and unlimited discretion and authority with respect to 667, L.P, Baker Brothers Life Sciences, L.P. and 14159, L.P. (collectively, the Funds ) investments and voting power over investments. Julian C. Baker and Felix J. Baker as Managing Member of the Adviser, may be deemed to be the beneficial owners of securities owned by the Funds, and may be deemed to have the power to vote or direct the vote of and the power to dispose or direct the disposition of such securities. Julian C. Baker and Felix J. Baker disclaim beneficial ownership of the securities held by each of the Funds,

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- (4) Based upon information contained in Schedule 13G/A, effective as of December 31, 2012, as filed with the SEC on January 4, 2013, Royce & Associates LLC has sole voting and dispositive power with respect to 4,860,911 shares. The Schedule 13G/A filed by Royce & Associates LLC provides information only as of December 31, 2012 and, consequently, the beneficial ownership of above-mentioned reporting person may have changed between December 31, 2012 and March 31, 2013.
- (5) Based upon information contained in Schedule 13G/A, effective as of December 31, 2012, as filed with the SEC on February 6, 2013, BlackRock Inc. has sole voting and dispositive power with respect to 3,695,757 shares. The Schedule 13G/A filed by BlackRock Inc. provides information only as of December 31, 2012 and, consequently, the beneficial ownership of above-mentioned reporting person may have changed between December 31, 2012 and March 31, 2013.
- (6) Based upon information contained in Schedule 13G/A, effective as of December 31, 2012, as filed with the SEC on February 14, 2013, Fidelity Management & Research Company, or Fidelity, a wholly-owned subsidiary of FMR LLC, is the beneficial owner of 3,648,078 shares of our common stock as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Edward C. Johnson 3d and FMR LLC, through its control of Fidelity, each has sole power to dispose of the 3,648,078 shares of our common stock. Members of the family of Edward C. Johnson 3d, Chairman of FMR LLC, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Edward C. Johnson 3d, Chairman of FMR LLC, has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Funds' Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the Funds' Boards of Trustees. The Schedule 13G/A filed by the reporting persons provides information only as of December 31, 2012 and, consequently, the beneficial ownership of above-mentioned reporting persons may have changed between December 31, 2012 and March 31, 2013.
- (7) Includes 1,004,680 shares underlying stock options which are exercisable within 60 days of March 31, 2013.
- (8) Includes 560,873 shares underlying stock options which are exercisable within 60 days of March 31, 2013.
- (9) Includes 456,565 shares underlying stock options which are exercisable within 60 days of March 31, 2013.
- (10) Includes 239,469 shares underlying stock options which are exercisable within 60 days of March 31, 2013.
- (11) Includes 267,750 shares underlying stock options which are exercisable within 60 days of March 31, 2013.
- (12) Includes 77,384 shares held by Brendan Joseph Cassin and Isabel B. Cassin, Trustees of the Cassin Family Trust, 69,841 shares held by Cassin Family Partners, a California Limited Partnership and 85,000 shares held by the Cassin Educational Initiative Foundation. Includes 291,250 shares underlying stock options which are exercisable within 60 days of March 31, 2013. If exercised in full within 60 days of the date of this table, 21,667 shares would be subject to a right of repurchase in our favor.
- (13) Consists solely of 204,166 shares underlying stock options which are exercisable within 60 days of March 31, 2013. If exercised in full within 60 days of the date of this table, 16,667 shares would be subject to a right of repurchase in our favor.
- (14) Includes 171,466 shares underlying stock options which are exercisable within 60 days of March 31, 2013. If exercised in full within 60 days of the date of this table, 16,667 shares would be subject to a right of repurchase in our favor.
- (15) Consists solely of 160,294 shares underlying stock options which are exercisable within 60 days of March 31, 2013. If exercised in full within 60 days of the date of this table, 16,667 shares would be subject to a right of repurchase in our favor.
- (16) Consists solely of 62,877 shares underlying stock options which are exercisable within 60 days of March 31, 2013. If exercised in full within 60 days of the date of this table, 29,688 shares would be subject to a right of repurchase in our favor.
- (17) Includes 3,310,974 shares underlying stock options which are exercisable within 60 days of March 31, 2013. If exercised in full within 60 days of the date of this table, 101,356 shares would be subject to a right of repurchase in our favor.

**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the 1934 Act requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of Cerus. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 31, 2012, all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were complied with, except that one report on Form 4, covering a stock option grant to Mr. Swisher, was filed late.

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**EXECUTIVE OFFICERS**

Our executive officers and their ages as of April 29, 2013 are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
William M. Greenman(1)	46	President, Chief Executive Officer and Director
Kevin D. Green	41	Vice President, Finance and Chief Financial Officer
Laurence M. Corash(1)	69	Senior Vice President, Chief Medical and Chief Scientific Officer and Director
Caspar Hogeboom	54	President, Cerus Europe
Chrystal N. Menard	42	Chief Legal Officer
Carol M. Moore	63	Senior Vice President, Regulatory Affairs, Quality and Clinical

(1) For biographical information, see Proposal No. 1 Election of Directors.

*Kevin D. Green* was appointed our Vice President, Finance and Chief Financial Officer in February 2013. Prior to that, Mr. Green served as our Vice President, Finance and Chief Accounting Officer, a role to which he was appointed in March 2009. From January 2006 to March 2009, Mr. Green was our Senior Director of Finance and Controller. From 2000 until 2006, Mr. Green held various financial management positions with Macromedia, Inc., a software company acquired by Adobe Systems in 2005, including Director of Finance and Assistant Controller. Prior to joining Macromedia, Mr. Green was a member of PricewaterhouseCoopers LLP in the Assurance and Business Advisory Services division. Mr. Green is a certified public accountant.

*Caspar Hogeboom* was appointed President, Cerus Europe in February 2012. Prior to that, Mr. Hogeboom was Managing Director of Cerus Europe from November 2008 to February 2011 and General Manager of Cerus Europe from February 2011 to February 2012. From March 2006 to November 2008, Mr. Hogeboom served as our Managing Director Europe, INTERCEPT Blood Systems and was responsible for sales and marketing at Cerus Europe. Prior to joining Cerus in 2006, Mr. Hogeboom worked for Baxter Healthcare in Europe, where he held several management, sales and marketing positions from 1992 to 2006. Prior to joining Baxter, Mr. Hogeboom held various sales and marketing positions at Maxxim Medical in the Netherlands.

*Chrystal N. Menard* was appointed our Chief Legal Officer in December 2012. From August 2011 until October 2012, Ms. Menard was Senior Corporate Counsel at Zynga Inc. Prior to August 2011, Ms. Menard was a partner of the law firm presently named Cooley LLP, practicing corporate and securities law.

*Carol M. Moore* was promoted to Senior Vice President, Regulatory Affairs, Quality and Clinical in February 2013. From April 2008 to February 2013, Ms. Moore was our Vice President, Regulatory Affairs, Quality and Clinical. Prior to joining Cerus, Ms. Moore served in various roles at Bayer Corporation, most recently as Vice President, Worldwide Regulatory Affairs, for over 30 years focusing on the registration and regulatory compliance of Bayer's biological and biotech products, health policy, and strategic planning.

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## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

#### OVERVIEW

The following Compensation Discussion and Analysis addresses the following topics:

executive summary of our compensation practices;

our compensation philosophy and objectives;

our process for setting executive compensation; and

our executive compensation components and decisions for the 2012 fiscal year and for the first quarter of the 2013 fiscal year. The Named Executive Officers (NEOs) for the 2012 fiscal year were as follows:

Named Executive Officer	Title
William M. Greenman	President and Chief Executive Officer
Kevin D. Green	Vice President, Finance and Chief Financial Officer
Laurence M. Corash	Senior Vice President, Chief Medical and Chief Scientific Officer
Howard G. Ervin	Vice President, Legal Affairs and former Chief Legal Officer
Caspar Hogeboom	President, Cerus Europe

#### EXECUTIVE SUMMARY

Our Compensation Committee believes that our executive compensation program is appropriately designed and reasonable in light of the executive compensation programs of our peer group companies in that it both encourages our NEOs to work for our long-term prosperity and reflects a pay-for-performance philosophy, without encouraging our employees to assume excessive risks, and also reflects a reasonable and responsible cost structure. The major aspects of our executive compensation program include the following:

**Cash Bonuses for 2012 Based on Corporate Performance:** In line with our pay-for-performance philosophy, the Compensation Committee undertook a careful review of our corporate performance and strategic achievements against the goals under our Bonus Plan for Senior Management, and our International Bonus Plan, which together are referred to in this discussion as the Bonus Plan, for the 2012 performance year. Taking into account and weighing our relative corporate performance and strategic achievements, the Compensation Committee determined that for the 2012 performance period, the corporate performance goals and the strategic goals had been met at a combined fully-weighted attainment level of 91.2%.

**Strong Pay-for-Performance Principles:** We do not provide our NEOs with guaranteed salary increases or non-performance based bonuses. Our NEOs must meet expected levels of performance in order to continue serving as members of the executive team.

**Responsible Severance and Change in Control Compensation.** Our executive employment agreements and our change of control severance benefit plan, or the Severance Plan, in all cases require an involuntary termination for individuals to be eligible for any non-change of control related severance benefits or change of control related severance benefits. The severance benefits are less than two times the annual base salary for all of our NEOs and we do not provide any tax gross-ups.

**No Option Repricing Without Prior Stockholder Approval.** Our current equity plans do not permit repricing of underwater stock options held by our NEOs or other employees without prior stockholder approval.

37.

We held our first stockholder advisory vote on executive compensation in 2011. Approximately 94.8% and 91.8% of the votes cast approved our executive compensation described in our proxy statements for 2011 and 2012, respectively. The Compensation Committee considered the result of the 2012 stockholder advisory vote an endorsement of its compensation policies, practices and philosophy for our named executive officers and determined that no changes to our executives' compensation for fiscal year 2012 were needed mid-year as a result of such vote.

#### **EXECUTIVE COMPENSATION PHILOSOPHY AND OBJECTIVES**

We believe that the performance of our executive officers has the potential to significantly impact our ability to achieve our corporate performance and strategic goals. We therefore give considerable thought to the design and administration of our executive officer compensation program. The Compensation Committee believes that the most effective compensation program is one that provides competitive base salary, rewards the achievement of established annual and long-term goals and objectives and provides an incentive for retention. At the same time, our Compensation Committee believes that an effective compensation program must maintain a reasonable and responsible cost structure.

Our executive compensation program is designed around the following principles:

develop compensation policies and practices that are consistent with Cerus' strategic business objectives;

attract and retain qualified individuals and motivate those individuals to perform at the highest of professional levels that will contribute to our growth and success;

provide competitive compensation opportunities consistent with industry practices where we compete for talent;

design programs to retain key employees, reward past performance and incentivize future contributions, balancing both short and long-term financial and business objectives to build a sustainable and prosperous company;

maintain a reasonable and responsible cost structure; and

provide long-term incentive opportunities that continue to correlate employee contributions and rewards with stockholder value creation.

#### **COMPENSATION SETTING PROCESS**

##### *Overview*

When creating an executive's overall compensation package, the Compensation Committee considers the different components of our compensation packages in light of the role the executive will play in achieving our near term and longer term goals, as well as the compensation packages provided to similarly situated executives at the companies we consider to be our peers. Performance-based cash compensation awards under our Bonus Plan are made based on the achievement of corporate performance and strategic goals designed to create incentives that we believe enhance executive performance, and may be adjusted to reflect the executive officer's individual performance in executing his or her day-to-day tasks, as well as his or her contribution toward achieving our corporate performance and strategic goals. The corporate performance and strategic goals vary year-to-year, but generally include value-adding achievements such as revenue, gross margin and year end cash targets and timely completion of strategic undertakings. The corporate performance and strategic goals and other material provisions for each of our Bonus Plan for Senior Management of Cerus Corporation and our International Bonus Plan are the same except that our International Bonus Plan also includes provisions necessary for compliance with European data privacy and other applicable local laws, as well as separate bonus provisions applicable only to our European employees.

*Target Pay Positions/Mix of Pay*

The components used to support our compensation objectives stated above are base salary, cash incentive awards under our Bonus Plan, equity awards and certain other benefits (discussed in greater detail below under *Executive Compensation Components and Decisions* ). We use a combination of these pay elements to provide a competitive total compensation package to our executives. We do not specify a target percentage of the overall compensation to be represented by the various compensation elements. The Compensation Committee's intention is that performance-based cash incentive compensation and long-term equity compensation are a significant part of the executive's total compensation package, which historically has been true. As a result, approximately 50% or more of our NEOs total potential compensation has been at risk in any given fiscal year. Our Compensation Committee believes that having a significant portion of our executives' compensation package be at risk has contributed to cultivating a culture in which our NEOs aggressively pursue our corporate performance and strategic goals as they know that their take home pay, to a large extent, depends upon our corporate performance and, to some extent, their contribution to that performance. At the same time, a significant portion of the at risk compensation is in the form of long-term equity incentives, which is designed to mitigate any risk that our executives will pursue short-term outcomes at the expense of long-term stockholder value. Employees in more senior roles have an increasing proportion of their potential compensation at risk and tied to performance because they are in a position to have greater influence on achieving our performance results. For example, 38% of our Chief Executive Officer's total potential 2012 cash compensation was at risk, and 70.3% of his total potential 2012 compensation was at risk. For purposes of calculating the total potential 2012 compensation at risk, the Black-Scholes value on the applicable grant date was used for the options granted to our Chief Executive Officer as long-term equity incentive compensation.

*Role of the Chief Executive Officer*

The Chief Executive Officer does not participate in setting his own compensation and is specifically excluded from any discussions or deliberations related to his compensation package. However, the Chief Executive Officer recommends to the Compensation Committee for its approval, proposed corporate performance and strategic goals and their relative weighting for the upcoming fiscal year, as well as provides input on the level of attainment of the prior year's strategic goals, for purposes of determining awards under the Bonus Plan for all our NEOs, including the Chief Executive Officer, as further described below. The Chief Executive Officer regularly provides input to the Compensation Committee during the course of the year regarding the performance and compensation of our other NEOs. The Chief Executive Officer is also delegated authority by the Compensation Committee to approve annual cash incentive bonuses to our non-executive officers in his discretion out of an aggregate annual cash bonus pool within limits previously approved by the Compensation Committee.

With respect to long-term equity compensation, the Compensation Committee has also delegated authority to our Chief Executive Officer, as the sole member of a Non-Officer Stock Option Committee, or NOSOC, to grant stock options to our non-officer employees within certain guidelines previously approved, without any further action required, by the Compensation Committee. The purpose of this delegation of authority is to enhance the flexibility of option administration and to facilitate the timely grant of options to non-officer employees, including newly hired employees, within specified limits previously approved by the Compensation Committee. As part of its oversight function, the Compensation Committee reviews, on at least an annual basis, the option grants made by the NOSOC.

*Compensation Committee Decision-making Process*

Typically, the Compensation Committee meets at least twice per year to make compensation decisions for our NEOs, with greater frequency if necessary. The Compensation Committee also meets and confers regularly in executive session without the presence of our executive team. The Compensation Committee met three times during 2012.

The agenda for each meeting is usually developed by the Chair of the Compensation Committee, in consultation with our Chief Executive Officer and our Vice President, Administration. From time to time, various members of our management and other employees, as well as outside advisors or consultants, may be invited by the Compensation Committee to make presentations, provide financial or other background information or advice, or otherwise participate in Compensation Committee meetings. The charter of the Compensation Committee grants the Compensation Committee full access to all of our books, records, facilities and personnel, as well as the authority to obtain, at our expense, advice and assistance from internal and external legal, accounting or other advisors and consultants and to access other external resources that the Compensation Committee considers necessary or appropriate in the performance of its duties. As part of its deliberations, the Compensation Committee may review and consider, as appropriate, materials such as financial reports and projections, operational data, and tax and accounting information. Prior to each meeting where compensation decisions are to be made with respect to our NEOs, the Vice President, Administration provides the Compensation Committee with tally sheets that set forth our NEOs historical base salary and bonus information covering the past ten years, or any shorter period of actual employment, as well as the executives' : (1) equity grant history; (2) vested and unvested potential gain on equity awards using projected stock prices at various points in time in the future; and (3) stock option exercise history, in each case during such ten year period, or any shorter period of actual employment. The tally sheets were used for purposes of making subjective determinations as to whether 2012 compensation levels were appropriate in light of the compensation levels in effect for prior years and whether the executive's compensation was reflective of his or her increased level of experience and responsibilities. In determining 2012 compensation for our executive officers, the Compensation Committee considered the recommendations of our Chief Executive Officer with respect to the compensation of our other NEOs as stated above under the heading *Role of the Chief Executive Officer*, as well as each executive's individual performance over the preceding year and the reports and benchmarking analysis described below under the heading *Compensation Benchmarking*.

The Compensation Committee ultimately approves the compensation packages for all NEOs, including the allocation of base salary, short-term performance-based cash incentive compensation and long-term equity incentive compensation, and the applicable performance target levels as a percentage of base salary related to the short-term performance-based cash incentive compensation. Historically, the Compensation Committee has made its most significant adjustments to annual base compensation, determined cash and equity awards and established new performance objectives at one or more meetings held during the first and fourth quarters of the year. Generally, adjustments to the base salary of our executive officers are determined by the Compensation Committee in February of each year, with the adjustments becoming effective March 1<sup>st</sup>. As discussed more fully below, annual short-term performance-based cash awards are generally made in the first quarter of the year following the year in which services are performed. In prior years, long-term equity incentive compensation was determined in either September (2011 and 2010) or October (2009 and prior years). Beginning in 2012, we began awarding annual option grants in the first quarter of each year concurrent with the determination of cash compensation. This change was made so the Committee could review concurrently all components of executive compensation (base salary, Bonus Plan targets and corporate performance and strategic goal attainment levels, and long-term equity incentive awards) and make compensation determinations based upon the totality of the compensation package for the executive.

Generally, the Compensation Committee's process for determining Bonus Plan awards involves two related elements: the determination of target award levels and the establishment of corporate performance and strategic goals for the current year. Per the terms of his employment agreement, Mr. Greenman's target level for his short-term performance-based cash incentive compensation is set at 60% of his base salary. For the remaining NEOs, the applicable target level of base salary for the short-term incentive cash compensation award is recommended by the Chief Executive Officer, taking into consideration feedback from our external compensation consultant. The Chief Executive Officer's recommendations are reviewed by the Compensation Committee, and the Compensation Committee either approves the bonus target levels as recommended or may modify the target levels after considering the benchmarking data provided by the compensation consultants, with the goal of having annual Bonus Plan compensation that is approximately the 50<sup>th</sup> percentile of that provided by our peer

group with adjustments, as appropriate, depending on the executive's role at Cerus. Bonus Plan compensation, combined with annual equity compensation, has historically resulted in more than 50% of our NEOs total potential compensation being at risk.

At the beginning of each year, corporate performance and strategic goals are recommended by our Chief Executive Officer and then reviewed and approved by the Compensation Committee and the full Board. After the corporate performance and strategic goals are approved, our Chief Executive Officer meets with each of our executive officers to set their individual personal goals for the upcoming year based on the input from, and discussion with, our Compensation Committee. Each of our NEOs short-term incentive cash compensation package is directly tied to our corporate performance, with the Compensation Committee retaining the discretion to make adjustments based on its assessment of the executive's personal performance for the performance year. The performance of all executive officers is evaluated in terms of meeting our corporate performance and strategic goals and their individual contributions to achieving those goals, which is then discussed with each of our executive officers during their annual review. Shortly after the end of each year, the Compensation Committee meets with our Chief Executive Officer to discuss and evaluate each of the corporate performance and strategic goals for the preceding year, whether such goals were attained and, if so, at what level. The Compensation Committee considers the recommendations provided by our Chief Executive Officer as to the determined level of attainment of our strategic goals for the preceding year, and considers whether to adopt the Chief Executive Officer's recommendation or whether any adjustment should be made, before approving the attainment level. The Compensation Committee then reviews with our Chief Executive Officer the individual performance of each of our NEOs, other than our Chief Executive Officer, and whether any adjustments to their short-term incentive cash compensation awards under the Bonus Plan should be made. The Compensation Committee then meets in executive session without the presence of our Chief Executive Officer to review and evaluate our Chief Executive Officer's performance for the preceding year and what, if any, adjustments should be made to his short-term incentive cash compensation award under the Bonus Plan.

Although compensation packages are reviewed on an annual basis, generally in the first quarter, the Chief Executive Officer and Compensation Committee regularly discuss the performance of our executive officers throughout the year. The Compensation Committee considers this ongoing feedback along with its annual review of all the NEOs individual performance when determining the appropriate levels of base salary and long-term equity incentive compensation awards for the following year. The Compensation Committee also considers matters related to individual compensation, such as compensation for new executive hires, as well as high-level strategic issues, such as the efficacy of our compensation strategy, potential modifications to that strategy and new trends, plans or approaches to compensation, at various meetings throughout the year.

#### *Role of Compensation Consultants*

In August 2011, in part as preparation for determining appropriate 2012 NEO compensation levels, the Compensation Committee engaged Radford, an AON Hewitt Consulting Company, referred to elsewhere as Radford Consulting. Radford Consulting is an independent consulting firm that specializes in executive compensation consulting. Radford Consulting provides analysis and recommendations to the Compensation Committee regarding:

trends and emerging topics with respect to executive compensation;

peer group selection for executive compensation benchmarking;

compensation practices of our peer group;

compensation programs for executives and broad-based employees; and

stock utilization and other metrics.

In addition to engaging their consulting services, we subscribe to Radford Consulting's annual Global Life Science compensation survey data on an ongoing basis. We use this survey data to determine market trends, to

verify that the peer group data for NEO compensation is consistent with overall compensation trends, and to set compensation levels for our non-executive employees. As previously discussed, the Compensation Committee regularly meets in executive session to discuss executive compensation issues. Radford Consulting may be asked to participate in, and has in the past attended, meetings of the Compensation Committee. Radford Consulting reports directly to the Compensation Committee rather than to management, although they have in the past met with management for purposes of gathering information for their analyses and recommendations and may continue to do so in the future. The Compensation Committee engaged Radford Consulting again in November 2012 to update its analysis in connection with the 2013 executive compensation determinations. In 2012, fees paid to Radford Consulting were approximately \$35,000.

#### *Compensation Benchmarking*

The Compensation Committee regularly considers the appropriate pay scales for our NEOs and, as part of that process, utilizes a process called benchmarking in order to ensure that total compensation is competitive with salaries paid within the industry and is appropriate given the executive's level of responsibilities. However, the Compensation Committee recognizes that benchmarking is an imperfect tool for establishing competitive compensation packages as the job responsibilities of persons with similar titles may vary significantly from company to company, and that a person's title is not necessarily descriptive of a person's duties. Therefore, the Compensation Committee considers the scope and complexity of the executive positions against which we benchmark and compares these positions to the scope and complexity of our executive positions. The result is an assessment of the compensation being paid to our executives in light of the compensation being paid to persons performing duties of similar scope and complexity at the companies against which we are benchmarking. The Compensation Committee uses this assessment to assist it in making decisions regarding appropriate compensation levels for our executive positions. The underlying principle of the evaluation methodology is to focus on identifying those positions that have a scope and complexity of responsibilities that are comparable to those duties exercised by each of our particular executives.

As part of the August 2011 engagement, the Compensation Committee requested that Radford Consulting update for 2012 the peer group we use for purposes of setting executive compensation levels. As a result, Radford Consulting, working closely with the Compensation Committee and management, ultimately selected a peer group consisting of 20 companies based on the following selection criteria:

late development stage biopharmaceutical companies (Phase III or pre-NDA to marketed products);

companies with less than \$100 million in revenue;

companies with 50 to 200 employees; and

companies with market values between \$50 million and \$300 million.

Based on the above criteria, the following 20 peer group companies were selected by the Compensation Committee for use in setting executive compensation levels for 2012:

Alexza Pharmaceuticals, Inc.,	Dyax Corporation
Allos Therapeutics, Inc.	Dynavax Technologies Corporation
Amicus Therapeutics, Inc.	Geron Corporation
Arena Pharmaceuticals, Inc.	Ligand Pharmaceuticals, Inc.
Astex Pharmaceuticals, Inc.	Pain Therapeutics, Inc.
AVANIR Pharmaceuticals, Inc.	Santarus, Inc.
Cytokinetics, Inc.	SciClone Pharmaceuticals, Inc.
Cytori Therapeutics, Inc.	Sucampo Pharmaceuticals, Inc.
Depomed, Inc.	Vical, Inc.
DURECT Corporation	Xoma Corporation

In addition to updating our peer group, Radford Consulting analyzed the 2011 compensation practices of the updated peer group in order to assist the Compensation Committee in determining appropriate levels for our September 2011 NEO equity grants and in determining appropriate 2012 NEO compensation levels. Radford Consulting prepared an extensive analysis of the 2011 compensation practices of the 20 peer companies as reported in their proxy statements, and offered additional analysis based on the compensation practices of a broader group of life science companies, a subset of what is included in the Radford Life Science Survey for biotechnology and life science companies with 50 to 149 employees. Radford Consulting delivered its report to the Compensation Committee in December 2011, and also included anticipated 2012 compensation trends in its analysis.

The Compensation Committee referenced the cash and equity compensation components analyzed in Radford Consulting's report, combined with its review of each executive officer's past individual performance, level of responsibility and anticipated future contributions to Cerus, in setting executive base salary and long-term equity compensation awards for 2012. While benchmarking alone is not sufficient for setting compensation, the Committee believes that reviewing this information is an important aspect of diligence in compensation-related decisions. After considering the results of Radford Consulting's report, the Compensation Committee re-set initial target compensation at approximately the 50<sup>th</sup> percentile of the peer group for base salary, the 50<sup>th</sup> percentile of the peer group for the annual incentive bonus, and the 60<sup>th</sup> percentile of the peer group for equity compensation. Based upon the data provided by Radford Consulting, the Compensation Committee determined that historical equity grant levels to our NEOs were generally between the 25<sup>th</sup> and 50<sup>th</sup> percentile of our peer group and that their unvested options were valued at less than 1x of their respective base salaries. Therefore, the Compensation Committee determined that an increase in equity compensation award levels to target the 60<sup>th</sup> percentile of our peer group was appropriate in establishing 2012 equity grant levels in order to continue to have a significant portion of our NEOs compensation be at risk. This 60<sup>th</sup> percentile level is the same target level generally approved for the total equity pool to be allocated among all our employees for 2012.

With respect to director compensation matters, the Compensation Committee determines and sets non-employee director compensation in the manner more fully described under the section of this Proxy Statement entitled "Director Compensation."

#### EXECUTIVE COMPENSATION COMPONENTS AND DECISIONS

##### *2012 Executive Compensation Summary*

The following table summarizes our approved 2012 salaries, targeted annual incentive bonuses and equity awards for our named executive officers:

##### **2012 Executive Compensation Summary**

<b>Name</b>	<b>Base Salary(1)</b>	<b>Incentive Bonus Target</b>	<b>Number of Stock Options Awarded</b>
William M. Greenman	\$ 475,000	60%	380,000
Kevin D. Green	\$ 263,780	35%	95,000
Laurence M. Corash	\$ 390,113	35%	130,000
Howard G. Ervin	\$ 327,295	35%	90,000
Caspar Hogeboom	224,540(2)	35%	105,000

(1) Effective March 1, 2012.

(2) As converted to U.S. Dollars using the average conversion rate for the year ended December 31, 2012 of 1.2859, Mr. Hogeboom's base salary for 2012 was \$288,736.

##### *2012 Base Salary*

The purpose of base salary is to provide a level of fixed compensation to our NEOs in order to attract and retain executives with the qualifications desired for the particular position, while still targeting having approximately 50% of their total compensation at risk. For 2012, the Compensation Committee's aim, in line

with Cerus' general philosophy to set target compensation levels that are competitive while maintaining a reasonable cost structure, was to initially target base salary at or around the 50<sup>th</sup> percentile of the compensation paid to similarly situated executives employed by the peer group companies for target level performance, but making adjustments from the 50<sup>th</sup> percentile to reflect the executive's level of experience, past performance, and actual responsibilities. Each year, we generally tend to make modest increases in base salary for executive officers, except where an individual's base salary is found to be significantly below market when compared to the selected peer group, in which case a larger increase may be warranted. The Compensation Committee reviews base salary annually, and considers adjusting base salaries to reflect annual base salary increase trend data provided by the compensation consultants. These guidelines are used throughout our company in determining appropriate base salary increases for all our employees. In February 2012, our Compensation Committee approved 2012 base salaries, as well as 2012 bonus targets and stock option grant awards, for our executive officers. Salary increases were effective as of March 1, 2012 and took into account base salary increase trend data provided by Radford Consulting (which for 2012 was approximately 3%).

The Compensation Committee also considered our executives' relative level of experience and responsibilities in setting 2012 base salaries. For example, for 2012, Mr. Greenman received a 14.5% base salary increase, which resulted in his 2012 base salary being at slightly above the 25<sup>th</sup> percentile for chief executive officers at our peer companies. The Committee felt that this increase was a meaningful amount that reflected the level of Mr. Greenman's responsibilities, yet acknowledged Mr. Greenman's relatively short time in the role and provided opportunity for future, equally meaningful base salary increases as Mr. Greenman's experience in the role increases. Similarly, the 2012 base salary set for Mr. Green was set at only around the 25<sup>th</sup> percentile of executives in similar roles at our peer companies, reflecting that, as of February 2012, he only had approximately three years of experience as a principal financial officer. The base salary set for Mr. Hogeboom for 2012 was set at slightly below the 75<sup>th</sup> percentile of our peer companies, reflecting his increased level of responsibility in generally managing our international subsidiary, and the 2012 base salary set for Dr. Corash was slightly above the 75<sup>th</sup> percentile of our peer companies, reflecting his unique role as one of our original founders, and his responsibilities in leading our networking, lobbying, and grant fundraising activities. Mr. Green and Mr. Hogeboom each received a 9% base salary increase, resulting in their base salaries being at approximately the 25<sup>th</sup> and 75<sup>th</sup> percentile, respectively. Mr. Ervin and Dr. Corash each received a 3% increase to their base salary, resulting in a 2012 base salary at approximately the 50<sup>th</sup> and 75<sup>th</sup> percentile, respectively. Mr. Ervin's 2012 base salary was set at slightly below the 50<sup>th</sup> percentile because the Compensation Committee determined that such base salary amount was appropriate in relation to his responsibilities and relative to the base salary payable to our other NEOs. The Compensation Committee determined that these adjustments to the executive's base salary and deviation from the 50<sup>th</sup> percentile peer group target levels were appropriate in all circumstances given each executive's respective level of experience and responsibilities, and reflective of market trends for base salary increases.

Named Executive Officer	2011 Base Salary (\$)	Base salary Increase for 2012	2012 Base Salary (\$)
William M. Greenman	\$ 415,000	14.5%	\$ 475,000
Kevin D. Green	\$ 242,000	9%	\$ 263,780
Laurence M. Corash	\$ 378,750	3%	\$ 390,113
Howard G. Ervin	\$ 317,762	3%	\$ 327,295
Caspar Hogeboom(1)	206,000	9%	224,540

(1) As converted to U.S. Dollars using the average conversion rate for the year ended December 31, 2012 of 1.2859, Mr. Hogeboom's base salary for 2011 and 2012 was \$264,895 and \$288,736, respectively.

*Bonus Plan for 2012*

It is the Compensation Committee's objective to have a substantial portion of each NEO's cash incentive compensation contingent upon our performance, while retaining the discretion to modify awards to reflect the NEO's individual level of performance and contribution towards our corporate performance. This allows our

executive officers to receive performance-based cash compensation in the event certain specified corporate performance and strategic goals are achieved, while recognizing the individual contributions toward those goals. We provide short-term performance-based incentive compensation to our NEOs under the Bonus Plan.

Payouts under the Bonus Plan are generally made based upon the achievement of certain corporate performance and strategic goals that are specified at the beginning of the performance period. However, the Compensation Committee has the discretion to take into account significant corporate events and other significant accomplishments that were not contemplated at the beginning of the performance period in determining the extent to which the strategic goals were satisfied. For 2012, proposed corporate performance and strategic goals were submitted to the Compensation Committee in writing by the Chief Executive Officer for approval by the Compensation Committee and the entire Board in the first quarter of the year. At the time of such approval, the Compensation Committee assigned a percentage value that reflected the significance of the corporate performance and strategic components relative to one another. This value was used in the determination of actual bonus payouts with respect to 2012 performance. The Compensation Committee also established threshold, target and stretch metrics for most of the corporate performance goal components. At the beginning of 2012, the Compensation Committee, with input from the Chief Executive Officer (except with respect to his own target bonus percentage), also determined the target bonus percentages for each executive officer and provided each executive officer with his or her target bonus percentage in writing. For the 2012 plan year, the Compensation Committee assigned a target bonus percentage of 60% of base salary for the Chief Executive Officer, which was at the 75<sup>th</sup> percentile of peers. The Compensation Committee assigned a target bonus percentage of 35% of base salary for each executive officer other than the Chief Executive Officer, which reflected, on average, the 50<sup>th</sup> percentile of our peers. The target bonus opportunity represents the annual cash bonus the executive would be eligible to receive under the Bonus Plan if all of the company's goals were 100% achieved. The 2012 goals and weighting system for the Bonus Plan are described below. The Compensation Committee selected these goals because it believed that they were the best indicators of the achievement of the execution of our operating plan and were the factors that were the most critical to increasing the value of our common stock. These goals, therefore, were believed to best align the financial interests of our NEOs with those of our stockholders.

#### *Corporate Performance Goals*

The 2012 plan year performance measures approved by the Compensation Committee with respect to the corporate performance component of our 2012 goals, which comprised 80% of our 2012 goals, consisted of the following (in addition to the manufacturing and quality goal discussed below):

<b>GOAL:</b>	<b>THRESHOLD</b>	<b>TARGET</b>	<b>STRETCH</b>
Revenue	25.0 million	27.5 million	> 30.0 million
Year End Cash*	\$ 11 million	\$ 13 million	> \$17 million
Gross Margin	42%	44.5%	>47%
Total Operating Expenses	\$ 37.5 million	\$ 35 million	<\$32.5 million
RBC Acute Clinical Trial Enrollment**	35 patients	50 patients	All patients transfused

\* Excluding cash raised through debt or the public equity markets (other than proceeds from our at the market sales agreements with MLV & Co. LLC and Cantor Fitzgerald & Co.)

\*\* Achieving enrollment in our planned Phase III clinical trial of our red blood cell system for acute anemia patients in Europe, referred to below as the RBC EU Clinical Trial.

Threshold, target, and stretch levels for the corporate performance component of our 2012 goals were established based on our 2012 operating plan and data regarding our financial results and business expectations as of that time. The threshold amounts represent the minimum amount that we needed to achieve in order for any payouts with respect to the applicable component to be made under the Bonus Plan. Achievement of at least the

threshold metric, but less than target, is subject to a performance multiplier of no less than 0.5 and no more than 0.99, with the exact multiplier determined by actual performance between the performance levels. Achievement of at least the target metric, but less than the stretch metric, is subject to a performance multiplier of no less than 1.0 and no more than 1.49, with the exact multiplier determined by actual performance between the performance levels. Achievement of the stretch metric or more is subject to a performance multiplier of no more than 1.5. The Compensation Committee retains the discretion to adjust the actual award to reflect each NEO's level of individual performance. In addition, the Compensation Committee set a manufacturing and quality goal to develop and implement a COGS reduction plan, supply chain and inventory management plans, a manufacturing quality control plan and a distributor training program, each component of which were equally weighted and evaluated on the basis of whether or not the components were achieved. No performance multipliers were applied to the manufacturing and quality goal.

During the first quarter of 2013, the Compensation Committee determined that the 2012 corporate performance goals had been attained at a combined level of 98.4%, as further specified below.

#### *Strategic Goals*

The strategic component of our 2012 goals did not include minimum, target and maximum levels of performance, nor did it include a performance multiplier. The strategic component of our 2012 goals was not quantifiable in that it did not include specific quantitative elements or quantitative weighting. The Compensation Committee approved specified strategic goals, but also retained the discretion to take into account significant corporate events or other significant accomplishments that were not contemplated at the beginning of 2012 in determining the extent to which the strategic goals were satisfied. In making such determination, the Compensation Committee considered the Chief Executive Officer's recommendation as to those strategic goals that should be considered and the percentage level of attainment of such strategic goals. The Compensation Committee then considered whether any modifications should be made either to the considered strategic goals, or the determined level of attainment, as recommended by the Chief Executive Officer. In determining whether and to what extent to make any performance-based cash incentive awards with respect to the strategic component of our 2012 goals, the Compensation Committee considered 2012 actions toward achieving the following strategic goals (some pre-determined, and some not contemplated at the beginning of the performance period), as recommended by the Chief Executive Officer and without modification from such recommendation:

Regulatory progress in the U.S. regarding our plasma and platelet systems;

Development progress in the red blood cell program; and

Partnering and non-debt financing activity.

The Compensation Committee also approved the level of attainment of the strategic goals as recommended by the Chief Executive Officer, without modification, so that the strategic goals were approved as attained at a level of 62.5%, as further specified below.

*Calculation of 2012 Bonus Plan Awards*

During the first quarter of 2013, the Compensation Committee determined, in its sole discretion that we had achieved 91.2% of our corporate performance and strategic goals as described below:

CORPORATE PERFORMANCE GOALS	WEIGHTING	MULTIPLIER	ACHIEVEMENT
Attainment of Revenue Target	30%	1.19	35.7%
Attainment of Gross Margin Target	10%	0.82	8.2%
Meet year-end targeted cash balance	10%	1.18	11.8%
Attainment of Total Operating Expense Target	10%	1.30	13.0%
Attainment of RBC EU Clinical Trial Target	10%	0.00	0%
Attainment of Manufacturing and Quality Goal	10%	N/A	10.0%
	80%		78.7%
<b>STRATEGIC GOALS</b>	20%	N/A	12.5%
<b>TOTAL</b>	<b>100%</b>		<b>91.2%</b>

Based on the above results, the Compensation Committee applied the 91.2% to the base salary levels of each of the executives other than the Chief Executive Officer to determine the aggregate size of the total bonus pool available for such executives. Consistent with the terms of the Bonus Plan, this bonus pool was then allocated by the Chief Executive Officer with respect to the other eligible executives and submitted to the Compensation Committee for approval. However, the approval of the Chief Executive Officer's bonus was determined separately and solely by the Compensation Committee, and the Chief Executive Officer had no involvement in making such determination. The Compensation Committee determined that Messrs. Greenman and Ervin had an individual level of performance that met expectations, such that no individual performance adjustment was made to their Bonus Plan awards. Given Mr. Hogeboom's exceptional individual contribution to the attainment of the revenue target, he received an allocation of 104.9% of his target bonus amount, which was 15% above the 2012 goal attainment level. Mr. Green received an allocation of 100.2% of his target bonus amount, or 10% above the 2012 goal attainment level, in recognition of his significant contributions to the attainment of the operating expenditures and cash management targets. Dr. Corash received an allocation of 82% of his target bonus amount, reflecting the impact of failure to achieve the clinical trial enrollment targets for the RBC EU Clinical Trial.

Cash incentive performance awards earned by our NEOs under the Bonus Plan for 2012 performance were as follows:

Named Executive Officer	Target Bonus Level (\$)	Actual Bonus Earned(\$)	Actual Bonus Earned as a % of Target Bonus Level
William M. Greenman	\$ 285,000	\$ 259,920	91.2%
Kevin D. Green	\$ 92,323	\$ 92,500	