

Cytosorbents Corp  
Form DEF 14A  
April 22, 2019

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

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 under §240.14a-12

CYTOSORBENTS CORPORATION  
(Name of Registrant as Specified in its Charter)

(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.

(1)  
Title of each class of securities to which transaction applies:

(2)

Aggregate number of securities to which transaction applies:

(3)

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4)

Proposed maximum aggregate value of transaction:

(5)

Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)

Amount Previously Paid:

(2)

Form, Schedule or Registration Statement No.:

(3)

Filing Party:

(4)

Date Filed:

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CytoSorbents Corporation  
7 Deer Park Drive, Suite K  
Monmouth Junction, New Jersey 08852

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

NOTICE IS HEREBY GIVEN that the Annual Meeting of the holders of shares of common stock, each having a par value of \$0.001 per share (“Common Stock”), of CytoSorbents Corporation (“CytoSorbents” or the “Company”), will be held at Nasdaq MarketSite located at 4 Times Square, New York, NY 10036, on June 4, 2019 at 10:00 a.m. Eastern time, to consider and take action with respect to the following:

1.  
To elect five directors, who shall each serve for a term of one year;
2.  
To authorize our Board of Directors, in its discretion, to amend and restate the First Amended and Restated Certificate of Incorporation of the Company (the “Certificate of Incorporation”) to increase the total number of authorized shares of common stock, par value \$0.001 per share (“Common Stock”) from 50,000,000 to 100,000,000;
3.  
To approve an amendment and restatement of the CytoSorbents Corporation 2014 Long-Term Incentive Plan (the “2014 Long-Term Incentive Plan,” or “Plan”);
4.  
To ratify the appointment of WithumSmith+Brown, PC as the Company’s independent auditors to audit the Company’s financial statements for the fiscal year ending December 31, 2019; and
5.  
To conduct such other business as may properly come before the Annual Meeting or any adjournments thereof.

Holders of Common Stock of record at the close of business on April 12, 2019 are entitled to notice of, and to vote at, the Annual Meeting or any adjournments thereof.

This year, instead of mailing a printed copy of our proxy materials, including our Annual Report, to each stockholder of record, we have decided to provide access to these materials in a fast and efficient manner via the Internet. This reduces the amount of paper necessary to produce these materials, as well as the costs associated with mailing these materials to all stockholders. Accordingly, on April 22, 2019, we began mailing a Notice Regarding Internet Availability of Proxy Materials, or the Notice, to all stockholders of record as of April 12, 2019, and posted our proxy materials on the website referenced in the Notice ([www.proxyvote.com](http://www.proxyvote.com)). As more fully described in the Notice, all stockholders may choose to access our proxy materials on the website referred to in the Notice or may request to receive a printed set of our proxy materials. In addition, the Notice and website provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

By Order of the Board of Directors,

/s/ Kathleen P. Bloch

Kathleen P. Bloch, CPA  
Chief Financial Officer and Secretary  
Monmouth Junction, New Jersey  
Dated: April 22, 2019

**YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN.  
WHETHER OR NOT YOU EXPECT TO ATTEND IN PERSON, PLEASE PROMPTLY VOTE YOUR PROXY BY  
ACCESSING THE INTERNET SITE AND FOLLOWING THE INSTRUCTIONS ON THE PROXY CARD OR BY  
REQUESTING A PRINTED COPY OF THE PROXY MATERIALS AND MARKING, DATING, SIGNING AND**

RETURNING THE PROXY CARD.

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CytoSorbents Corporation  
7 Deer Park Drive, Suite K  
Monmouth Junction, New Jersey 08852

PROXY STATEMENT

Mailed on April 22, 2019  
Annual Meeting of Stockholders to be held on June 4, 2019

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of CytoSorbents Corporation (“CytoSorbents” or the “Company”) to be used at the Annual Meeting of the holders of shares of common stock, par value \$0.001 per share (“Common Stock”), of CytoSorbents, to be held on June 4, 2019 and at any adjournment thereof, or the Annual Meeting. The time and place of the Annual Meeting are stated in the Notice Regarding Internet Availability of Proxy Materials and the Notice of Annual Meeting of Stockholders that accompanies this proxy statement.

The expense of soliciting proxy cards, including the costs of preparing, assembling and mailing the Notice Regarding Internet Availability of Proxy Materials and the Notice of Annual Meeting of Stockholders, proxy statement and proxy card, will be borne by us. This year, instead of mailing a printed copy of our proxy materials, including our Annual Report, to each stockholder of record, we have decided to provide access to these materials in a fast and efficient manner via the Internet. This reduces the amount of paper necessary to produce these materials, as well as the costs associated with mailing these materials to all stockholders. Accordingly, on April 22, 2019, we began mailing the Notice Regarding Internet Availability of Proxy Materials to all stockholders of record as of April 12, 2019 and posted our proxy materials on the website referenced therein ([www.proxyvote.com](http://www.proxyvote.com)). As more fully described in the Notice Regarding Internet Availability of Proxy Materials, all stockholders may choose to access our proxy materials on the website referred to therein or may request to receive a printed set of our proxy materials. In addition, the Notice Regarding Internet Availability of Proxy Materials and website provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

VOTING RIGHTS

Only stockholders as of the close of business on April 12, 2019, the record date fixed by the Board of Directors of CytoSorbents (the “Board”), are entitled to notice of and to vote at the Annual Meeting. As of the record date, there were 32,248,580 shares of Common Stock issued and outstanding and no other outstanding classes of voting securities. Each holder of our Common Stock is entitled to one vote per share on each matter presented at the Annual Meeting.

The presence of the holders of a majority of the shares of Common Stock issued, outstanding and entitled to vote, in person or represented by duly executed proxies, at the Annual Meeting is necessary to constitute a quorum for the transaction of business at the Annual Meeting.

A plurality of the votes cast by stockholders entitled to vote for the election of directors is required to elect the directors. Cumulative voting for the election of directors is not permitted. The affirmative vote of a majority of the outstanding shares of capital stock of the Company entitled to vote thereon is required to authorize the Board of Directors, in its discretion, to amend and restate the Certificate of Incorporation. The affirmative vote a majority of the votes cast at the Annual Meeting, in person or by duly executed proxies, is required to approve the amendment and restatement of the 2014 Long-Term Incentive Plan and approve the ratification of the appointment of WithumSmith+Brown, PC as our independent registered public accounting firm for the fiscal year ending December 31, 2019.

Shares of Common Stock represented by valid proxy cards, completed, duly signed, dated, returned to the Company and not revoked, as well as shares that are properly voted via the Internet, as explained below, will be voted at the Annual Meeting as directed on the proxy. You may also vote your shares by telephone by calling 1-800-690-6903 and following the instructions on the proxy card.

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In the election of directors, stockholders may either vote “FOR” the nominees for election or “WITHHOLD” their votes from the nominees for election. Shares that are represented by valid proxy cards or shares that are properly voted via the Internet and that are marked “WITHHELD” with regard to the election of the nominees for director will be deemed present at the Annual Meeting for purposes of determining a quorum but will have no effect on the election of any director from whom votes are withheld. If no vote is specified on the proxy and in the absence of directions to the contrary, the shares will be voted “FOR” the election of the nominees for director named in this proxy statement. Stockholders may vote “FOR”, “AGAINST”, or “ABSTAIN” with regard to authorizing the Board of Directors, in its discretion, to amend and restate the Certificate of Incorporation. Shares that are represented by valid proxy cards or that are properly voted via the Internet or telephone and that are marked “ABSTAIN” with regard to authorizing the Board of Directors, in its discretion, to amend and restate the Certificate of Incorporation will have the same effect as a vote “AGAINST” this proposal. If no vote is specified on the proxy and in the absence of directions to the contrary, the shares will be voted “FOR” authorizing the Board of Directors, in its discretion, to amend and restate the Certificate of Incorporation.

Stockholders may vote “FOR”, “AGAINST”, or “ABSTAIN” with regard to the approval of the amendment and restatement of the 2014 Long-Term Incentive Plan. Shares that are represented by valid proxy cards or that are properly voted via the Internet or telephone and that are marked “ABSTAIN” with regard to the approval of the amendment and restatement of the 2014 Long-Term Incentive Plan will have the same effect as a vote “AGAINST” this proposal. If no vote is specified on the proxy and in the absence of directions to the contrary, the shares will be voted “FOR” the ratification of the appointment of our independent auditors.

Stockholders may vote “FOR”, “AGAINST”, or “ABSTAIN” with regard to the ratification of the appointment of our independent auditors named in this proxy statement. Shares that are represented by valid proxy cards or that are properly voted via the Internet or telephone and that are marked “ABSTAIN” with regard to the ratification of the appointment of the independent auditors will have the same effect as a vote “AGAINST” this proposal. If no vote is specified on the proxy and in the absence of directions to the contrary, the shares will be voted “FOR” the ratification of the appointment of our independent auditors.

Stockholders may vote their shares via the Internet by following the instructions included in the Notice Regarding Internet Availability of Proxy Materials by accessing the Internet at [www.proxyvote.com](http://www.proxyvote.com) and following the instructions contained on that website. In addition, the law of the State of Delaware, under which CytoSorbents is incorporated, permits electronic voting, provided that each proxy submitted by a stockholder via the Internet or telephone contains or is submitted with information from which it can be determined that such proxy was authorized by the stockholder. Submitting a proxy via the Internet or telephone will not affect your right to vote in person should you decide to attend the Annual Meeting. If you vote your shares via the Internet or telephone, you are responsible for any Internet access or telephone charges that you may incur.

If you are a stockholder of record, that is, you are listed as a stockholder in the Company’s books and records, you may vote your shares via the Internet at [www.proxyvote.com](http://www.proxyvote.com) rather than by returning the proxy card that accompanies this proxy statement. Once you access that website, in order to vote your shares, you will be required to provide the login control number contained on your proxy card. After providing this information, you will be prompted to complete an electronic proxy card. Your votes will be indicated on your computer screen and you will be prompted to submit or revise your electronic proxy card as desired.

If you are a beneficial owner of shares, that is, you own your shares through a bank or broker, you should receive from your bank or broker a voting instruction form that outlines the methods by which you can vote your shares. A number of banks and brokers have arranged for beneficial owners to vote their shares via the Internet or telephone and will provide voting instructions on the voting instruction form. If your bank or broker uses Broadridge Financial Solutions, you may vote your shares via the Internet at [www.proxyvote.com](http://www.proxyvote.com) or by phone by calling the telephone number shown on the voting instruction form received from your broker or bank. If you do not give instructions to your bank or broker within ten days of the Annual Meeting, it may vote on matters that the New York Stock Exchange, or NYSE, determines to be “routine,” but will not be permitted to vote your shares with respect to “non-routine” items. Under the

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NYSE rules, the authorization of the Board of Directors to amend and restate the Certificate of Incorporation to increase the number of shares authorized for issuance thereunder and the ratification of the appointment of our independent auditors are routine matters, while the election of our directors and the amendment and restatement of the 2014 Long-Term Incentive Plan are not. When a bank or broker has not received instructions from the beneficial owners or persons entitled to vote and the bank or broker cannot vote on a particular matter because it is not routine, then there is a “broker non-vote” on that matter. Broker non-votes do not count as votes “FOR” or “AGAINST” any proposal but will be counted in determining whether there is a quorum for the Annual Meeting. Please note that your bank or broker will not be able to vote your shares with respect to the election of directors and the amendment and restatement of the 2014 Long-Term Incentive Plan if you have not provided directions to your bank or broker. We strongly encourage you to submit your voting instructions and exercise your right to vote as a stockholder.

If you request a printed copy of the proxy materials by mail, mark, date, sign, and return the enclosed proxy card to Broadridge Representatives of Broadridge Financial Solutions, Inc., and our inspectors of election will tabulate and certify the votes. Alternatively, a representative of our transfer agent may serve as inspector of election.

A postage prepaid envelope addressed to Broadridge Financial Solutions will be provided with requested printed proxy materials.

The Board does not know of any other business to be presented for consideration at the Annual Meeting. If any other business properly comes before the Annual Meeting or any adjournment thereof, the proxies will be voted on such matters in the discretion of the proxy holders. The Delaware General Corporation Law provides that, unless otherwise provided in the proxy and unless the proxy is coupled with an interest, a stockholder may revoke a proxy previously given at any time prior to its exercise at the Annual Meeting. A stockholder who has voted shares by returning a proxy card or by delivering a proxy via the Internet or by phone may revoke it at any time before it is exercised at the Annual Meeting by:

- delivering to any of the persons named as proxies on the proxy card, or addressed to and received by the Secretary, an instrument revoking the proxy;
- appearing at the Annual Meeting and voting in person and executing a later dated proxy which is exercised at the Annual Meeting; or
- casting a later vote via the Internet or telephone.

Attendance at the Annual Meeting will not, by itself, revoke a proxy. We plan to announce preliminary voting results at the Annual Meeting and will report the final results in a Current Report on Form 8-K, which we intend to file with the Securities and Exchange Commission shortly after the Annual Meeting.

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The stockholders named in the following table are known to us to be the beneficial owner of 5% or more of our Common Stock. Unless otherwise indicated, the information is as of April 12, 2019. For purposes of this table, and as used elsewhere in this proxy statement, the term “beneficial owner” means any person who, directly or indirectly, has or shares the power to vote, or to direct the voting of, shares of our Common Stock, the power to dispose, or to direct the disposition of, a security or has the right to acquire shares within sixty (60) days. Except as otherwise indicated, we believe that the owners listed below exercise sole voting and dispositive power over their shares.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage Beneficially Owned
The Robert F. Shipley Family Trust P.O. Box 894 Nogales, Arizona 85628	2,773,363(1)	8.6%
BlackRock, Inc. 55 East 52nd St. New York, NY 10055	1,985,640	6.2%

(1)

The Robert F. Shipley Family Trust’s ownership is comprised solely of shares held in a trust.

**STOCK OWNERSHIP OF DIRECTORS, NOMINEES FOR DIRECTOR AND EXECUTIVE OFFICERS**

The following table and notes thereto set forth information with respect to the beneficial ownership of shares of our Common Stock as of April 12, 2019 (except as otherwise indicated below) by each of our directors and director nominees, each named executive officer and by our directors and executive officers as a group, based upon information furnished to us by such persons. Except as otherwise indicated, we believe that each beneficial owner listed below exercises sole voting and dispositive power over his or her shares.

Name of Beneficial Owner(1)	Number of Shares	Percentage of Common Stock(1)
Al W. Kraus	188,121(2)	*
Phillip P. Chan, MD, PhD	718,131(3)	2.2%
Vincent J. Capponi, MS	471,235(4)	1.4%
Kathleen P. Bloch, CPA	237,494(5)	*
Eric R. Mortensen, MD, PhD	111,915(6)	*
Michael G. Bator	50,700(7)	*
Edward R. Jones, MD, MBA	75,700(8)	*
Alan D. Sobel, CPA	46,200(9)	*
All current directors, director nominees and executive officers as a group (8 persons)	1,899,496	5.6%

\*

Less than 1%

(1)

Applicable percentage of ownership is based on 32,248,580 shares of our Common Stock outstanding as of April 12, 2019. Beneficial ownership is determined in accordance with the rules of the SEC and means voting or investment power with respect to securities. Shares of our Common Stock issuable upon the exercise of stock options exercisable currently or within 60 days of April 12, 2019, are deemed outstanding and to be beneficially owned by the person holding such option for purposes of computing such person's percentage ownership but are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

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(2)

Includes 55,746 shares of Common Stock, and 132,375 shares of Common Stock issuable pursuant to stock options currently exercisable.

(3)

Includes 261,581 shares of Common Stock, and 456,550 shares of Common Stock issuable pursuant to stock options currently exercisable.

(4)

Includes 101,975 shares of Common Stock, and 369,260 shares of Common Stock issuable pursuant to stock options currently exercisable.

(5)

Includes 46,944 shares of Common Stock, of which 9,000 shares of Common Stock are held by Ms. Bloch's husband as to which she disclaims beneficial ownership, and 190,550 shares of Common Stock issuable pursuant to stock options currently exercisable.

(6)

Includes 5,665 shares of Common Stock and 106,250 shares of Common Stock issuable pursuant to stock options currently exercisable.

(7)

Includes 4,500 shares of Common Stock and 46,200 shares of Common Stock issuable pursuant to stock options currently exercisable.

(8)

Includes 5,500 shares of Common Stock and 70,200 shares of Common Stock issuable pursuant to stock options currently exercisable.

(9)

Includes 46,200 shares of Common Stock issuable pursuant to stock options currently exercisable.

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PROPOSAL 1

NOMINATION AND ELECTION OF DIRECTORS

Our bylaws provide that our Board shall consist of not less than three members. Each director serves for a one-year term, with each director being elected at each Annual Meeting. Five directors are currently serving on the Board. Our Board is authorized to increase or decrease the total number of directors within the limitations prescribed by our bylaws.

The directorships expiring this year are currently filled by Phillip P. Chan, Al W. Kraus, Edward R. Jones, Michael G. Bator and Alan D. Sobel. If each director is elected, the total number of directors comprising our Board will remain at five (5) directors effective immediately following the Annual Meeting. If elected, each director's term will expire in 2020.

The nominees for election at this Annual Meeting have informed us that they are willing to serve for the term to which they are nominated, if elected. If any nominee should become unavailable for election or is unable to serve as a director, the shares represented by proxies voted in favor of that nominee will be voted for any substitute nominee that may be named by the Board.

Set forth in the table below is certain information about the nominees for election as directors, including each nominee's age and length of service as a director of CytoSorbents, principal occupation and business experience for at least the past five years and the names of other publicly held companies on whose boards the director serves or has served in the past five years. There are no family relationships among any of our directors, nominees for director and executive officers.

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Name	Age	Director Since	Principal Occupation, Other Business Experience During Past Five Years and Other Directorships
Phillip P. Chan, MD, PhD	48	2008	<p>Dr. Chan became a director of CytoSorbents in 2008, and since January 2009 has served as our President and Chief Executive Officer. Prior to joining CytoSorbents, Dr. Chan led healthcare and life science investments for the NJTC Venture Fund from 2003 to 2008, most recently as a Partner. In 2006, Dr. Chan co-founded Andrew Technologies, a medical device company commercializing its U.S. Food and Drug Administration, or FDA, -approved HydraSolve™ lipoplasty system for plastic surgery. He is an Internal Medicine physician with a strong background in clinical medicine and research. Dr. Chan received his MD and PhD from the Yale University School of Medicine, completed his Internal Medicine residency at the Beth Israel Deaconess Medical Center at Harvard Medical School, and received his Board certification. He also holds a BS in cell and molecular biology from Cornell University.</p>
Al W. Kraus(1)(2)(3)	74	2003	<p>Mr. Kraus has been a director of CytoSorbents since 2003, and has been Chairman of our Board since 2009. From 2003 through 2008, Mr. Kraus also served as our President and Chief Executive Officer. Prior to joining CytoSorbents, from 2001 to 2003, Mr. Kraus served as President and Chief Executive Officer of NovoVascular Inc., an early stage company developing coated stent technology. From 1996 to 1998, Mr. Kraus served as President and Chief Executive Officer of Althin Healthcare and from 1998 to 2000, served as President and Chief Executive Officer of Althin Medical Inc., a manufacturer of products for the treatment of end stage renal disease. While Chief Executive Officer of Althin Healthcare, he provided strategic direction and management for operations throughout the Americas. From 1985 through 1989, Mr. Kraus served as Chief Executive Officer of Victor Technologies, formerly known as Micronics, a computer company, and from 1979 to 1985, he was U.S. Subsidiary Manager and Chief Operating Officer of Gambro Inc., a leading medical technology and healthcare company. Mr. Kraus was the Chief Operating Officer of Gambro when it went public in the United States in an offering led by Morgan Stanley. Mr. Kraus holds a BS in Business Administration from St. Joseph's University.</p>

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Name	Age	Director Since	Principal Occupation, Other Business Experience During Past Five Years and Other Directorships
Edward R. Jones, MD, MBA(1)(3)	70	2007	<p>Dr. Jones has been a director of the Company since April 2007. Dr. Jones has been an attending physician at Albert Einstein Medical Center and Chestnut Hill Hospital as well as Clinical Professor of Medicine at Temple University Hospital since 1985. Dr. Jones has published or contributed to the publishing of 30 chapters, articles, and abstracts on the subject of treating kidney-related illnesses. He has been a member of the Renal Physicians Association, the Philadelphia County Medical Society for 17 years, and is a past board member of the National Kidney Foundation of the Delaware Valley. From March 2009 to March 2011, Dr. Jones is past-President of, and past Counselor at, the Renal Physicians Association. Dr. Jones is past Chairman of Kidney Care Partners, and he is past President of Delaware Valley Nephrology and Hypertension, Associates. He retired from that practice in June 30, 2018. Dr. Jones graduated from The Medical University of South Carolina and completed his Internal Medicine Residency at Temple University Hospital (TUH). He later served as Chief Medical Resident at Temple University Hospital. He was a fellow in the Renal and Electrolyte Section of the University of Pennsylvania after which he joined the faculty of Temple where he ran the renal physiology laboratory while teaching and providing patient care. Dr. Jones received his MBA in healthcare management from St Joseph's University in Philadelphia.</p>

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Name	Age	Director Since	Principal Occupation, Other Business Experience During Past Five Years and Other Directorships
Michael G. Bator(2)	55	2015	<p>Mr. Bator has been a director of CytoSorbents since July 2015. Mr. Bator is a founder and partner of Quartz Advisory Group, LLC, a capital markets investment bank. Mr. Bator is the founder and partner of Certus Advisory, a consulting firm he founded in February 2015. From April 2015 to December 2016, Mr. Bator was the Chief Financial Officer of Trek Therapeutics, a development stage pharmaceutical company. From January 2001 until February 2015, Mr. Bator held several positions with Jennison Associates, a United States mutual and pension fund management company, where he was most recently Managing Director, Healthcare Research. Prior to that time, he worked in management consulting with Cambridge Pharma Consultancy, Lexington Strategy, and The Boston Consulting Group. Since March 2015, Mr. Bator has served on the board of directors of 3DBio Corporation, a private company focused on bioprinted cartilage implants used in reconstructive and orthopedic surgery. Since June 2017, Mr. Bator has served on the board of directors of Hippo Technologies, LLC., a technology company focused on helping consumers manage their prescriptions. Mr. Bator received his MBA in Finance from Wharton Business School at the University of Pennsylvania, and his BA from Princeton University.</p>
Alan D. Sobel, CPA(1)(3)	58	2014	<p>Mr. Sobel has been a director of CytoSorbents since 2014. Since 1996, Mr. Sobel has served as the Managing Member of Sobel &amp; Co., LLC, a full-service accounting, auditing, taxation, and business consulting firm. He has provided corporate advisory and consulting services, including mergers and acquisitions, for clients in the real estate, manufacturing, pharmaceutical, and distribution businesses, among others. Mr. Sobel is a Certified Public Accountant, and has served in various leadership roles including Chairman of the Audit Committee of the New Jersey Society of Certified Public Accountants. Mr. Sobel received his BS in accounting from Bentley College and his MS in taxation from Fairleigh Dickinson University.</p>

(1)  
Member of the Nominating and Corporate Governance Committee.

(2)  
Member of the Compensation Committee.

(3)  
Member of the Audit Committee.

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**Director Experience, Qualifications, Attributes and Skills**

We believe that the backgrounds and qualifications of our directors and director nominees, considered as a group, provide a broad mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. Our Nominating and Corporate Governance Committee does not have a specific policy with regard to the consideration of diversity in identifying director nominees. However, our Nominating and Corporate Governance Committee values diversity on our Board and considers the diversity of the professional experience, education and skills, as well as diversity of origin, in identifying director nominees. Our Board is composed of a diverse group of leaders in their respective fields. Many of the current directors have leadership experience at major domestic and international companies with operations inside and outside the United States, as well as experience serving on other companies' boards, which provides an understanding of different business processes, challenges and strategies facing boards and other companies. Collectively, our directors have experience as chief executive officers, presidents, or general partners of medical-device companies, physician or other professional organizations, and investment companies which brings unique perspectives to the Board. Furthermore, our directors also have other experience that makes them valuable members, such as prior experience with financing transactions or mergers and acquisitions that provides insight into issues faced by companies.

The following highlights the specific experience, qualification, attributes and skills of our individual Board members that have led our Nominating and Corporate Governance Committee to conclude that these individuals should serve on our Board:

Phillip P. Chan, MD, PhD, our current President and Chief Executive Officer, brings extensive experience in company management, business strategy, medicine, science, investing, and fundraising. Prior to joining CytoSorbents, Dr. Chan was a Partner at NJTC Venture Fund, LP, where he led healthcare and life sciences investments. Dr. Chan co-founded Andrew Technologies, a medical device company commercializing its FDA-approved HydraSolve™ lipoplasty system for plastic surgery. He is an MD and PhD internal medicine physician with a strong background in clinical medicine and research.

Al W. Kraus, our Chairman of the Board and former President and CEO, has more than 25 years' experience managing publicly-traded and privately-held companies in the dialysis, medical device products, personal computer and custom software industries.

Edward R. Jones, MD, MBA has significant experience serving as a Medical Director of numerous dialysis facilities. From March 2009 to March 2011, Dr. Jones was President of the Renal Physicians Association and thereafter served as a counselor at the Renal Physicians Association until June 2018. From January 2014 until June 2018, Dr. Jones served as Chairman of Kidney Care Partners and President of Delaware Valley Nephrology and Hypertension, Associates.

Michael G. Bator has extensive experience in management consulting as well as mutual and pension fund management. He has served as an equity analyst and Director specializing in healthcare investments for more than 14 years while employed at Jennison Associates. He also has prior experience as a Chief Financial Officer for a publicly-traded company and as a Director of a private company.

Alan D. Sobel, CPA has been a licensed CPA since 1987 and he has worked in public accounting in the areas of audit, consulting and tax, assisting both private and publicly-traded entities. Mr. Sobel has served as a consultant and advisor to Chief Executive Officers and senior management in the pharmaceutical, biotech, and other FDA manufacturing clients, including providing expertise in mergers and acquisitions undertaken by these entities. He has worked extensively with Boards of Directors and Audit Committees as part of his role as lead auditor on SEC engagements.

**Vote Required for Election**

The receipt of a plurality of the votes cast by stockholders entitled to vote in the election of directors is required for the election of the nominees listed above as directors of CytoSorbents.

**Recommendation of the Board**

The Board of Directors recommends a vote for all of the Director nominees.

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE MATTERS

Independence of Directors

Our Board has determined that each of Messrs. Kraus, Bator and Sobel and Dr. Jones are independent as that term is defined under the applicable independence listing standards of the Nasdaq Global Market (“Nasdaq”).

Meetings

Our Board held six meetings during the year ended December 31, 2018. During the year, no incumbent director attended fewer than 75% of the aggregate of all meetings of the Board held during the period in which he served as a director and the total number of meetings held by the committee on which he served during the period. It is the policy of our Board that each director attends our annual meetings of stockholders. All incumbent directors who were directors at the time attended the 2018 Annual Meeting of Stockholders.

Board Leadership Structure and Role in Risk Oversight

Our Board evaluates its leadership structure and role in risk oversight on an ongoing basis.

The Board believes that its current leadership structure, with Dr. Chan serving as President and Chief Executive Officer and Mr. Kraus serving as our independent non-executive Chairman, is appropriate for the Company at this time as it promotes balance between the Board’s independent authority to oversee our business and the President and Chief Executive Officer and his management team who manage the business on a day-to-day basis. Both Dr. Chan and Mr. Kraus are actively engaged on significant matters affecting us, such as long-term strategy. The President and Chief Executive Officer has overall responsibility for all aspects of our operation, while the Chairman has a greater focus on governance of the Company, including oversight of the Board. We believe this balance of shared leadership between the two positions is a strength for the Company. As our independent non-executive Chairman, Mr. Kraus calls and chairs regular and special meetings of the Board and all executive sessions of the independent directors, chairs and presides at annual or special meetings of stockholders, provides meaningful input into the agenda of Board meetings, authorizes the retention of outside advisors, consultants and legal counsel who report directly to the Board, consults frequently with committee chairs and has the right to and often does attend Board committee meetings.

The Board, acting primarily through the Audit Committee, is also responsible for oversight of our risk management practices, while management is responsible for the day-to-day risk management processes. This division of responsibilities is the most effective approach for addressing the risks facing the Company, and the Company’s board leadership structure supports this approach. Through our President and Chief Executive Officer, and other members of management, the Board receives periodic reports regarding the risks facing the Company. In addition, the Audit Committee assists the Board in its oversight role by receiving periodic reports regarding our risk and control environment.

The Compensation Committee also reviews the Company’s compensation practices to confirm that they do not create risks likely to have a material adverse effect on the Company. This review includes comparing the compensation practices of the Company with peer companies in the life sciences sector as well as insuring that the compensation packages of key executives are tied to the long-term success of the Company and therefore correlated to increases in stockholder value.

Committees of the Board

Our Board currently has three standing committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. These committees, their principal functions and their respective memberships are described below.

Audit Committee

The current members of the Audit Committee are Mr. Sobel, who serves as Chairman, Mr. Kraus and Dr. Jones. Each of the members of the Audit Committee is independent as defined by the applicable

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Nasdaq listing standards and Securities and Exchange Commission (“SEC”) rules applicable to audit committee members. The Board has determined that Mr. Sobel qualifies as an “audit committee financial expert,” as such term is defined by Item 407(d)(5) of Regulation S-K as promulgated by the SEC.

The Audit Committee was established in accordance with section 3(a)(58)(A) of the Exchange Act. The Audit Committee oversees our financial reporting process and system of internal control over financial reporting, and selects and oversees the performance of, and approves in advance the services provided by, our independent auditors. The Audit Committee provides an open avenue of communication among our independent auditors, financial and senior management and the Board. The Audit Committee meets regularly with our independent auditors without management present, and from time to time with management in separate private sessions, to discuss any matters that the Committee or these individuals believe should be discussed privately with the Audit Committee, including any significant issues or disagreements that may arise concerning our accounting practices or financial statements. In addition, the Audit Committee assists the Board in its oversight role by receiving periodic reports regarding our risk and control environment.

In 2018, the Audit Committee held five meetings and all members were present at 75% of or all of the meetings. A copy of the Audit Committee’s charter is posted on our website at [www.cytosorbents.com](http://www.cytosorbents.com). Our website is not a part of this proxy statement, and all references to our website address in this proxy statement are intended to be inactive textual references only.

**Review and Approval of Related Person Transactions**

Our Board has adopted written policies and procedures for the review, approval or ratification of transactions involving CytoSorbents and any executive officer, director, director nominee, 5% stockholder and certain of their immediate family members (each of whom we refer to as a “related person”). The policies and procedures cover any transaction involving \$120,000 or more with a related person (a “related person transaction”) in which the related person has a material interest and which does not fall under an explicitly stated exception set forth in the applicable disclosure rules of the SEC.

Any proposed related person transaction must be reported to the Chairman of our Audit Committee. The policy calls for the transaction to be reviewed and, if deemed appropriate, approved by the Audit Committee. The transaction should be approved in advance whenever practicable. If not practicable, the Audit Committee will review, and may, if deemed appropriate, ratify the related person transaction. The policy also permits the Chairman of the Audit Committee to approve related person transactions that arise between committee meetings, subject to ratification by the Audit Committee at its next meeting. Any related person transaction that is ongoing in nature will be reviewed annually.

A related person transaction will be considered approved or ratified if it is authorized by the Audit Committee or Chairman after full disclosure of the related person’s interest in the transaction. The transaction may be approved or ratified only if the Audit Committee determines that the transaction is not inconsistent with the Company’s best interests. In considering related person transactions, the Audit Committee will consider any information considered material to investors and the following factors:

- the related person’s interest in the transaction;
- the approximate dollar value of the transaction;
- whether the transaction was undertaken in the ordinary course of our business;
- whether the terms of the transaction are no less favorable to us than terms that we could have reached with an unrelated third party; and
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the purpose and potential benefit to us of the transaction.

The policy provides that related party transactions involving the compensation of our executive officers will be reviewed and approved by the Compensation Committee or our Board, in accordance with the Compensation Committee's charter.

There were no such related party transactions in 2018.

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Nominating and Corporate Governance Committee

The current members of the Nominating and Corporate Governance Committee are Mr. Sobel, who serves as Chairman, Mr. Kraus and Dr. Jones. Each of the members of the Nominating and Corporate Governance Committee is independent as defined by the applicable Nasdaq listing standards.

The Nominating and Corporate Governance Committee assists the Board in fulfilling its responsibilities regarding the oversight of the composition of the Board and other corporate governance matters. Among its other duties, the Nominating and Corporate Governance Committee evaluates nominees and reviews the qualifications of individuals eligible to stand for election and reelection as directors and makes recommendations to the Board on this matter; oversees compliance with our Code of Business Conduct and Ethics; reviews and approves related party transactions; recommends and advises the Board on certain other corporate governance matters; and oversees the Board's performance evaluation process.

During 2018, the Nominating and Corporate Governance Committee held one meeting. A copy of the Nominating and Corporate Governance Committee's charter is posted on our website at [www.cytosorbents.com](http://www.cytosorbents.com).

Evaluation and Identification of Director Nominees

The Nominating and Corporate Governance Committee considers a number of factors in identifying and evaluating director nominees. While all nominees should have the highest personal integrity, meet any required regulatory qualifications and have a record of exceptional ability and judgment, the Board relies on the judgment of members of the Nominating and Corporate Governance Committee, with input from our President and Chief Executive Officer, to assess the qualifications of potential Board nominees with a view to the contributions that they would make to the Board and to CytoSorbents. Because our Board believes that its members should ideally reflect a mix of experience and other qualifications, there is no rigid formula. Our Nominating and Corporate Governance Committee does not have a specific policy with regard to the consideration of diversity in identifying director nominees; however, our Nominating and Corporate Governance Committee values diversity on our Board and considers the diversity of the professional experience, education and skills, as well as diversity of origin, in identifying director nominees. In evaluating potential candidates, the Nominating and Corporate Governance Committee will consider, among others things, the degree to which a potential candidate fulfills a current Board need, such as the need for an audit committee financial expert, as well as the candidate's ability and commitment to understand CytoSorbents and its industry and the candidate's ability to devote the time necessary to fulfill the role of director (including, without limitation, regularly attending and participating in meetings of the Board and its Committees). In considering potential candidates, the Nominating and Corporate Governance Committee will consider the overall competency of the Board in the following areas:

- industry knowledge;
- accounting and finance;
- business judgment;
- management;
- leadership;
- business strategy;
-

crisis management; and

- corporate governance.

In addition, the Nominating and Corporate Governance Committee may consider other factors, as appropriate in a particular case, including, without limitation, the candidate's:

- sound business and personal judgment;
- diversity of origin, experience, background and thought;

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- senior management experience and demonstrated leadership ability;
- accountability and integrity;
- financial literacy;
- industry or business knowledge, including science, technology, and marketing acumen;
- the extent, nature and quality of relationships and standing in the research and local communities;
- in connection with nominees to be designated as “independent” directors, “independence” under regulatory definitions, as well as in the judgment of the Nominating and Corporate Governance Committee;
- independence of thought and ideas; and
- other board appointments and service.

The Nominating and Corporate Governance Committee considers recommendations for nominations from a variety of sources, including members of the Board, business contacts, community leaders and members of management. As described below, the Nominating and Corporate Governance Committee will also consider stockholder recommendations for Board nominees. The Nominating and Corporate Governance Committee’s process for identifying and evaluating candidates is the same with respect to candidates recommended by members of the Board, management, stockholders or others.

**Stockholder Director Nominee Recommendations**

The Nominating and Corporate Governance Committee will consider director nominees recommended by stockholders. Stockholders who wish their proposed nominee to be considered by the Nominating and Corporate Governance Committee for nomination at our next annual stockholders’ meeting should follow the procedures set forth in our bylaws as described in “Stockholder Proposals and Nomination of Director Candidates” in this proxy statement.

**Compensation Committee**

The current members of the Compensation Committee are Mr. Kraus, who serves as Chairman, and Mr. Bator. Each of the current members of the Compensation Committee is independent as defined by the applicable Nasdaq listing standards.

Decisions regarding the compensation of our executive officers are made by the Compensation Committee. The Compensation Committee’s principal responsibilities include reviewing the Company’s overall compensation philosophy and the adequacy and market competitiveness of our compensation plans and programs, evaluating the Company’s compensation policies and practices to determine whether these policies and practices create incentives for a particular employee group to take actions which could put the Company at undue risk, evaluating the performance of and reviewing and approving compensation for our executive officers, evaluating and recommending director compensation, and reviewing and discussing with management the compensation disclosures included in this proxy statement. The Compensation Committee also administers our equity-based and other incentive plans, including assuming responsibility for granting, or delegating as appropriate the authority for granting, and making decisions with respect to, awards under our equity compensation and other incentive plans. On an annual basis the

Compensation Committee approves a pool of options to be awarded to non-executive employees and delegates the authority for granting these awards to the Chief Executive Officer. The roles of management and our compensation consultant, Radford, an Aon-Hewitt company (“Radford”), are discussed below under “Significant Corporate Governance Standards” and “Compensation Setting Process.” The Compensation Committee held three meetings during 2018. A copy of the Compensation Committee’s charter is posted on our website at [www.cytosorbents.com](http://www.cytosorbents.com).

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Compensation Committee Interlocks and Insider Participation

None of our executive officers serves as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of our Board or Compensation Committee. With the exception of Al W. Kraus, who served as our President and Chief Executive Officer from 2003 to 2008, none of the members of the Compensation Committee has ever been an employee or one of our officers.

Stockholder Communications to the Board of Directors

Stockholders may send communications to our Board in writing, addressed to the full Board or a specific committee of the Board, c/o Amy Vogel, Investor Relations, CytoSorbents Corporation, 7 Deer Park Drive, Suite K, Monmouth Junction, New Jersey 08852, telephone (732) 398-5394 or avogel@cytosorbents.com. Such correspondence will be logged in and forwarded to the Board.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to our employees (including our principal executive officer, chief financial officer and other members of our finance and administration department) and our directors. Our Code of Business Conduct and Ethics is posted on our website at [www.cytosorbents.com](http://www.cytosorbents.com). In addition, we intend to post on our website all disclosures that are required by law or Nasdaq listing standards concerning any amendments to, or waivers from, any provision of our Code of Business Conduct and Ethics.

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## DIRECTOR COMPENSATION

The following table shows for the fiscal year ended December 31, 2018 certain information with respect to the compensation of all non-employee directors of the Company.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Total (\$)
Michael G. Bator	\$ 22,000	—	68,275(3)	\$ 90,275
Edward R. Jones, MD, MBA	\$ 23,100	—	68,275(4)	\$ 91,375
Al W. Kraus	\$ 48,400	—	136,432(5)	\$ 184,832
Alan D. Sobel, CPA	\$ 31,900	—	68,275(6)	\$ 100,175

(1)

In 2018, each of our non-employee directors received a grant of 3,300 restricted stock units which will vest upon a “Change in Control” of the Company, as defined in the Company’s 2014 Long-Term Incentive Plan. The values of these grants have been calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“ASC Topic 718”). Because a “Change of Control” is not contemplated or probable at this time, there is no amount associated with these awards.

(2)

The value of option awards granted to directors is based upon the grant date fair value of awards calculated in accordance with ASC Topic 718. For information regarding our valuation of option awards, see “Stock-based Compensation” in Note 10 of our financial statements for the period ended December 31, 2018.

(3)

In connection with his service as a director in 2018, we issued Mr. Bator options to purchase 14,450 shares of our Common Stock at an exercise price of \$7.90 per share, which were granted on March 15, 2018 and expire on March 15, 2028. One quarter of these shares vested on March 31, 2018, one quarter vested on June 30, 2018, one quarter vested on September 30, 2018 and one quarter vested on December 31, 2018.

(4)

In connection with his service as a director in 2018 we issued Dr. Jones options to purchase 14,450 shares of our Common Stock at an exercise price of \$7.90 per share, which were granted on March 15, 2018 and expire on March 15, 2028. One quarter of these shares vested on March 31, 2018, one quarter vested on June 30, 2018, one quarter vested on September 30, 2018 and one quarter vested on December 31, 2018.

(5)

In connection with Mr. Kraus’ service as a director in 2018 we issued options to purchase 28,875 shares of our Common Stock at an exercise price of \$7.90 per share, which were granted on March 15, 2018 and expire on March 15, 2028. One quarter of these shares vested on March 31, 2018, one quarter vested on June 30, 2018, one quarter vested on September 30, 2018 and one quarter vested on December 31, 2018.

(6)

In connection with his service as a director in 2018 we issued Mr. Sobel options to purchase 14,450 shares of our Common Stock at an exercise price of \$7.90 per share, which were granted on March 15, 2018 and expire on March 15, 2028. One quarter of these shares vested on March 31, 2018, one quarter vested on June 30, 2018, one quarter vested on September 30, 2018 and one quarter vested on December 31, 2018.

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In early 2018, the Board approved a new fee schedule for its members which became effective January 1, 2018. Pursuant to the revised fee schedule, the Chairman of the Board is entitled to an annual retainer of \$36,300 and each non-employee Board member is entitled to an annual retainer of \$16,500. Each member of the Audit Committee and Nominating and Corporate Governance Committee is entitled to an additional \$6,600 per year, and each member of the Compensation Committee is entitled to an additional \$5,500 per year. The Chairmen of the Audit Committee and the Nominating and Corporate Governance Committee are entitled to an additional \$15,400 per year. In addition, each of our directors is eligible to receive reimbursement for actual out-of-pocket expenses incurred by them in connection with their attendance at meetings of the Board and Board committees and an annual equity grant.

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In November 2018, the Board commissioned Radford to evaluate compensation for both the Board and management and make recommendations to approximately align these two groups with the interests of stockholders. The Board continues to evaluate future Board compensation and will seek to finalize as soon as possible.

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Below is information about Phillip P. Chan, Vincent J. Capponi, Kathleen P. Bloch and Eric R. Mortensen, our named executive officers. This information includes each officer's age, his or her position with CytoSorbents, the length of time he or she has held each position and his or her business experience for at least the past five years. Our Board elects our executive officers annually, and executive officers serve until they resign or the Board terminates their position. There are no family relationships among any of our directors, nominee for director and executive officers.

Name	Age	Position
Phillip P. Chan, MD, PhD	48	President and Chief Executive Officer
Vincent J. Capponi, MS	61	Chief Operating Officer
Kathleen P. Bloch, CPA, MBA	64	Chief Financial Officer
Eric R. Mortensen, MD, PhD	60	Chief Medical Officer

**Phillip P. Chan, MD, PhD.** Dr. Chan became a director of the Company in 2008, and since January 2009 has served as President and Chief Executive Officer. Prior to joining CytoSorbents, Dr. Chan led healthcare and life science investments for the NJTC Venture Fund from 2003 to 2008, most recently as a Partner. In 2006, Dr. Chan co-founded Andrew Technologies, a medical device company commercializing its FDA-approved HydraSolve™ lipoplasty system for plastic surgery. He is an Internal Medicine physician with a strong background in clinical medicine and research. Dr. Chan received his MD and PhD from the Yale University School of Medicine, completed his Internal Medicine residency at the Beth Israel Deaconess Medical Center at Harvard Medical School, and received his Board certification. He also holds a BS in cell and molecular biology from Cornell University.

**Vincent J. Capponi, MS.** Mr. Capponi joined the Company as Vice President of Operations in 2002 and became our Chief Operating Officer in July 2005. He has more than 20 years of management experience in medical device, pharmaceutical and imaging equipment at companies including Upjohn, Sims Deltec and Sabratek. Prior to joining CytoSorbents in 2002, Mr. Capponi held several senior management positions at Sabratek and its diagnostics division GDS and was interim president of GDS diagnostics in 2001. From 1998 to 2000, Mr. Capponi was Senior Vice President and Chief Operating Officer for Sabratek and Vice President Operations from 1996 to 1998. He received his MS in Chemistry and his BS in Chemistry and Microbiology from Bowling Green State University.

**Kathleen P. Bloch, MBA, CPA.** Ms. Bloch has more than 20 years of executive financial experience in both public and private companies. She became Chief Financial Officer of the Company in May 2013. Previously, she served as Chief Financial Officer of Laureate Biopharmaceutical Services, Inc., a leader in biopharmaceutical contract development and manufacturing from November 2010 to May 2013. Prior to that, from September 2007 to November 2010, Ms. Bloch served as Chief Operating Officer and CFO of PC Group, Inc., a \$70 million in revenue, Nasdaq-listed, publicly traded company with a diverse group of holdings, including several medical device subsidiaries. Ms. Bloch served as Chief Financial Officer of Silver Line Building Products Corporation, one of the world's largest manufacturers of vinyl windows, from August 1999 to August 2007. She began her career at the accounting firm of Peat Marwick International. Ms. Bloch holds an MBA and a BS in accounting from LaSalle University, and is a Certified Public Accountant.

**Eric R. Mortensen, MD, PhD.** Dr. Mortensen has more than 20 years of management and clinical trial experience in the pharmaceutical industry. He began his employment as Chief Medical Officer of CytoSorbents effective June 1, 2017. Prior to that, for two years, Dr. Mortensen served as the Vice President & Therapeutic Area Clinical Head for Inflammation and Immunology at Pfizer, leading Pfizer's global, late-stage development organization for programs in inflammatory diseases including studies for Enbrel® and Xeljanz®. Prior to that, Dr. Mortensen held various other clinical managerial positions at Pfizer from 2008 through 2014. Before working at Pfizer, Dr. Mortensen spent five years at Merck Research Laboratories, where he was responsible for registration studies of the COX2 inhibitors rofecoxib and etoricoxib. Dr. Mortensen received his medical degree from the Harvard University and Massachusetts Institute of Technology Division of Health Sciences and Technology, and his doctorate in biophysics from the Graduate School of Arts and Sciences at Harvard University. Dr. Mortensen completed his residency training in internal medicine at Massachusetts General Hospital and a fellowship in gastroenterology at the University of Michigan Medical Center, Ann Arbor.



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### COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis explains how our executive compensation program is designed and operates with respect to our named executive officers by describing the objectives of our executive compensation program, what the compensation program is designed to reward, and each compensation component that we provide. In addition, we explain how and why our Compensation Committee arrived at specific compensation policies and decisions involving our named executive officers for the fiscal year ended December 31, 2018.

This Compensation Discussion and Analysis contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. The actual compensation programs that we adopt in the future may differ materially from currently planned programs as summarized in this discussion.

#### Significant Executive Compensation Actions

Our Compensation Committee, which consists of two independent directors, sets the compensation of our named executive officers. For 2018, based in part upon recommendations made by Radford the Compensation Committee took the following actions with respect to the compensation of our named executive officers:

- increased base salaries to advance them towards more competitive market levels;
- approved cash bonuses linked to the Company's 2018 performance, which bonuses were determined, approved and paid in the first quarter of 2019;
- approved bonuses in the form of restricted stock units linked to the Company's 2018 performance, which bonuses were determined, approved and granted in the first quarter of 2019; and
- approved additional long-term incentive compensation in the form of a combination of restricted stock units and stock options, including options which were subject to vesting based upon the Company's ability to meet certain predetermined milestones related to 2018 operating performance, to further align the incentives of the executives and stockholders, retain key executives and reward performance.

#### Significant Corporate Governance Standards

We have endeavored to maintain high standards in our executive compensation practices. We conduct an annual review of our compensation programs for executive officers and other employees to assess the level of risk associated with those programs and the effectiveness of our policies and practices for monitoring and managing these risks. Following a selection process, in November 2018, we engaged Radford to assist the Compensation Committee in evaluating our executive compensation practices. Radford has helped the Compensation Committee review and make appropriate changes to our executive compensation guiding principles, update our compensation peer group, evaluate the competitiveness of our named executive officers' compensation, and assist it in the course of its deliberations concerning executive compensation decisions. Radford serves at the discretion of our Compensation Committee, and they do not provide any other services to us. Prior to retaining Radford, Willis Towers Watson, a compensation consultant, was engaged to assist the Compensation Committee in evaluating our executive compensation practices, including with respect to 2018 compensation. Willis Towers Watson helped the Compensation Committee review and make appropriate changes to our executive compensation guiding principles, update our compensation peer group, evaluate the competitiveness of our named executive officers' compensation, and assist it in the course of its deliberations concerning executive compensation decisions. Willis Towers Watson served at the discretion of our Compensation Committee, and they did not provide any other services to us.

#### Executive Compensation Philosophy and Objectives

We operate an innovative and novel blood purification technology which we are commercializing throughout the world through direct sales and distributor and partner relationships. Our CytoSorb® device is used to prevent or treat

life threatening inflammation in the ICU and cardiac surgery which, if untreated,  
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may lead to organ failure or even death. We have received CE Mark approval of our CytoSorb® device and are seeking FDA approval of the device. While we have limited direct competitors, we compete for capital with other early stage microcap companies in the life sciences space. To effectively operate in this dynamic market, we need a highly talented and seasoned team of executives and business professionals.

We compete with pharmaceutical and medical device companies in seeking to attract and retain a skilled management team. To meet this challenge, we have adopted a compensation philosophy designed to offer our named executive officers compensation and benefits that are market competitive and that meet our goals of attracting, retaining and motivating highly skilled individuals to help us achieve our financial and strategic objectives.

Our executive compensation program is designed to achieve the following principal objectives:

- attract and retain talented and experienced individuals;

- offer total compensation opportunities that take into consideration the practices of other comparably positioned life sciences companies;

- directly and substantially link total compensation to measurable corporate and individual performance;

- create and sustain a sense of urgency surrounding strategy execution and the achievement of key business objectives; and

- strengthen the alignment of the interests of our named executive officers and stockholders through equity-based, long-term incentives and reward our named executive officers for creating long-term stockholder value.

### Compensation-Setting Process

#### Role of the Compensation Committee

Our Compensation Committee is responsible for overseeing our executive compensation philosophy and our executive compensation program, determining and approving the compensation for our named executive officers, negotiating executive employment contracts, and helping to establish appropriate compensation for Board members and other key employees. Our Compensation Committee regularly reports to our Board on its deliberations, but is ultimately responsible for compensation decisions, as described in the Compensation Committee's charter.

Our Compensation Committee reviews, on at least an annual basis, our executive compensation program, including our incentive compensation plans, to determine whether they are appropriate, properly coordinated, and achieve their intended purposes, and recommends to our Board any modifications or new plans or programs. It also reviews the compensation of our named executive officers and makes decisions about the various components that comprise their compensation packages.

#### Role of Management

In carrying out its responsibilities, our Compensation Committee works with members of our management team, including our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and Chief Medical Officer. Typically, our management team assists our Compensation Committee by providing information about our corporate, financial and individual performance, competitive market data and management's perspective and recommendations on compensation matters.

Typically, our Chief Executive Officer makes recommendations to our Compensation Committee regarding the compensation of our executive officers, including our named executive officers (except with respect to his own compensation), and, at the request of the Compensation Committee, attends Compensation Committee meetings (except with respect to discussions involving his own compensation).

#### Use of Competitive Data

To assess the competitiveness of our executive compensation program and compensation levels, our Compensation Committee examines the competitive compensation data for senior executives of other similar life science companies on the Nasdaq.

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## Compensation Program Design for 2018

In designing our compensation program for 2018, we were cognizant of our need to motivate our named executive officers to meet our short-term goals and long-term strategic objectives. Thus, we emphasized the use of equity in the form of options to purchase shares of our Common Stock and restricted stock units to incent our named executive officers to focus on the growth of our overall enterprise value and, correspondingly, to create sustainable long-term value for our stockholders. We believe that stock options and restricted stock units offer our named executive officers a valuable long-term incentive that aligns their interests with the interests of our stockholders.

The equity compensation awarded to our named executive officers in 2018 is discussed below under “Executive Compensation Program Components — Equity Compensation.”

We also offer cash compensation to our named executive officers in the form of base salaries at levels that we believe help us provide competitive compensation packages. In 2018, our Compensation Committee recognized a need to review annual base salaries of its named executive officers. The Company considered competitive compensation data for senior executives of all life science companies on the Nasdaq between a market cap of \$200 million to \$500 million. Using this information as a reference and recognizing the need to remain competitive in our market, our Compensation Committee increased the base salary of our named executive officers for 2018.

We do not provide significant perquisites or other personal benefits to our executive officers. Our executive officers participate in broad-based company-sponsored health and welfare programs on substantially the same basis as our other salaried employees.

## Executive Compensation Program Components

The following describes each component of our executive compensation program, the rationale for each component and how compensation amounts and awards were determined for 2018.

## Base Salary

Base salary represents the fixed portion of our named executive officers’ compensation, which we view as an important element to attract, retain and motivate highly talented executives. Base salaries represent a significant portion of the total compensation opportunity for our named executive officers.

In 2018, our Compensation Committee conducted a review of each named executive officer’s base salary with input from our Chief Executive Officer. Our Compensation Committee then considered and made adjustments as it determined to better approach a salary which would be reasonable and necessary to reflect the scope of each named executive officer’s role, performance, experience, prior base salary level, position, company stage, company finances, and market conditions. In making these adjustments, our Compensation Committee also considered the median of the base salary range for all life science companies on the Nasdaq between a market cap of \$200 million to \$500 million. The changes in the base salaries of our named executive officers from 2017 to 2018 are set forth in the following table:

Named Executive Officer	2018 Base Salary	2017 Base Salary	% Increase from 2017 to 2018
Phillip P. Chan, MD, PhD	\$ 400,000	\$ 378,000	5.8%
Vincent J. Capponi, MS	\$ 332,000	\$ 314,000	5.7%
Kathleen P. Bloch, CPA	\$ 295,000	\$ 275,000	7.3%
Eric R. Mortensen, MD, PhD	\$ 339,000	\$ 330,000	2.7%

## Annual Cash Bonuses

Cash bonuses are solely discretionary based upon the approval of the Board. There are no target bonuses. In determining whether to award cash bonuses, the Compensation Committee considers the operational performance of the Company relative to its operating plan, including revenue growth and cost containment, management’s ability to meet specified performance milestones, as well as individual



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performance indicators. Historically, the Compensation Committee has not offered executives annual cash bonuses but instead awarded bonuses in the form of restricted stock units. However, following its review of the Company's overall compensation philosophy, the Compensation Committee determined to award a mixture of cash bonuses and restricted stock units to executives in recognition of the Company's 2018 performance and the performance of each executive, which bonuses were paid in the first quarter of 2019.

**Equity Compensation**

We use equity awards to motivate and reward our named executive officers, to encourage long-term corporate performance based on the value of our Common Stock and to align the interests of our named executive officers with those of our stockholders.

In order to better align the interests of our named executive officers with our stockholders, in 2018, the Compensation Committee awarded executives bonuses in the form of restricted stock units. These restricted stock units vest one third at the time of the award, one third one year from the first anniversary of the award, and one third on the second anniversary of the award, subject to the grantee's continued service as of each applicable vesting date. In determining whether to award restricted stock unit bonuses, the Compensation Committee considered the performance of the Company relative to its operating plan, including revenue growth and cost containment, management's ability to meet specified performance milestones, as well as individual performance indicators.

In addition, in 2018, we granted our named executive officers stock options which would only vest upon the achievement of corporate milestones, as follows:

(a)  
35% vest upon achieving 2018 budgeted revenues and not exceeding budgeted operating expenses, based upon metrics as determined by the Board;

(b)  
32.5% vest upon achievement of certain regulatory approval and clinical trial objectives in calendar year 2018, as determined by the Board;

(c)  
17.5% vest upon meeting certain financial and operating goals for calendar year 2018, as determined by the Board; and

(d)  
15% vest upon achievement of one or more new or expanded major strategic partnerships in calendar year 2018, as determined by the Board.

On February 19, 2019, the Board determined, in its discretion, that 60% of these performance milestones had been met.

In addition, in 2017 and 2018, our Compensation Committee granted restricted stock units to named executive officers which would vest in the event of a "Change in Control" as defined in the Company's 2014 Long-Term Incentive Plan. See "Executive Compensation — Grants of Plan-Based Awards."

**Retirement and Other Benefits**

Our named executive officers are eligible to participate in our tax-qualified Section 401(k) retirement savings plan on the same basis as our other employees who satisfy the plan's eligibility requirements, including requirements relating to age and length of service. Under this plan, participants may elect to reduce their current compensation by up to the statutory limit, \$18,500 in fiscal 2018 plus an additional \$6,000 for participants 50 years or older and have us contribute the amount of this reduction to the Section 401(k) plan. During 2018, we matched up to 20% of employee contributions, but not exceeding \$2,700 per employee. We intend for the 401(k) plan to qualify under Section 401 of the Internal Revenue Code so that contributions by employees or by us to the 401(k) plan, and income earned on plan contributions, are not taxable to employees until withdrawn from the 401(k) plan.

Additional benefits received by our named executive officers include medical, dental, vision, short-term disability, long term disability, life and accidental death and dismemberment insurance, and Health Savings Account

contributions. These benefits are provided on substantially the same basis as to all of our full-time employees.

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Historically, we have not provided perquisites or other personal benefits to our named executive officers. Currently, we do not view perquisites or other personal benefits as a component of our executive compensation program. Our future practices with respect to perquisites or other personal benefits will be approved and subject to periodic review by our Compensation Committee.

### Employment Agreements

On July 14, 2015, we entered into employment agreements with Dr. Phillip P. Chan, President and Chief Executive Officer, Vincent J. Capponi, Chief Operating Officer, and Kathleen P. Bloch, Chief Financial Officer. On May 23, 2017, we entered into an employment agreement with Dr. Eric R. Mortensen, which agreement became effective June 1, 2017. With the exception of his own agreement, each of these agreements was negotiated on our behalf by our CEO, with the oversight and approval of our Compensation Committee. Our CEO's employment agreement was negotiated directly with our Compensation Committee. We believe that these employment agreements were necessary to retain these individuals and induce them to lead us in achieving our goals as a publicly traded company. The employment agreements with Dr. Chan, Mr. Capponi, and Ms. Bloch expired on December 31, 2018. The parties continue to operate under the terms of the expired agreements as they negotiate new agreements.

For a summary of the material terms and conditions of these employment agreements, see the section entitled "Compensation of Named Executive Officers — Employment Agreements."

### Post-Employment Compensation Arrangements

The employment agreements provide each of our named executive officers with certain protection in the event of his or her termination of employment under specified circumstances, including following a change of control of our Company. We believe that these protections serve our executive retention objectives by helping our named executive officers maintain continued focus and dedication to their responsibilities to maximize stockholder value, including in the event that there is a potential transaction that could involve a change in control of our Company. The terms of these agreements were determined after review by our Compensation Committee of our retention goals for each named executive officer and an analysis of competitive market data.

For a summary of the material terms and conditions of these severance and change in control arrangements, see the sections entitled "Compensation of Named Executive Officers — Employment Agreements" and "Executive Compensation — Potential Payments upon Termination or Change of Control."

### Other Compensation Policies

#### Hedging and Pledging

All of our executive officers and members of the Board are prohibited from entering into hedging or pledging transactions in respect of our Common Stock or other securities issued by us.

#### Compensation Recovery Policy

We have not implemented a policy regarding retroactive adjustments to any cash or equity-based incentive compensation paid to our named executive officers and other employees where the payments were predicated upon the achievement of financial results that were subsequently the subject of a financial restatement.

#### Tax and Accounting Considerations

##### Deductibility of Executive Compensation

Generally, Section 162(m) of the Internal Revenue Code disallows a tax deduction to any publicly-held corporation for any remuneration in excess of \$1.0 million paid in any taxable year to its chief executive officer and each of its three next most highly-compensated named executive officers (other than its chief financial officer). Remuneration in excess of \$1.0 million may be deducted if, among other things, it

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qualifies as “performance-based compensation” within the meaning of the Internal Revenue Code. Additionally, under a Section 162(m) exception for private companies that subsequently become publicly held, any compensation paid pursuant to a compensation plan in existence before the effective date of the public offering of securities will not be subject to the \$1.0 million limitation until the earliest of: (i) the expiration of the compensation plan, (ii) a material modification of the compensation plan (as determined under Section 162(m)), (iii) the issuance of all the employer stock and other compensation allocated under the compensation plan, or (iv) the first meeting of stockholders at which directors are elected after the close of the third calendar year following the year in which the public offering of securities occurred.

The 2017 tax reform legislation removed the “performance-based compensation” exception from Section 162(m), effective for taxable years beginning after December 31, 2017, such that compensation paid to our covered executive officers in excess of \$1 million will not be deductible unless it qualifies for transition relief applicable to certain arrangements in place as of November 2, 2017.

Despite the Compensation Committee’s efforts to structure certain variable compensation in a manner intended to be exempt from Section 162(m) and therefore not subject to its deduction limits, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and the regulations issued thereunder, including the uncertain scope of the transition relief under the legislation repealing Section 162(m)’s exemption from the deduction limit, no assurance can be given that compensation intended to satisfy the requirements for exemption from Section 162(m) in fact will. Further, the Compensation Committee reserves the right to modify compensation that was initially intended to be exempt from Section 162(m) if it determines that such modifications are consistent with our business needs. In addition, our Compensation Committee may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

**Taxation of “Parachute” Payments and Deferred Compensation**

Sections 280G and 4999 of the Internal Revenue Code provide that named executive officers and directors who hold significant equity interests and certain other service providers may be subject to an excise tax if they receive payments or benefits in connection with a change of control of our Company that exceed certain prescribed limits, and that we (or a successor) may forfeit a deduction on the amounts subject to this additional tax. Section 409A of the Internal Revenue Code imposes significant additional taxes in the event that an employee, including a named executive officer, director, or service provider receives “nonqualified deferred compensation” that does not satisfy the conditions of Section 409A.

We did not provide any named executive officer with a “gross-up” or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Sections 280G, 4999 or 409A of the Internal Revenue Code during 2018. We have not agreed and are not otherwise obligated to provide any named executive officer with a “gross-up” or other reimbursement under Section 409A.

**Accounting for Stock-Based Compensation**

We follow the FASB ASC Topic 718 for our stock-based compensation awards. ASC 718 requires companies to calculate the grant date “fair value” of their stock-based awards using a variety of assumptions. This calculation is performed for accounting purposes and reported in the compensation tables that accompany this Compensation Discussion and Analysis, even though recipients may never realize any value from their awards. ASC 718 also requires companies to recognize the compensation cost of their stock-based awards in their statements of operations over the period that the recipient of the award is required to render service in exchange for the award.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Securities and Exchange Commission regulations. Based on its review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and, through incorporation by reference, in CytoSorbents Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Submitted by:

The Compensation Committee of the Board of Directors

Al W. Kraus, Chairman

Michael G. Bator

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## Summary Compensation Table

The following table shows for the fiscal years ended December 31, 2018, 2017 and 2016, compensation awarded to or paid to, or earned by, our named executive officers.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards(1) (\$)	Option Awards(2) (\$)	All Other Compensation	Total (\$)
Phillip P. Chan, MD, PhD President and Chief Executive Officer	2018	400,000	160,000	337,550(3)	337,745	12,000	1,247,295
	2017	378,000	—	227,500(4)	210,097	12,000	827,597
	2016	350,000	—	121,940(5)	23,262	12,000	507,202
Vincent J. Capponi, MS Chief Operating Officer	2018	332,000	132,800	298,300(3)	316,520	—	1,079,620
	2017	314,000	—	201,253(4)	198,185	—	713,438
	2016	291,000	—	107,870(5)	21,932	—	420,802
Kathleen P. Bloch, MBA, CPA Chief Financial Officer	2018	295,000	118,000	272,395(3)	268,188	—	953,583
	2017	275,000	—	183,753(4)	167,861	—	626,614
	2016	255,000	—	98,490(5)	18,609	—	372,099
Eric R. Mortensen, MD, PhD Chief Medical Officer	2018	339,000	101,700	109,900(3)	229,466	—	780,066
	2017	186,576	—	—	116,700	—	303,276

(1)

In 2018, 2017 and 2016, each of our named executive officers received grants of restricted stock units which will vest upon a “Change in Control” of the Company, as defined in the Company’s 2014 Long-Term Incentive Plan. The value of these grants has been calculated in accordance with ASC Topic 718. Because a “Change of Control” is not contemplated or probable at this time, there is no amount associated with these awards.

(2)

The value of option awards granted to our named executive officers is based upon the grant date fair value of awards calculated in accordance with ASC Topic 718. For information regarding our valuation of option awards, see “Stock-based Compensation” in Note 10 of our financial statements for the period ended December 31, 2018.

(3)

On February 28, 2018, certain named executive officers received restricted stock units which will vest one third on the date of the grant, one third on the first anniversary of the grant, and one third on the second anniversary of the grant. The amount shown represents the fair market value of the vested and unvested restricted stock units awarded on February 28, 2018.

(4)

On February 24, 2017, certain named executive officers received restricted stock units which will vest one third on the date of the grant, one third on the first anniversary of the grant, and one third on the second anniversary of the grant. The amount shown represents the fair market value of the vested and unvested restricted stock units awarded on February 24, 2017.

(5)

On June 7, 2016, certain named executive officers received restricted stock units which will vest one third on the date of the grant, one third on the first anniversary of the grant, and one third on the second anniversary of the grant. The amount shown represents the fair market value of the vested and unvested restricted stock units awarded on June 7, 2016.

#### Employment Agreements

Dr. Phillip P. Chan

On July 14, 2015, we entered into an executive employment agreement with Dr. Chan relating to his employment as our President and Chief Executive Officer. Pursuant to his employment agreement, Dr. Chan receives reimbursement for certain travel expenses in the amount of \$12,000 per year. Dr. Chan's employment agreement also provides for terms of benefits afforded to Dr. Chan, including the ability to participate in various group insurance plans, reimbursement for reasonable business expenses, liability

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insurance, vacation time and bonuses. Dr. Chan's employment agreement had an initial term of three years and became retroactively effective as of January 1, 2015. Accordingly, Dr. Chan's employment agreement expired on December 31, 2018. The parties continue to operate under the terms of the expired agreement as a new agreement is negotiated.

In addition, Dr. Chan's employment agreement provides for benefits if his employment is terminated under certain circumstances, as more fully described under "Executive Compensation — Potential Payments upon Termination or Change of Control."

Vincent J. Capponi, MS

On July 14, 2015, we entered into an executive employment agreement with Mr. Capponi relating to his employment as our Chief Operating Officer. Mr. Capponi's employment agreement provides for terms of benefits afforded to Mr. Capponi, including the ability to participate in various group insurance plans, reimbursement for reasonable business expenses, liability insurance, vacation time and bonuses. Mr. Capponi's employment agreement had an initial term of three years and became retroactively effective as of January 1, 2015. Accordingly, Mr. Capponi's employment agreement expired on December 31, 2018. The parties continue to operate under the terms of the expired agreement as a new agreement is negotiated.

In addition, Mr. Capponi's employment agreement provides for benefits if his employment is terminated under certain circumstances, as more fully described under "Executive Compensation — Potential Payments upon Termination or Change of Control."

Kathleen P. Bloch, MBA, CPA

On July 14, 2015, the Company entered into an executive employment agreement with Ms. Bloch relating to her employment as our Chief Financial Officer. Under the terms of her employment agreement, Ms. Bloch receives up to forty (40) hours of paid time off each calendar year for attendance at continuing education programs, and reimbursement for the cost of attending CE programs up to a maximum amount of \$1,000 per year, prorated for partial years. Ms. Bloch's employment agreement also provides for terms of benefits afforded to Ms. Bloch, including the ability to participate in various group insurance plans, reimbursement for reasonable business expenses, liability insurance, vacation time and bonuses. Ms. Bloch's employment agreement had an initial term of three years and became retroactively effective as of January 1, 2015. Accordingly, Ms. Bloch's employment agreement expired on December 31, 2018. The parties continue to operate under the terms of the expired agreement as a new agreement is negotiated.

In addition, Ms. Bloch's employment agreement provides for benefits if her employment is terminated under certain circumstances, as more fully described under "Executive Compensation — Potential Payments upon Termination or Change of Control."

Eric R. Mortensen, MD, PhD

On May 23, 2017, the Company entered into an executive employment agreement with Dr. Mortensen relating to his employment as our Chief Medical Officer. Dr. Mortensen's employment agreement has an initial term of thirty-one months and became effective as of June 1, 2017. Under the terms of his employment agreement, Dr. Mortensen receives up to forty (40) hours of paid time off each calendar year for attendance at continuing education ("CE") programs, and reimbursement for the cost of attending CE programs up to a maximum amount of \$1,000 per year, prorated for partial years. The Company also agreed to pay for the cost of the one-time conversion or transfer of his Pennsylvania Medical License to New Jersey, up to a maximum of \$500, and up to \$500 each year for annual renewal of his New Jersey Medical License for the term of the employment agreement. Further, Dr. Mortensen's employment agreement provides for terms of benefits afforded to Dr. Mortensen, including the ability to participate in various group insurance plans, reimbursement for reasonable business expenses, liability insurance, vacation time and bonuses.

In addition, Dr. Mortensen's employment agreement provides for benefits if his employment is terminated under certain circumstances, as more fully described under "Executive Compensation — Potential Payments upon Termination or Change of Control."

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## Grants of Plan-Based Awards

The following table provides information regarding plan-based awards granted to our named executive officers in 2018:

Name	Grant date	Estimated future payouts under equity incentive plan awards Target (#)(1)	Exercise or base price of option awards (\$/Sh)	Grant date fair value of stock and option awards (\$)(2)(3)
Phillip P. Chan, MD, PhD				
RSUs(2)	3/15/2018	10,300	—	—
RSUs(3)	2/28/2018	43,000	\$ 7.85	\$ 337,550
Options(4)	3/15/2018	70,650	\$ 7.90	\$ 337,745
Vincent J. Capponi, MS				
RSUs(2)	3/15/2018	10,100	—	—
RSUs(3)	2/28/2018	38,000	\$ 7.85	\$ 298,300
Options(4)	3/15/2018	66,210	\$ 7.90	\$ 316,520
Kathleen P. Bloch, CPA				
RSUs(2)	3/15/2018	8,800	—	—
RSUs(3)	2/28/2018	34,700	\$ 7.85	\$ 272,395
Options(4)	3/15/2018	56,100	\$ 7.90	\$ 268,188
Eric R. Mortensen, MD, PhD				
RSUs(2)	3/15/2018	20,000	—	—
RSUs(3)	2/28/2018	14,000	\$ 7.85	\$ 109,900
Options(4)	3/15/2018	48,000	\$ 7.90	\$ 229,466

(1)

The value of awards granted to our named executive officers is based upon the grant date fair value of awards calculated in accordance with ASC Topic 718. For information regarding our valuation of option awards, see “Stock-based Compensation” in Note 10 of our financial statements for the period ended December 31, 2018.

(2)

Represents restricted stock units that will vest upon a “Change in Control” of the Company, as defined in the Company’s 2014 Long-Term Incentive Plan. Because a “Change of Control” is not contemplated or probable at this time, there is no amount associated with these awards.

(3)

Vesting as to one-third of these restricted stock units shall occur on each of the date of the grant, the first anniversary of the date of grant, and the second anniversary of the date of grant, subject to the grantee’s continued service as of each applicable vesting date. The grant date fair value represents the fair market value of the vested and unvested restricted stock units awarded on February 28, 2018.

(4)

Represents stock options granted pursuant to the Company's 2014 Long-Term Incentive Plan which vested on the achievement of certain milestones connected to the Company's operations, subject to approval by the Board. See "Compensation Discussion and Analysis — Equity Compensation."

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## Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the equity awards we have made to our named executive officers that have not been exercised and remained outstanding as of December 31, 2018.

Name	Option Awards			Stock Awards		
	Number of Securities Underlying Unexercised Options Exercisable (#)	Equity incentive plan awards: number of securities underlying unearned options (#)	Option Exercise Price (\$)	Option Expiration Date	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)(2)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested \$(3)
Phillip P. Chan, MD, PhD	20,000		4.325	1/4/2020		
	89,100		3.450	5/5/2020		
	30,500		2.875	4/4/2023		
	66,500		4.875	3/28/2024		
	7,000		8.070	4/8/2025		
	77,600		4.690	6/7/2026		
	95,200		5.600	2/24/2027		
		70,650(1)	7.900	3/15/2028	258,209	2,086,329
Vincent J. Capponi, MS	20,000		4.325	1/4/2020		
	21,300		3.450	5/5/2020		
	30,000		2.875	4/4/2023		
	62,700		4.875	3/28/2024		
	6,600		8.070	4/8/2025		
	73,200		4.690	6/7/2026		
	89,250		5.600	2/24/2027		
		66,210(1)	7.900	3/15/2028	244,314	1,974,057
Kathleen P. Bloch, CPA	53,200		4.875	3/28/2024		
	5,600		8.070	4/8/2025		
	75,650		5.600	2/24/2027		
			56,100(1)	7.900	3/15/2028	215,572
Eric Mortensen, MD	40,000		4.500	5/11/2017		

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38,250	5.600	5/11/2017		
	48,000(1)	7.900	3/15/2028	
				129,334
				1,045,019

(1)

On February 19, 2019 the Board of Directors determined that the Company had achieved 60% of certain milestones associated with the Company's operations. See "Compensation Discussion and Analysis — Equity Compensation."

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(2)

Amount includes (i) restricted stock units held by each of the named executive officers that will vest upon a “Change in Control” of the Company, as defined in the Company’s 2014 Long-Term Incentive Plan and (ii) the unvested portion of restricted stock units awarded on February 24, 2017 and February 28, 2018.

(3)

Based on the \$8.08 per share closing price of our Common Stock on December 31, 2018, as reported by Nasdaq.

## Option Exercises and Stock Vested

The following table provides information regarding options that were exercised by our named executive officers and stock awards held by our named executive officers that vested, in each case, during 2018.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(1)
Phillip P. Chan, MD, PhD	100,755	\$ 787,388	36,542	321,333
Vincent J. Capponi, MS	192,000	\$ 1,470,908	32,312	284,149
Kathleen P. Bloch, CPA	122,000	\$ 618,140	29,504	259,453
Eric R. Mortensen, MD			4,666	36,628

(1)

Based upon the closing price of our Common Stock at the vesting date, as reported on Nasdaq.

## Potential Payments upon Termination or Change of Control

In this section, we describe payments that may be made to our named executive officers upon several events of termination of employment, including termination in connection with a change of control.

## Employment Agreements

Termination Following a Change of Control. The existing employment agreements with Dr. Chan, Mr. Capponi, Ms. Bloch and Dr. Mortensen which provide for benefits upon specified termination of employment events within twelve months of a change of control and upon termination of employment events at any time for reasons unrelated to a change of control. Under the employment agreements, a “change of control” occurs if:

- one person acquires more ownership of more than 50% of the total fair market value or total voting power of the stock;
- a majority of the members of the Board are replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election; or
- in the event of the sale of all or substantially all of our assets.

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Upon the termination of a named executive officer's employment following a change of control, the named executive officer will receive, following execution of a release:

- the Accrued Obligations (as defined in the applicable executive officer's employment agreement);
- a lump sum payment equal to (i) with respect to each of Mr. Capponi and Dr. Mortensen, three weeks' base salary for each full year such executive officer has been employed by us, (ii) with respect to Ms. Bloch, nine months' base salary, and (iii) with respect to Dr. Chan, twelve months' base salary; and
- full payment of COBRA premiums for the earlier of twelve months or until the named executive officer becomes eligible to participate in another employer's group health plan.

In addition, restricted stock units granted to each of the named executive officers in April 2015, June 2016, February 2017 and March 2018 will vest upon a "Change in Control" as defined in the Company's 2014 Long-Term Incentive Plan.

Termination Without Cause or for Good Reason. Under the employment agreements, "good reason" means the occurrence of any of the following events, without the named executive officer's consent:

- a material reduction in the named executive officer's base salary;
- a relocation of the named executive officer's principal place of employment by more than 30 miles, if it results in a longer commute for the named executive officer;
- any material breach by the Company of any material provision of the named executive officer's employment agreement; or
- a material, adverse change in the named executive officer's duties or responsibilities.

Termination Without Cause or for Good Reason. Upon the termination of a named executive officer without cause, the named executive officer is entitled to receive, following execution of a release:

- accrued but unpaid base salary and accrued vacation through the date of termination;
- an amount equal to three weeks' base salary for each full year the named executive officer was employed by us, with a minimum payment equal to six months' base salary and a maximum payment equal to of twelve months' base salary, payable in accordance with our regular payroll practices;
- full payment of COBRA premiums for the earlier of twelve months or until the named executive officer becomes eligible to participate in another employer's group health plan; and
- acceleration of vesting of all stock options and restricted stock granted to the named executive officer.

Termination for Cause or Expiration of the Employment Agreement. If a named executive officer is terminated for cause, or if a named executive officer's employment agreement expires, the named executive would be entitled to any accrued but unpaid base salary, and any accrued but unused vacation.

Termination as a Result of Death or Disability. Upon termination of a named executive officer as a result of death or disability, the named executive officer is entitled to receive any accrued but unpaid base salary and any accrued but unused vacation.

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## Table of Benefits upon Termination Events

The following tables show potential payments to each of our named executive officers upon termination of employment, including without limitation a change of control, assuming a December 31, 2018 termination date. In connection with the amounts shown in the tables below:

- Amounts shown under Stock Options and Restricted Stock Units reflect the value of the option and restricted stock unit as to which vesting will be accelerated upon the occurrence of the termination event, and are equal to the product of the number of shares underlying each option multiplied by the difference between the exercise price of each option and the \$8.08 per share closing price of our Common Stock on December 31, 2018 as reported on Nasdaq.

- Amounts shown under Health and Welfare benefits assume COBRA premiums will be paid for a period of twelve months following each applicable termination event.

## Phillip P. Chan, MD, PhD

Payment Type	Termination following Change of Control	Termination Without Cause or Voluntary Termination for Good Reason	Termination for Cause or Expiration of Employment Agreement	Death or Disability
Severance payment	\$ 400,000	\$ 230,769	—	—
Health and Welfare Benefits	—	—	—	—
Stock Options	—	\$ 1,371,465	—	—
Restricted Stock Units	\$ 2,086,329	\$ 2,086,329	—	—
Excise Tax and Gross-Ups	—	—	—	—
TOTAL	\$ 2,486,329	\$ 3,688,563	—	—

## Vincent J. Capponi, MS

Payment Type	Termination following Change of Control	Termination Without Cause or Voluntary Termination for Good Reason	Termination for Cause or Expiration of Employment Agreement	Death or Disability
Severance payment	\$ 306,462	\$ 306,462	—	—
Health and Welfare Benefits	\$ 19,189	\$ 19,189	—	—
Stock Options	—	\$ 1,012,294	—	—
Restricted Stock Units	\$ 1,974,057	\$ 1,974,057	—	—
Excise Tax and Gross-Ups	—	—	—	—
TOTAL	\$ 2,299,708	\$ 3,312,002	—	—

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Kathleen P. Bloch, MBA, CPA

Payment Type	Termination following Change of Control	Termination Without Cause or Voluntary Termination for Good Reason	Termination for Cause or Expiration of Employment Agreement	Death or Disability
Severance payment	\$ 221,250	\$ 147,500	—	—
Health and Welfare Benefits	\$ 12,932	\$ 12,932	—	—
Stock Options	—	\$ 368,272	—	—
Restricted Stock Units	\$ 1,741,822	\$ 1,741,822	—	—
Excise Tax and Gross-Ups	—	—	—	—
TOTAL	\$ 1,976,004	\$ 2,270,526	—	—

Eric R. Mortensen, MD, PhD

Payment Type	Termination following Change of Control	Termination Without Cause or Voluntary Termination for Good Reason	Termination for Cause or Expiration of Employment Agreement	Death or Disability
Severance payment	\$ 169,500	\$ 169,500	—	—
Health and Welfare Benefits	\$ 12,151	\$ 12,151	—	—
Stock Options	—	288,775	—	—
Restricted Stock Units	\$ 1,045,019	\$ 1,045,019	—	—
Excise Tax and Gross-Ups	—	—	—	—
TOTAL	\$ 1,226,670	\$ 1,515,445	—	—

## Equity Compensation Plan Information

As of December 31, 2018

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	2,704,605	\$ 6.42	2,028,011

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Equity compensation plans not approved by security holders	953,857	\$ 4.16	166,358
Total	3,658,462	\$ 4.63	2,194,369

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CEO PAY RATIO

Pursuant to Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, we are required to disclose the ratio of our median employee's annual total compensation to the annual total compensation of our principal executive officer.

During fiscal year 2018, the principal executive officer of CytoSorbents Corporation was our President and Chief Executive Officer, Dr. Phillip P. Chan. For 2018, the combined annual total compensation for Dr. Chan was \$1,247,295, and for our median employee was \$71,837, resulting in a pay ratio of approximately 17 to 1.

We used information post fiscal year 2018 to identify the "median employee" so as not to estimate bonus or commission amounts. In accordance with Item 402(u) of Regulation S-K, we identified the median employee by using total compensation reflected in our payroll records reportable to the various taxing authorities, generally consisting of salary, wages, overtime, bonus, commissions, health and welfare benefits, and long-term incentive taxable compensation for those employees. In making these determinations, we annualized the compensation of all permanent employees who did not work for us for the entire fiscal year. We did not make any cost-of-living adjustments in identifying the median employee. This calculation was performed for all employees, excluding Dr. Chan, whether employed on a full-time, part-time, or seasonal basis.

The pay ratio reported above is a reasonable estimate calculated in a manner consistent with SEC rules based on our internal records and the methodology described above. Because the SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

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PROPOSAL 2

Authorize the Board of Directors, in its discretion, to amend and restate the Certificate of Incorporation

General

At our Annual Meeting, holders of our Common Stock are being asked to authorize our Board of Directors to amend and restate our First Amended and Restated Certificate of Incorporation (“Certificate of Incorporation”), in the form of Appendix A hereto, to increase the total number of authorized shares of Common Stock of the Company from 50,000,000 to 100,000,000, which would also increase the total number of authorized shares of capital stock of the Company from 55,000,000 to 105,000,000 (the “Restatement”). On April 1, 2019, the Board of Directors of the Company adopted resolutions approving the Restatement and directed that the Restatement be submitted to a vote of the stockholders at the Annual Meeting. If the stockholders approve the proposal, subject to the discretion of the Board of Directors, the Company will file the Restatement with the Secretary of State of the State of Delaware as soon as practicable. Upon the filing of the Restatement with the Secretary of State of the State of Delaware, the following two (2) sentences will replace the existing first two (2) sentences of Article Fourth of our Certificate of Incorporation: “FOURTH: The Corporation is authorized to issue two classes of stock to be designated, respectively, as Common Stock, having a par value of \$0.001 per share (the “Common Stock”), and Preferred Stock, having a par value of \$0.001 per share (the “Preferred Stock”). The total number of shares of stock of all classes and series that the Corporation shall have the authority to issue is 105,000,000 shares, of which 100,000,000 shares shall constitute Common Stock and 5,000,000 shares shall constitute Preferred Stock.”

Purpose

The Company, as of April 12, 2019, had 32,248,580 outstanding shares of Common Stock and equity awards that provide, pursuant to vesting and other provisions of such agreements, for the issuance of up to an additional 3,722,355 shares of Common Stock. The Board of Directors has approved the Restatement to ensure that the Company has sufficient shares available for general corporate purposes including, without limitation, acquisitions, establishing strategic partnerships, equity financings, providing equity incentives to employees, and payments of stock dividends, stock splits and other recapitalizations. From time to time the Company considers these types of transactions as market conditions or other opportunities arise. Except for the Company’s equity incentive plans for employees, the Company has no present arrangement, agreement, understanding or plan for the issuance of any additional shares of Common Stock proposed to be authorized by the Restatement.

Future issuances of Common Stock or securities convertible into Common Stock could have a dilutive effect on our earnings per share, book value per share and the voting power and interest of current stockholders. In addition, the availability of additional shares of Common Stock for issuance could, under certain circumstances, discourage or make more difficult any efforts to obtain control of the Company. The Board of Directors is not aware of any attempt, or contemplated attempt, to acquire control of the Company, nor is this proposal being presented with the intent that it is used to prevent or discourage any acquisition attempt. However, nothing would prevent the Board of Directors from taking any such actions that it deems to be consistent with its fiduciary duties.

Vote Required for Approval

The affirmative vote of a majority of the outstanding shares of capital stock of the Company entitled to vote thereon is required to authorizing the Board of Directors, in its discretion, to amend and restate the Certificate of Incorporation.

Recommendation of the Board

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE IN FAVOR OF AUTHORIZING THE BOARD OF DIRECTORS, IN ITS DISCRETION, TO AMEND AND RESTATE THE CERTIFICATE OF INCORPORATION TO INCREASE THE TOTAL NUMBER OF AUTHORIZED SHARES.**

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PROPOSAL 3

APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE  
CYTOSORBENTS CORPORATION 2014 LONG-TERM INCENTIVE PLAN

We believe that equity ownership by our executive officers and key employees encourages them to create long-term value and aligns their interests with those of our stockholders. Under our long-term incentive compensation program, we have granted time-based and merit-based stock option and restricted stock unit awards to our executive officers and other key employees under the 2014 Long-Term Incentive Plan.

Our Board and stockholders previously adopted and approved the 2014 Long-Term Incentive Plan, which expires upon the earliest of October 20, 2024, the date on which all shares available for issuance under the 2014 Long-Term Incentive Plan have been issued as vested shares, or the termination of all outstanding awards in connection with a Corporate Transaction (as defined in the 2014 Long-Term Incentive Plan). As of March 31, 2019, 5,414,209 shares have either been issued or are currently subject to outstanding awards, and only 1,985,791 shares remain available for grants under the 2014 Long-Term Incentive Plan (excluding shares that may return to the 2014 Long-Term Incentive Plan due to awards that expire or terminate).

We are asking our stockholders to approve an amendment and restatement of the 2014 Long-Term Incentive Plan in the form of Appendix B attached hereto (the 2014 Long-Term Incentive Plan, as so amended and restated, the “Amended and Restated 2014 Plan”), that increases the number of shares to be reserved and authorized for issuance under the 2014 Long-Term Incentive Plan by 6,000,000 shares to 13,400,000 shares of Common Stock. The increase in the number of shares is intended to meet the equity compensation needs of the Company over multiple years. In addition, by approving the Amended and Restated 2014 Plan to increase the share reserve, our stockholders are reapproving the material terms necessary for us to continue granting qualified performance-based awards that are intended to be exempt from the \$1,000,000 limit on deductions for compensation paid to covered employees with respect to grandfathered awards, if any. These material terms are the employees eligible to receive performance-based awards, the performance criteria on which a performance goal is based, and the maximum number of shares issuable or the amount of cash payable under a performance-based award. Stockholders would also be reapproving the incentive stock option limit in the Amended and Restated 2014 Plan.

The Board has adopted the Amended and Restated 2014 Plan, subject to stockholder approval. Absent such approval, the Amended and Restated 2014 Plan will not become effective.

Purposes of the Proposal

The Board has concluded that the adoption of the Amended and Restated 2014 Plan is necessary to maintain the availability of equity incentive awards for the Company’s and its subsidiaries’ employees and other individuals who perform services for the Company and its subsidiaries. We believe that equity compensation is an essential element of our compensation package and that equity awards align employees’ and directors’ interests with those of our stockholders. Our Board recommends a vote for approval of the Amended and Restated 2014 Plan because it will allow us to continue to use equity-based incentives and promote the goals of our compensation strategy without which it may be difficult to retain and attract highly qualified employees. The Amended and Restated 2014 Plan will only become effective upon approval by our stockholders.

The Compensation Committee believes that long term incentives are important in supporting the key objectives of the Company’s compensation program which is aimed at incentivizing through equity growth rather than cash incentives. Currently the shares available for issuance and number of awards outstanding as a percentage of the Company’s Common Stock outstanding as of April 12, 2019 is approximately 22.9%. If this proposal is approved by our stockholders, the potential dilution to stockholders would increase by approximately 18.6% to approximately 41.6%. The proposed increase of 6,000,000 shares available for issuance under the Amended and Restated 2014 Plan represents approximately 18.6% of our outstanding

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Common Stock as of April 12, 2019. This increase in the number of shares available for issuance under the 2014 Long-Term Incentive Plan would have had a value of \$42.9 million based on the closing market price per share of the Company's Common Stock on that date.

Key Features Designed to Protect Stockholders' Interests

The Amended and Restated 2014 Plan's design reflects our commitment to strong corporate governance and the desire to preserve stockholder value as demonstrated by the following features:

- Independent Administrator. The Compensation Committee of our Board will generally be the administrator of the Amended and Restated 2014 Plan. Administrative powers may be delegated to officers and other employees, but all determinations regarding awards to our executive officers must be made by the Compensation Committee, and all determinations regarding awards to our non-employee directors must be made by the Board.

- No Evergreen Feature. The Amended and Restated 2014 Plan does not contain an "evergreen" provision that automatically increases the number of shares authorized for issuance under the Amended and Restated 2014 Plan.

- Repricing Prohibited. The Amended and Restated 2014 Plan requires that stockholder approval be obtained for any repricing, exchange or buyout of underwater options or stock appreciation rights.

- Reloading Prohibited. The Amended and Restated 2014 Plan prohibits granting stock options with replenishment features.

- No Discount Awards; Maximum Term Specified. Stock options and stock appreciation rights must have an exercise price or base price no less than the closing price of our Common Stock on the date the award is granted and a term no longer than ten years.

- Per-Participant Limits on Awards. The Amended and Restated 2014 Plan limits the size of awards that may be granted during any one year to any one participant.

- Performance-Based Awards. The Amended and Restated 2014 Plan permits the grant of performance-based stock and cash-incentive awards that are payable only upon the attainment of specified performance goals. The Amended and Restated 2014 Plan includes the provisions necessary to enable us to grant qualified performance-based awards which are intended to be exempt from the \$1,000,000 limit on deductions for compensation paid to covered employees.

- No Liberal Definition of Change in Control. The Amended and Restated 2014 Plan's definition of a change-in-control transaction provides that any award benefits triggered by such a transaction are contingent upon the actual consummation of the transaction, not merely its approval by our Board or stockholders.

- No Transfers for Value. Participants are not permitted to transfer awards for value under the Amended and Restated 2014 Plan.

Summary of the Amended and Restated 2014 Plan

The following summary describes the most significant features of the Amended and Restated 2014 Plan. This summary is not intended to be complete and is qualified in its entirety by reference to the full text of the Amended and Restated 2014 Plan, a copy of which is attached as Appendix B to this Proxy Statement. As of the date of this Proxy Statement, four non-employee directors and approximately 131 employees are eligible to participate in the 2014 Long-Term Incentive Plan.

**Eligibility and Participation**

The administrator selects the individuals who will participate in the Amended and Restated 2014 Plan. Eligibility to participate is open to officers, directors and employees of, and other individuals who provide bona fide services to or for, us or any of our subsidiaries. The Compensation Committee may also select as participants prospective officers, employees and service providers who have accepted an offer of

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employment or another service relationship from us or one of our subsidiaries. Any awards granted to such a prospect before the individual's start date may not become vested or exercisable, and no shares may be issued to such individual, before the date the individual first commences performance of services with us.

Administration

The Compensation Committee of our Board will generally be the administrator of the Amended and Restated 2014 Plan. At any time the Board may serve as the administrator in lieu of or in addition to the Compensation Committee. Except as provided otherwise under the Amended and Restated 2014 Plan, the administrator has plenary authority to grant awards pursuant to the terms of the Amended and Restated 2014 Plan to eligible individuals, determine the types of awards and the number of shares covered by the awards, establish the terms and conditions for awards and take all other actions necessary or desirable to carry out the purpose and intent of the Amended and Restated 2014 Plan. The Compensation Committee or Board may delegate to the officers and employees of the Company limited authority to perform administrative actions under the Amended and Restated 2014 Plan to assist in its administration to the extent permitted by applicable law and stock exchange rules. This delegation of authority, however, with respect to those grandfathered awards that qualify as "performance-based" awards under Section 162(m) may not extend to the exercise of discretion with respect to awards to participants who are "covered employees" within the meaning of Section 162(m) of the Internal Revenue Code of 1986 (the "Code") or officers under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). With respect to any grandfathered award to which Section 16 of the Exchange Act applies, the administrator shall consist of either our Board or the Compensation Committee. With respect to any award that is intended to be a qualified performance-based award and continue to qualify as such under applicable law given the 2017 changes to Section 162(m) of the Code, the administrator shall consist of two or more directors, each of whom is intended to be an "outside director" as defined under Section 162(m) of the Code. Any member of the administrator who does not meet the foregoing requirements shall abstain from any decision regarding an award and shall not be considered a member of the administrator to the extent required to comply with Rule 16b-3 of the Exchange Act or Section 162(m) of the Code.

Shares Available Under the Amended and Restated 2014 Plan

The shares of our Common Stock issuable pursuant to awards under the Amended and Restated 2014 Plan will be shares authorized for issuance under our Certificate of Incorporation, as amended and restated, but unissued. If the amendment and restatement of the 2014 Long-Term Incentive Plan is approved, the number of shares of our Common Stock issuable pursuant to awards granted under the Amended and Restated 2014 Plan ("Share Pool") will be equal to 13,400,000.

Adjustments to Share Pool. Following the effective date of the Amended and Restated 2014 Plan, the Share Pool will be adjusted as follows:

- The Share Pool will be reduced by one share for each share of our Common Stock made subject to an award granted under the Amended and Restated 2014 Plan;
- The Share Pool will be increased by the number of unissued shares of our Common Stock underlying or used as a reference measure for any award or portion of an award granted under the Amended and Restated 2014 Plan or any prior stock incentive plan of the Company that is cancelled, forfeited, expired, terminated unearned or settled in cash, in any such case without the issuance of shares, and by the number of shares of our Common Stock used as a reference measure for any award granted under our Amended and Restated 2014 Plan that are not issued upon settlement of such award;
- The Share Pool will be increased by the number of shares of our Common Stock that are forfeited back to us after issuance due to a failure to meet an award contingency or condition with respect to any award or portion of an award granted under our Amended and Restated 2014 Plan;



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- The Share Pool will be increased by the number of shares of our Common Stock withheld by or surrendered (either actually or through attestation) to us in payment of the exercise price of any award granted under our Amended and Restated 2014 Plan; and

- The Share Pool will be increased by the number of shares of our Common Stock withheld by or surrendered (either actually or through attestation) to us in payment of the statutory minimum tax withholding obligation that arises in connection with any award granted under our Amended and Restated 2014 Plan.

In the event of a merger, consolidation, stock rights offering, statutory share exchange or similar event affecting the Company or a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination or subdivision, or recapitalization or similar event affecting the capital structure of the Company, our Board will adjust the Share Pool proportionately to reflect the transaction or event. Similar adjustments will be made to the award limitations described below and to the terms of outstanding awards.

Types of Awards

The Amended and Restated 2014 Plan enables the grant of stock options, stock appreciation rights, stock awards, stock unit awards, performance shares, cash-based performance units and other stock-based awards, each of which may be granted separately or in tandem with other awards. The Amended and Restated 2014 Plan contains all elements necessary to enable such grandfathered awards granted to covered employees to qualify for the performance-based exemption to the \$1,000,000 deduction limit under Section 162(m) of the Code, if desired, to ensure maximum deductibility by the Company, to the extent applicable.

**Stock Options and Stock Appreciation Rights.** Stock options represent a right to purchase a specified number of shares of our Common Stock from us at a specified price during a specified period of time. Stock options may be granted in the form of incentive stock options, which are intended to qualify for favorable treatment for the recipient under U.S. federal tax law, or as nonqualified stock options, which do not qualify for this favorable tax treatment. Only employees of the Company or its subsidiaries may receive tax-qualified incentive stock options within the U.S. The administrator may establish sub-plans under the Amended and Restated 2014 Plan through which to grant stock options that qualify for preferred tax treatment for recipients in jurisdictions outside the U.S. Stock appreciation rights represent the right to receive an amount in cash, shares of our Common Stock or both equal to the fair market value of the shares subject to the award on the date of exercise minus the exercise price of the award. All stock options and stock appreciation rights must have a term of no longer than ten years' duration. Stock options and stock appreciation rights generally must have an exercise price equal to or above the fair market value of our shares of Common Stock on the date of grant except as provided under applicable law or with respect to stock options and stock appreciation rights that are granted in substitution of similar types of awards of a company acquired by us or an affiliate or with which we or our affiliate combine (whether in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, or otherwise) to preserve the intrinsic value of such awards. As of April 12, 2019, the fair market value of a share of our Common Stock was \$7.15 as reported on the NASDAQ Capital Market.

**Prohibition on Reload Options.** The administrator is prohibited from granting stock options under the Amended and Restated 2014 Plan that contain a reload or replenishment feature. A reload or replenishment feature means that if an option holder delivers shares of our Common Stock to us in payment of the exercise price or any tax withholding obligation upon exercise of an outstanding stock option, we grant to that option holder a new at-the-market option for the number of shares that he or she delivered.

**Prohibition on Repricing.** Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of stock options and stock appreciation rights granted under the Amended and Restated 2014 Plan may not be amended, after the date of grant, to reduce the exercise price of such stock options or stock appreciation rights, nor may outstanding stock options or stock

appreciation rights be canceled in exchange for (i) cash,  
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(ii) stock options or stock appreciation rights with an exercise price that is less than the exercise price of the original outstanding stock options or stock appreciation rights, or (iii) other awards, unless such action is approved by our stockholders.

**Restricted Stock.** Awards of restricted stock are actual shares of our Common Stock that are issued to a participant, but that are subject to forfeiture if the participant does not remain employed by us for a certain period of time and/or if certain performance goals are not met. Except for these restrictions and any others imposed by the administrator, the participant will generally have all of the rights of a stockholder with respect to the restricted stock, including the right to vote the restricted stock, but will not be permitted to sell, assign, transfer, pledge or otherwise encumber shares of restricted stock before the risk of forfeiture lapses.

Dividends declared payable on shares of restricted stock that are granted subject to risk of forfeiture conditioned solely on continued service over a period of time will be paid either at the dividend payment date or deferred for payment to such later date as determined by the administrator, and may be paid in cash or as unrestricted shares of our Common Stock or may be reinvested in additional shares of restricted stock. Dividends declared payable on shares of restricted stock that are granted subject to risk of forfeiture conditioned on satisfaction of performance goals will be held by us and made subject to forfeiture at least until the applicable performance goal related to such shares of restricted stock has been satisfied.

**Restricted Stock Units.** An award of restricted stock units represents a contractual obligation of the Company to deliver a number of shares of our Common Stock, an amount in cash equal to the fair market value of the specified number of shares subject to the award, or a combination of shares and cash. Until shares of our Common Stock are issued to the participant in settlement of stock units, the participant shall not have any rights of a stockholder of the Company with respect to the stock units or the shares issuable thereunder. Vesting of restricted stock units may be subject to performance goals, the continued service of the participant or both. The administrator may provide that dividend equivalents will be paid or credited with respect to restricted stock units, but such dividend equivalents will be held by us and made subject to forfeiture at least until any applicable performance goal related to such restricted stock units has been satisfied.

**Performance Shares and Performance Units.** An award of performance shares, as that term is used in the Amended and Restated 2014 Plan, refers to shares of our Common Stock or stock units that are expressed in terms of our Common Stock, the issuance, vesting, lapse of restrictions or payment of which is contingent on performance as measured against predetermined objectives over a specified performance period. An award of performance units, as that term is used in the Amended and Restated 2014 Plan, refers to dollar-denominated units valued by reference to designated criteria established by the administrator, other than our Common Stock, whose issuance, vesting, lapse of restrictions or payment is contingent on performance as measured against predetermined objectives over a specified performance period. The applicable award agreement will specify whether performance shares and performance units will be settled or paid in cash or shares of our Common Stock or a combination of both, or will reserve to the administrator or the participant the right to make that determination prior to or at the payment or settlement date. The administrator will, prior to or at the time of grant, condition the grant, vesting or payment of, or lapse of restrictions on, an award of performance shares or performance units upon (A) the attainment of performance goals during a performance period or (B) the attainment of performance goals and the continued service of the participant. The length of the 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 will be conclusively determined by the administrator in the exercise of its absolute discretion. Performance goals may include minimum, maximum and target levels of performance, with the size of the award or payout of performance shares or performance units or the vesting or lapse of restrictions with respect thereto based on the level attained. An award of performance shares or performance units will be settled as and when the award vests or at a later time specified in the award agreement or in accordance with an election of the participant, if the administrator so permits, that meets the requirements of Section 409A of the Code.

**Qualified Performance-Based Awards.** The administrator may, to the extent applicable, prior to or at the time of grant, designate a grandfathered award of restricted stock, restricted stock units, performance

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shares or performance units as a qualified performance-based award intended to qualify for the performance-based exemption to the \$1,000,000 deduction limit under Section 162(m) of the Code, if desired. For any award so designated as a qualified performance-based award, the administrator will take steps to ensure that the terms of the award are consistent with such designation. The administrator may retain in an award agreement the discretion to reduce, but not to increase, the amount or number of qualified performance-based awards which will be earned based on the achievement of performance goals. Achievement of the performance goals will be certified by a committee of outside directors, within the meaning of Section 162(m) of the Code, before any payment is made under a qualified performance-based award.

Performance goals applicable to qualified performance-based awards may be applied on a per share or absolute basis and relative to one or more performance metrics, or any combination thereof, and may be measured pursuant to U.S. generally accepted accounting principles (“GAAP”), non-GAAP or other objective standards in a manner consistent with our or our subsidiary’s established accounting policies, all as the administrator determines at the time the performance goals for a performance period are established. For this purpose, performance metrics mean criteria established by the administrator relating to any of the following, as it may apply to individual, one or more business units, divisions, or affiliates, or on a company-wide basis, and in absolute terms, relative to a base period, or relative to the performance of one or more comparable companies, peer groups, or an index covering multiple companies:

- Earnings or Profitability Metrics: any derivative of investment advisory revenue; mutual fund servicing revenue; earnings/loss (gross, operating, net, or adjusted); earnings/loss before interest and taxes (“EBIT”); earnings/loss before interest, taxes, depreciation and amortization (“EBITDA”); profit margins; operating margins; expense levels or ratios; provided that any of the foregoing metrics may be adjusted to eliminate the effect of any one or more of the following: interest expense, asset impairments or investment losses, early extinguishment of debt or stock-based compensation expense;
- Return Metrics: any derivative of return on investment, assets, equity or capital (total or invested);
- Investment Metrics: relative risk-adjusted investment performance; investment performance of assets under management;
- Cash Flow Metrics: any derivative of operating cash flow; cash flow sufficient to achieve financial ratios or a specified cash balance; free cash flow; cash flow return on capital; net cash provided by operating activities; cash flow per share; working capital;
- Liquidity Metrics: any derivative of debt leverage (including debt to capital, net debt-to-capital, debt-to-EBITDA or other liquidity ratios);
- Stock Price and Equity Metrics: any derivative of return on stockholders’ equity; total stockholder return; stock price; stock price appreciation; market capitalization; earnings/loss per share (basic or diluted) (before or after taxes); and/or
- Strategic Metrics: Metrics including, but not limited to, product research and development; completion of an identified special project; clinical trials; regulatory filings or approvals; patent application or issuance; manufacturing or process development; sales or net sales; market share; market penetration; economic value added; customer service; customer satisfaction; inventory control; control; balance of cash, cash equivalents and marketable securities; growth

in assets; key hires; employee satisfaction; employee retention; business expansion; acquisitions, divestitures, joint ventures; capital or fund raising to support operations; government grants; license arrangements; collaboration or customer agreements or arrangements; legal compliance or safety and risk reduction; or such other measures as determined by the Administrator consistent with these performance measures.

To the extent applicable and consistent with the requirements of the exemption to the \$1,000,000 deduction limit under Section 162(m) of the Code, the administrator may provide at the time performance goals are established for qualified performance-based awards that the manner in which such performance

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goals are to be calculated or measured may take into account, or ignore, capital costs, interest, taxes, depreciation and amortization and other factors over which the participant has no (or limited) control including, but not limited to, restructurings, discontinued operations, impairments, changes in foreign currency exchange rates, extraordinary items, certain identified expenses (including, but not limited to, cash bonus expenses, incentive expenses and acquisition-related transaction and integration expenses), the consolidation of investment products, other unusual non-recurring items, industry margins, general economic conditions, interest rate movements and the cumulative effects of tax or accounting changes. As noted above on page 24, Section 162(m) was modified to remove the “performance-based” exemption from the rules applicable under this Code section.

**Other Stock-Based Awards.** The administrator may from time to time grant to eligible individuals awards in the form of our Common Stock or any other award that is valued in whole or in part by reference to, or is otherwise based upon, shares of our Common Stock, including without limitation dividend equivalents and convertible debentures (“Other Stock-Based Awards”). Other Stock-Based Awards in the form of dividend equivalents may be (A) awarded on a free-standing basis or in connection with another award other than a stock option or stock appreciation right, (B) paid currently or credited to an account for the participant, including the reinvestment of such credited amounts in Common Stock equivalents, to be paid on a deferred basis, and (C) settled in cash or our Common Stock as determined by the administrator; provided, however, that dividend equivalents payable on Other Stock-Based Awards that are granted as a performance award shall, rather than be paid on a current basis, be accrued and made subject to forfeiture at least until the applicable performance goal related to such Other Stock-Based Awards has been satisfied. Any such settlements, and any such crediting of dividend equivalents, may be subject to such conditions, restrictions and contingencies as the administrator may establish.

**Award Limitations**

The following limitations on awards are imposed under the Amended and Restated 2014 Plan.

- **ISO Award Limit.** No more than 13,400,000 shares of our Common Stock, may be issued in connection with awards granted under the Amended and Restated 2014 Plan that are intended to qualify as incentive stock options under Section 422 of the Code.

**Individual Limits:**

- **Appreciation Awards.** The maximum number of shares of our Common Stock that may be made subject to awards granted under the Amended and Restated 2014 Plan during a calendar year to any one person in the form of stock options or stock appreciation rights is, in the aggregate, 500,000 shares.

- **Stock-Based Performance Awards.** The maximum number of shares of our Common Stock that may be made subject to awards granted under the Amended and Restated 2014 Plan during a calendar year to any one person in the form of performance shares is, in the aggregate, 250,000 shares. If such performance shares will be settled in cash, the maximum cash amount payable thereunder is the amount equal to the number of performance shares to be settled in cash multiplied by the closing price of the shares, as determined as of the payment date.

- **Cash-Based Performance Units.** In connection with awards granted under the Amended and Restated 2014 Plan during a calendar year to any one person in the form of cash-based performance units, the maximum cash amount payable under such performance units is \$500,000.

- **Adjustments to Limits during Initial Year of Service.** Each of the individual limits set forth above are multiplied by two when applied to awards granted to any individual during the calendar year in which such individual first commences service with us.

- Adjustments for Multi-year Performance Periods. The individual limits set forth above for stock-based performance awards are multiplied by the number of calendar years over which the applicable performance period spans (in whole or in part), if the performance period is longer than 12 months' duration.

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If any award is terminated, surrendered or canceled in the same year as the year in which it is granted, that award nevertheless will continue to be counted against the limits set forth above for the calendar year in which it was granted.

Adjustments to Awards for Corporate Transactions and Other Events

Mandatory Adjustments. In the event of a merger, consolidation, stock rights offering, statutory share exchange or similar event affecting us (a "Corporate Event") or a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination or subdivision, or recapitalization or similar event affecting the capital structure of the Company, the administrator will make such equitable and appropriate substitutions or proportionate adjustments to:

- the aggregate number and kind of shares of Common Stock or other securities on which awards under the Amended and Restated 2014 Plan may be granted to eligible individuals;
- the maximum number of shares of Common Stock or other securities with respect to which awards may be granted during any one calendar year to any individual;
- the maximum number of shares of Common Stock or other securities that may be issued with respect to incentive stock options granted under the Amended and Restated 2014 Plan;
- the number of shares of Common Stock or other securities covered by each outstanding award and the exercise price, base price or other price per share, if any, and other relevant terms of each outstanding award; and
- all other numerical limitations relating to awards, whether contained in the Amended and Restated 2014 Plan or in award agreements.

Discretionary Adjustments. In addition to the adjustments specified above, in the case of Corporate Events, the administrator may make such other adjustments to outstanding awards as it determines to be appropriate and desirable, which adjustments may include, without limitation, (i) the cancellation of outstanding awards in exchange for payments of cash, securities or other property or a combination thereof having an aggregate value equal to the value of such awards, (ii) the substitution of securities or other property (including, without limitation, cash or other securities of the Company and securities of entities other than the Company) for the shares of Common Stock subject to outstanding awards, and (iii) the substitution of equivalent awards, as determined in the sole discretion of the administrator, of the surviving or successor entity or a parent thereof. The administrator may, in its discretion, adjust the performance goals applicable to any awards to reflect any unusual or non-recurring events and other extraordinary items, impact of charges for restructurings, discontinued operations and the cumulative effects of accounting or tax changes.

Treatment of Awards upon Dissolution or Liquidation or a Change in Control

Dissolution or Liquidation. Unless the administrator determines otherwise, all awards outstanding under the Amended and Restated 2014 Plan will terminate upon the dissolution or liquidation of the Company.

Continuation, Assumption, Substitution or Termination of Awards. If any transaction results in a Change in Control (as defined in the Amended and Restated 2014 Plan) of the Company, outstanding awards under the Amended and Restated 2014 Plan will terminate when such transaction becomes effective unless provision is made in connection with the transaction by the surviving or successor entity or a parent of such entity for outstanding awards to be continued or assumed or for equivalent awards to be substituted. In the event outstanding awards will terminate in this manner, (i) the outstanding awards that will terminate upon the effective time of the Change in Control transaction will, immediately before the effective time of the Change in Control, become fully exercisable, be considered to be

earned and payable in full, any deferral or other restriction thereon will lapse, and any restriction period thereon will terminate, (ii) the holders of stock options, stock appreciation rights and other awards granted under the Amended and Restated 2014 Plan that are exchangeable for or convertible into our Common Stock will be permitted, immediately before the Change in Control becomes effective, to exercise or convert all portions of such

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awards, and (iii) the administrator may make any of the discretionary adjustments described above with respect to any or all awards granted under the Amended and Restated 2014 Plan. Implementation of the provisions of the immediately foregoing sentence will be conditioned upon consummation of the Change in Control, not merely the approval of the transaction by our Board or stockholders.

Under the terms of the Amended and Restated 2014 Plan, a Change in Control is generally defined as (i) any acquisition by a person or entity of more than 35% of the total voting power of the Company's stock, with certain exceptions, (ii) a contested change in the majority of the Board members within a 12-month period, (iii) acquisition by a person or entity over a 12-month period of assets from the Company that have a total gross fair market value equal to or more than 60% of the total gross fair market value of all of the Company immediately prior to such acquisitions, or (iv) a reorganization, merger, tender offer, share exchange, consolidation or other business combination, acquisition of the Company's equity securities, or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another entity, unless, in any such case, the holders of the outstanding voting stock of the Company immediately prior to such merger, reorganization or consolidation, hold more than 50% of the voting power of the surviving Company.

**Amendment and Termination**

Our Board or Compensation Committee may terminate, amend or modify the Amended and Restated 2014 Plan or any portion of it at any time, subject to such restrictions on amendments and modifications as may apply under applicable laws or listing rules. No such amendment may be made without the approval of our stockholders, however, to the extent such amendment would (i) materially increase the benefits accruing to participants under the Amended and Restated 2014 Plan, (ii) materially increase the number of shares of our Common Stock which may be issued under the Amended and Restated 2014 Plan or to a participant, (iii) materially expand the eligibility for participation in the Amended and Restated 2014 Plan, (iv) eliminate or modify the prohibition on repricing of stock options and stock appreciation rights, (v) lengthen the maximum term or lower the minimum exercise price or base price permitted for stock options and stock appreciation rights, or (vi) modify the limitation on the issuance of reload or replenishment options.

The Amended and Restated 2014 Plan is scheduled to expire on February 28, 2029 which is ten years after its adoption by our Board.

**Compliance with Listing Rules**

While shares are listed for trading on any stock exchange or market, our Board and the administrator agree that they will not make any amendments, issue any awards or take any action under the Amended and Restated 2014 Plan unless such action complies with the relevant listing rules.

**Material U.S. Federal Income Tax Consequences of the Amended and Restated 2014 Plan**

The following discussion is intended only as a general summary of the material U.S. federal income tax consequences of awards issued under the Amended and Restated 2014 Plan, based upon the provisions of the Code as of the date of this proxy statement, for the purposes of stockholders considering how to vote on this proposal. It is not intended as tax guidance to participants in the Amended and Restated 2014 Plan. This summary does not take into account certain circumstances that may change the income tax treatment of awards for individual participants, and it does not describe the state income tax consequences of any award or the taxation of awards in jurisdictions outside of the U.S.

**Stock Options and Stock Appreciation Rights.** The grant of a stock option or stock appreciation right generally has no income tax consequences for a participant or the Company. Likewise, the exercise of an incentive stock option generally does not have income tax consequences for a participant or the Company, except that it may result in an item of adjustment for alternative minimum tax purposes for the participant. A participant usually recognizes ordinary income upon the exercise of a nonqualified stock option or stock appreciation right equal to the fair market value of the shares or cash payable (without regard to income or employment tax withholding) minus the exercise price, if applicable. We should generally be entitled to a deduction for federal income tax purposes equal to the amount of ordinary income recognized by the participant as a result of the exercise of a nonqualified stock option or stock appreciation right.

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If a participant holds the shares acquired under an incentive stock option for the time specified in the Code (at least two years measured from the grant date and one year measured from the exercise date), any gain or loss arising from a subsequent disposition of the shares will be taxed as long-term capital gain or loss. If the shares are disposed of before the holding period is satisfied, the participant will recognize ordinary income equal to the lesser of (1) the amount realized upon the disposition and (2) the fair market value of such shares on the date of exercise minus the exercise price paid for the shares. Any ordinary income recognized by the participant on the disqualifying disposition of the shares generally entitles us to a deduction by us for federal income tax purposes. Any disposition of shares acquired under a nonqualified stock option or a stock appreciation right will generally result only in capital gain or loss for the participant, which may be short- or long-term, depending upon the holding period for the shares.

**Full Value Awards.** Any cash and the fair market value of any shares of Common Stock received by a participant under a Full Value Award are generally includible in the participant's ordinary income. In the case of restricted stock awards, this amount is includible in the participant's income when the awards vest, unless the participant has filed an election with the Internal Revenue Service to include the fair market value of the restricted shares in income as of the date the award was granted. In the case of restricted stock units, performance shares and performance units, generally the value of any cash and the fair market value of any shares of Common Stock received by a participant are includible in income when the awards are paid. Any dividends or dividend equivalents paid on unvested Full Value Awards are also ordinary income for participants.

**Deductibility of Compensation.** Except as explained below, the Company generally is entitled to a deduction equal to the amount included in the ordinary income of participants and does not receive a deduction for amounts that are taxable to participants as capital gain. The Code allows publicly held corporations to deduct compensation that is in excess of \$1,000,000 paid to the corporation's chief executive officer and to any of its three most highly compensated executive officers (other than the chief executive officer and the chief financial officer) if the compensation is payable solely based on the attainment of one or more performance goals and where certain statutory requirements are satisfied with respect to grandfathered awards under applicable transition relief. We intend for compensation arising from grandfathered grants of stock options and stock appreciation rights under the Amended and Restated 2014 Plan to be deductible by the Company as performance-based compensation not subject to the \$1,000,000 limitation on deductibility, subject to applicable transition relief. We reserve the right to grant awards under the Amended and Restated 2014 Plan that do not result in qualified performance-based compensation and, as such, may not entitle us to a tax deduction.

**New Plan Benefits**

The Compensation Committee will have full discretion to determine the number and amount of awards to be granted to employees and directors under the Amended and Restated 2014 Plan, subject to the terms of the Amended and Restated 2014 Plan.

The following table sets forth the number of stock options and restricted stock granted to the individuals and groups listed below since the 2014 Long-Term Incentive Plan's inception in 2014 to March 31, 2019.

Name and Position	Number of Options	Number of Restricted Stock Units	Total
Phillip P. Chan, MD, PhD	250,450	331,125	581,575
Vincent J. Capponi, MS	235,260	308,558	543,818
Kathleen P. Bloch, MBA, CPA	199,350	274,083	473,433
Eric R. Mortensen, MD, PhD	126,250	138,620	264,870
All current executive officers, as a group	811,310	1,052,386	1,863,696