

Cytosorbents Corp  
Form DEF 14A  
April 22, 2015

**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))**

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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:

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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:

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, of CytoSorbents Corporation (“CytoSorbents” or the “Company”), will be held at the offices of DLA Piper LLP (US) at 1251 Avenue of the Americas, New York, New York 10020, on June 2, 2015 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 approve the compensation of the Company’s named executive officers, on an advisory basis,

To determine, on an advisory basis, the frequency with which the stockholders of the Company shall have an  
3. advisory vote on executive compensation, as disclosed pursuant to the executive compensation disclosure rules of the Securities and Exchange Commission,

To ratify the appointment of WithumSmith+Brown, PC as the Company’s independent auditors to audit the  
4. Company’s financial statements for the fiscal year ending December 31, 2015, 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 15, 2015 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, 2015, we began mailing a Notice Regarding Internet

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Availability of Proxy Materials, or the Notice, to all stockholders of record as of April 15, 2015, 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  
*Chief Financial Officer and Secretary*

Monmouth Junction, New Jersey  
Dated: April 22, 2015

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.

CytoSorbents Corporation

7 Deer Park Drive, Suite K

Monmouth Junction, New Jersey 08852

## PROXY STATEMENT

Mailed on April 22, 2015

Annual Meeting of Stockholders to be held on June 2, 2015

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of CytoSorbents Corporation, or CytoSorbents, to be used at the Annual Meeting of the holders of shares of common stock, par value \$0.001 per share, of CytoSorbents, to be held on June 2, 2015 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, 2015, we began mailing a Notice Regarding Internet Availability of Proxy Materials, or the Notice, to all stockholders of record as of April 15, 2015, 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.

## VOTING RIGHTS

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Only stockholders as of the close of business on April 15, 2015, the record date fixed by the Board of Directors of CytoSorbents, or the Board, are entitled to notice of and to vote at the Annual Meeting. As of April 15, 2015, there were 24,678,415 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 votes cast at the meeting, in person or by duly executed proxies, is required to approve the compensation of our named executive officers, on an advisory basis, and to ratify the appointment of our independent auditors. The option of three years, two years or one year that receives the highest number of votes cast by stockholders will be the frequency for the advisory vote on the compensation of our named executive officers that has been selected by stockholders, provided a quorum is present in person or by proxy.

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.

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 excluded entirely from the vote and will have no effect on the outcome. 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”** to approve the compensation of the Company’s named executive officers, on an advisory basis. Abstentions and broker non-votes will not be counted and, accordingly, will have no effect on the outcome of the vote on this proposal.

The option of three years, two years or one year that receives the highest number of votes cast by stockholders will be the frequency for the advisory vote on the compensation of our named executive officers that has been selected by stockholders. However, because this vote is advisory and is not binding on our Board, the Board may decide that it is in the best interests of our stockholders and CytoSorbents to hold an advisory vote on executive compensation more or less frequently than the option approved by our stockholders. Abstentions and broker non-votes will not be counted and, accordingly, will have no effect on the outcome of the vote on this proposal.

Stockholders may vote **“FOR”**, **“AGAINST”**, or **“ABSTAIN”** to ratify the appointment of our independent auditors. 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 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 not be counted and accordingly, will have no impact on the outcome of the vote for the proposal.

Stockholders may vote their shares via the Internet by following the instructions included in the Notice 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 Corporation 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 <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 NYSE rules, the ratification of the appointment of our independent auditors is a routine matter, while the election of our directors, the approval of the compensation of our named executive officers, and the recommendation for the



frequency of the advisory vote on executive compensation 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 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.

## PRINCIPAL STOCKHOLDERS

The stockholders named in the following table are those known to us to be the beneficial owners of 5% or more of our common stock. Unless otherwise indicated, the information is as of April 15, 2015. 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 each owner listed below exercises sole voting and dispositive power over its shares.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage Beneficially Owned
NJTC Investment Fund, LP 1001 Briggs Road, Suite 280 Mount Laurel, NJ 08054	4,956,779 (1)	16.4 %
Robert Shipley 9 Noble Road Nogales, Arizona 85621	2,973,219 (2)	9.8 %

Includes 4,870,219 shares of common stock, options to purchase 31,560 shares of common stock, and 55,000 (1) restricted stock units that will vest only upon a “Change of Control” of the Company, as defined in the Company’s 2014 Long-Term Incentive Plan.

(2) Includes 2,972,819 shares of common stock, of which 199,760 are not held directly by Mr. Shipley but are held by Shipley family members, and options to purchase 400 shares of common stock.

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

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The following table and notes thereto set forth information with respect to the beneficial ownership of shares of our common stock as of April 15, 2015 (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.

Name of Beneficial Owner <sup>(1)</sup>	Beneficial Ownership as of April 15, 2015			
	Number of Shares(1)		Percentage of Common Stock	
Al Kraus, Chairman of the Board of Directors	451,281	(2)	1.5	%
Phillip Chan, President and Chief Executive Officer, Director	590,298	(3)	1.9	%
Vincent Capponi, Chief Operating Officer	551,724	(4)	1.8	%
Robert Bartlett, Chief Medical Officer	104,600	(5)	--	
Kathleen P. Bloch, Chief Financial Officer	286,200	(6)	--	
James Gunton, Director	4,956,779	(7)	16.4	%
Edward R. Jones, Director	88,300	(8)	--	
Alan D. Sobel, Director	61,000	(9)	--	
All current directors, director nominees and executive officers as a group (8 persons)	7,090,187		26.2	%

\*

Less than 1%

- Based upon 30,286,746 fully-diluted shares of Common Stock and common stock equivalents as of April 15, 2015,
- (1) shares of common stock subject to options, warrants, and restricted stock awards exercisable or expected to be exercisable with the passage of time, are deemed outstanding for purposes of computing the percentage of the person holding such options, warrants, or restricted stock awards.  
Includes 55,746 shares of Common Stock, 340,535 shares of Common Stock issuable upon exercise of stock
  - (2) options, and 55,000 restricted stock awards which would only vest upon a “Change of Control” of the Company, as defined in the Company’s 2014 Long-Term Incentive Plan.  
Includes 71,976 shares of Common Stock, 376,855 shares of Common Stock issuable upon exercise of stock
  - (3) options, 11,467 shares of Common Stock issuable upon exercise of warrants, and 130,000 restricted stock awards which would only vest upon a “Change of Control” of the Company, as defined in the Company’s 2014 Long-Term Incentive Plan.  
Includes 16,724 shares of Common Stock, 410,000 shares of Common Stock issuable upon exercise of stock
  - (4) options, and 125,000 restricted stock awards which would only vest upon a “Change of Control” of the Company, as defined in the Company’s 2014 Long-Term Incentive Plan.  
Includes 74,600 shares of Common Stock issuable upon exercise of stock options, and 30,000 restricted stock
  - (5) awards which would only vest upon a “Change of Control” of the Company, as defined in the Company’s 2014 Long-Term Incentive Plan.  
Includes 7,000 shares of Common Stock held by Ms. Bloch’s husband to which she disclaims beneficial ownership,
  - (6) 169,000 shares of Common Stock issuable upon exercise of stock options, and 110,000 restricted stock awards which would only vest upon a “Change of Control” of the Company, as defined in the Company’s 2014 Long-Term Incentive Plan.  
Includes 4,870,219 shares of common stock, options to purchase 31,560 shares of common stock, and 55,000
  - (7) restricted stock units that will vest only upon a “Change of Control” of the Company, as defined in the Company’s 2014 Long-Term Incentive Plan. These securities are held directly by NJTC Investment Fund, LP, of which Mr. Gunton is a partner. Mr. Gunton disclaims beneficial ownership of these securities.  
Includes 33,300 shares of Common Stock issuable upon exercise of stock options, and 55,000 restricted stock
  - (8) awards which would only vest upon a “Change of Control” of the Company, as defined in the Company’s 2014 Long-Term Incentive Plan.  
Includes 6,000 shares of Common Stock issuable upon exercise of stock options, and 55,000 restricted stock
  - (9) awards which would only vest upon a “Change of Control” of the Company, as defined in the Company’s 2014 Long-Term Incentive Plan.

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 Dr. Phillip Chan, Al W. Kraus, Dr. Edward Jones, James Gunton and Alan D. Sobel. If each director is elected, the total number of directors comprising our Board of Directors will remain at five (5) directors effective immediately following the Annual Meeting. If elected, each director's term will expire in 2016.

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.

Name	Age	Director Principal Occupation, Other Business Experience	
		Since	During Past Five Years and Other Directorships
<i>Nominees for Election – Terms Expiring in 2016</i>			
Phillip Chan, MD, PhD	44	2008	Dr. Chan became a director of the Company in 2008 and since January 2009 is also Chief Executive Officer and President. Prior to 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

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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.

Al W.  
Kraus<sup>(1)(2)</sup> 70 2003  
(3)

Mr. Kraus has been a director of the Company since 2003 and up until the end of 2008 was the Company's President and CEO. Mr. Kraus currently serves as Chairman of the Board of Directors. Mr. Kraus has more than twenty-five years' experience managing companies in the dialysis, medical device products, personal computer and custom software industries. Prior to joining us, from 2001 to 2003, Mr. Kraus was President and CEO of NovoVascular Inc., an early stage company developing coated stent technology. From 1996 to 1998, Mr. Kraus was President and CEO of Althin Healthcare and from 1998 to 2000, of Althin Medical Inc., a manufacturer of products for the treatment of end stage renal disease. While CEO of Althin, he provided strategic direction and management for operations throughout the Americas. From 1979 to 1985, Mr. Kraus 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.

Edward R.  
Jones, MD, 66 2007  
MBA<sup>(1)(3)</sup>

Dr. Jones has been a director of the Company since April 2007. Dr. Jones is an attending physician at the Albert Einstein Medical Center and Chestnut Hill Hospital as well as Clinical Professor of Medicine at Temple University Hospital. Dr. Jones has published or contributed to the publishing of 30 chapters, articles, and abstracts on the subject of treating kidney-related illnesses. He is a sixteen-year member of the Renal Physicians Association, the Philadelphia County Medical Society and a past board member of the National Kidney Foundation of the Delaware Valley. From March 2009 to March 2011, Dr. Jones was President of, and currently serves as a Counselor at, the Renal Physicians Association. Since January, 2014, Dr. Jones is Chairman of Kidney Care Partners and he is the President and Managing Director of his nephrology practice (Delaware Valley Nephrology and Hypertension, Associates).

Name	Age	Director		Principal Occupation, Other Business Experience During Past Five Years and Other Directorships
		Since		
James T. Gunton <sup>(2)</sup>	49	2008		Since 2001, Mr. Gunton has served as general partner of NJTC Venture Fund, L.P. Mr. Gunton has been investing in privately held and publicly traded growth technology and services companies for twenty years. Before co-founding NJTC Venture Fund in 2001, Mr. Gunton was a partner at Edison Venture Fund from 1994 to 2000 and a rapidly-promoted manager at Oracle Corporation in the Silicon Valley from 1988 to 1991. Mr. Gunton has generated several billion dollars of market value through involvement with more than 30 private and public emerging growth companies.
Alan D. Sobel <sup>(1)(3)</sup>	54	2014		Mr. Sobel has been a director of the Company since November 2014. Since 1996, Mr. Sobel has served as the Managing Member of Sobel & 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.
		(1)		Member of Nominating and Corporate Governance Committee.
		(2)		Member of Compensation Committee.
		(3)		Member of the Audit Committee.

#### 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. 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, or nominees for the Board, that have led our Nominating and Corporate Governance Committee to conclude that these individuals should serve on our Board:

***Phillip Chan, MD, PhD***, our current President and Chief Executive Officer, bring extensive experience in company management, business strategy, medicine, science, investing, and fundraising. Prior to joining CytoSorbents, Dr. Chan was 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/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 twenty-five 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. In addition he currently serves as the President and Managing Partner of Private Practice of Nephrology, Chairman of Kidney Care Partners, and Counselor to the Renal Physician Association.



**James T. Gunton** has extensive investment experience as a venture capitalist. In 2001, Mr. Gunton co-founded the NJTC Venture Fund, L.P. which manages more than \$75 million in assets. Mr. Gunton has been investing in growth technology entities for more than twenty years and encompassing more than thirty companies.

**Alan D. Sobel** 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 THE ELECTION OF THE NOMINEES FOR DIRECTORS.

#### BOARD OF DIRECTORS AND CORPORATE GOVERNANCE MATTERS

#### Independence of Directors

Our Board has determined that each of the members of the Board, with the exception of Dr. Phillip Chan, who serves as our President and Chief Executive Officer, is independent as that term is defined under the applicable independence listing standards of the NASDAQ Global Market, or NASDAQ.

#### Meetings

Our Board held seven meetings during the year ended December 31, 2014. 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 or she served as a director and the total number of meetings held by the committee on which he or she served during the period. Beginning in 2015, it is the policy of our Board that each director attends our annual meetings 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 Chief Executive Officer and Mr. Kraus serving as our independent non-executive Chairman, is appropriate for the Company at this time. Both Dr. Chan and Mr. Kraus are actively engaged on significant matters affecting us, such as long-term strategy. The 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 shareholders, 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 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.

#### 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 NASDAQ listing standards and Securities and Exchange Commission, or the SEC, rules applicable to audit committee members. The Board of Directors have determined that Mr. Sobel qualifies as an “audit committee financial expert,” as such term is defined by Item 4.07(d)(5) of Regulation S-K as promulgated by the Securities and Exchange Commission.

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.

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

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.

The Audit Committee was established in December of 2014, and therefore did not hold any meetings during the year ended December 31, 2014. The Audit Committee held its first meeting on March 18, 2015, and three additional meetings are scheduled to be held in 2015. A copy of the Audit Committee's charter is posted on our website at [www.cytosorbents.com](http://www.cytosorbents.com).

#### 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. The 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.

The Nominating and Corporate Governance Committee was formed in December 2014 and therefore did not hold any meetings during the year ended December 31, 2014. 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 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 (e.g., the need for an audit committee financial expert), as well as the candidate's ability and commitment to understand CytoSorbents and its industry and 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;
- 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 submit information about their nominees by no later than 90 days nor earlier than 120 days prior to the one year anniversary of the mailing of the proxy statement for our most recent annual meeting of stockholders. Stockholders who wish to recommend a nominee should submit timely notice in writing to the Nominating and Corporate Governance Committee, c/o CytoSorbents Corporation, 7 Deer Park Drive, Suite K, Monmouth Junction, New Jersey 08852. Stockholders also have the right to nominate director candidates themselves, without any prior review or recommendation by the Nominating and Corporate Governance Committee or the Board, by following the procedures set forth in our bylaws as described at "Certain Deadlines for the 2015 Annual Meeting" in this proxy statement.

#### Compensation Committee

The current members of the Compensation Committee are Mr. Kraus, who serves as Chairman of the Compensation Committee, and Mr. Gunton. 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.

The Compensation Committee held two meetings during the year ended December 31, 2014. A copy of the Compensation Committee's charter is posted on our website at [www.cytosorbents.com](http://www.cytosorbents.com).



#### 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 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 our 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 of Directors 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) 329-8885, [avogel@cytosorbents.com](mailto:avogel@cytosorbents.com).

#### 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 Stock Market listing standards concerning any amendments to, or waivers from, any provision of our Code of Business Conduct and Ethics.

## DIRECTOR COMPENSATION

The following table shows for the fiscal year ended December 31, 2014 certain information with respect to the compensation of all non-employee directors of the Company.

**Director Compensation for Fiscal 2014**

Name	Fees Earned or Paid in Cash (\$)	<b>Option Awards (\$)</b> <sup>(1)</sup>	Total (\$)
Joseph Rubin <sup>(2)</sup>	7,500	8,658	<sup>(2)</sup> 16,158
Edward R. Jones <sup>(3)</sup>	10,000	8,658	<sup>(3)</sup> 18,658
James Gunton <sup>(4)</sup>	—	8,658	<sup>(4)</sup> 8,658
Al Kraus <sup>(5)</sup>	25,000	17,316	<sup>(5)</sup> 42,316
Alan Sobel <sup>(6)</sup>	—	—	<sup>(6)</sup> —
Phillip Chan <sup>(7)</sup>	—	—	<sup>(7)</sup> —

(1) The value of option awards granted to