CERUS CORP
Form 10-Q
November 03, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from: to

Commission File Number 000-21937

CERUS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	68-0262011 (I.R.S. Employer Identification No.)
2550 Stanwell Dr.	
Concord, California (Address of principal executive offices)	94520 (Zip Code)

(925) 288-6000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

As of October 26, 2017, there were 114,086,442 shares of the registrant's common stock outstanding.

CERUS CORPORATION

QUARTERLY REPORT ON FORM 10-Q

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
CERUS CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	September 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,985	$ 22,560
Short-term investments	42,645	45,116
Investment in marketable equity securities	—	3,952
Accounts receivable	10,476	6,868
Inventories	14,250	12,531
Other current assets	4,078	3,078
Total current assets	88,434	94,105
Non-current assets:		
Property and equipment, net	2,342	2,985
Goodwill	1,316	1,316
Intangible assets, net	587	738
Restricted cash	256	184
Other assets	4,151	4,148
Total assets	$ 97,086	$ 103,476
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 12,501	$ 8,587
Accrued liabilities	10,681	11,218
Debt - current	—	6,934
Deferred product revenue - current	686	149
Total current liabilities	23,868	26,888
Non-current liabilities:		
Debt - non-current	29,780	12,441
Manufacturing and development obligations - non-current	5,623	4,770
Other non-current liabilities	632	1,590
Total liabilities	59,903	45,689
Commitments and contingencies		
Stockholders' equity:		
Common stock	112	103
Additional paid-in capital	746,916	718,299
Accumulated other comprehensive (loss) income	(28)	103
Accumulated deficit	(709,817)	(660,718)
Total stockholders' equity	37,183	57,787
Total liabilities and stockholders' equity	$ 97,086	$ 103,476

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CERUS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

UNAUDITED

(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Product revenue	$10,797	$10,175	$27,328	$27,058
Cost of product revenue	5,348	5,451	13,402	14,690
Gross profit on product revenue	5,449	4,724	13,926	12,368
Government contracts revenue	2,285	261	5,380	261
Operating expenses:				
Research and development	7,886	7,033	25,927	22,507
Selling, general and administrative	12,180	12,161	39,907	36,314
Amortization of intangible assets	50	50	151	151
Total operating expenses	20,116	19,244	65,985	58,972
Loss from operations	(12,382)	(14,259)	(46,679)	(46,343)
Non-operating (expense) income, net:				
Foreign exchange loss	—	(61)	(59)	(77)
Interest expense	(1,090)	(586)	(2,122)	(1,899)
Other income, net	104	114	3,722	293
Total non-operating (expense) income, net	(986)	(533)	1,541	(1,683)
Loss before income taxes	(13,368)	(14,792)	(45,138)	(48,026)
Provision (benefit) for income taxes	50	(416)	3,961	1,379
Net loss	$(13,418)	$(14,376)	$(49,099)	$(49,405)
Net loss per share:				
Basic	$(0.12)	$(0.14)	$(0.46)	$(0.49)
Diluted	$(0.12)	$(0.14)	$(0.46)	$(0.49)
Weighted average shares outstanding used for calculating net loss per share:				
Basic	109,846	102,769	106,159	101,273
Diluted	109,846	102,769	106,159	101,273

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CERUS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

UNAUDITED

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net loss	$(13,418)	$(14,376)	$(49,099)	$(49,405)
Other comprehensive (losses) gains:				
Unrealized (losses) gains on available-for-sale investments, net of taxes of zero and $137 for the three months ended September 30, 2017 and 2016, respectively, and zero and $(2,126) for the nine months ended September 30, 2017 and 2016, respectively	(9)	260	(131)	(4,051)
Comprehensive loss	$(13,427)	$(14,116)	$(49,230)	$(53,456)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

CERUS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED

(in thousands)

	Nine Months Ended September 30,	
	2017	2016
Operating activities		
Net loss	$(49,099)	$(49,405)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,359	1,394
Stock-based compensation	7,008	5,966
Non-cash interest expense	282	820
Deferred income taxes	19	18
Non-cash tax expense from other unrealized loss on available-for-sale securities	3,825	1,246
Gain on sale of investment in marketable equity securities	(3,466)	—
Changes in operating assets and liabilities:		
Accounts receivable	(3,608)	(1,647)
Inventories	(1,800)	(1,432)
Other assets	(379)	354
Accounts payable	4,022	1,562
Accrued liabilities and other non-current liabilities	(1,477)	258
Manufacturing and development obligations	600	(3,258)
Deferred product revenue	514	306
Net cash used in operating activities	(42,200)	(43,818)
Investing activities		
Capital expenditures	(354)	(359)
Purchases of investments	(50,183)	(71,760)
Proceeds from maturities and sale of investments	55,566	33,500
Net cash provided by (used in) investing activities	5,029	(38,619)
Financing activities		
Net proceeds from equity incentives	2,421	2,710
Net proceeds from public offering	18,840	22,146
Proceeds from loans	30,000	—
Repayment of debt	(19,593)	(591)
Net cash provided by financing activities	31,668	24,265
Net decrease in cash, cash equivalents and restricted cash	(5,503)	(58,172)
Cash, cash equivalents and restricted cash, beginning of period	22,744	71,630
Cash, cash equivalents and restricted cash, end of period	$17,241	$13,458

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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CERUS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

Note 1. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include those of Cerus Corporation and its subsidiary, Cerus Europe B.V. (together with Cerus Corporation, hereinafter "Cerus" or the "Company") after elimination of all intercompany accounts and transactions. These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. ("GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring entries, considered necessary for a fair presentation have been made. Operating results for the three and nine months ended September 30, 2017, are not necessarily indicative of the results that may be expected for the year ending December 31, 2017, or for any future periods.

These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2016, which were included in the Company's 2016 Annual Report on Form 10-K, filed with the SEC on March 8, 2017. The accompanying condensed consolidated balance sheet as of December 31, 2016, has been derived from the Company's audited consolidated financial statements as of that date.

Use of Estimates

The preparation of financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to the accounts receivable, inventory reserves, fair values of investments, stock-based compensation, intangible assets and goodwill, useful lives of intangible assets and property and equipment, income taxes, and accrued liabilities, among others. The Company bases its estimates on historical experience, future projections, and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates under different assumptions or conditions.

Revenue

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") Topic 605-25, "Revenue Recognition – Arrangements with Multiple Deliverables," as applicable. Revenue is recognized when (i) persuasive evidence of the arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) pricing is fixed or determinable; and (iv) collectability is reasonably assured. The Company's main sources of revenues for the three and nine months ended September 30, 2017 and 2016 were product revenue from sales of the INTERCEPT Blood System for platelets and plasma ("platelet and plasma systems" or "disposable kits") and UVA illumination devices ("illuminators").

Revenue related to product sales is generally recognized when the Company fulfills its obligations for each element of an agreement. For all sales of the Company's INTERCEPT Blood System products, the Company uses a binding purchase order or signed sales contract as evidence of an arrangement. The Company sells its platelet and plasma systems directly to blood banks, hospitals, universities, government agencies, as well as to distributors in certain regions. Generally, the Company's contracts with its customers do not provide for open return rights, except within a reasonable time after receipt of goods in the case of defective or non-conforming product. Deliverables and the units of accounting vary according to the provisions of each purchase order or sales contract. For revenue arrangements with multiple elements, the Company determines whether the delivered elements meet the criteria as separate units of accounting. Such criteria require that the deliverable have stand-alone value to the customer and that if a general right of return exists relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Company. Once the Company determines if the deliverable meets the criteria for a separate unit of accounting, the Company must determine how the consideration should be allocated between the deliverables and how the separate units of accounting should be recognized as revenue. Consideration received is allocated to elements that are identified as discrete units of accounting. Because the Company has no vendor specific objective evidence or third party evidence for its systems due to the Company's variability in its pricing across the regions into which it sells its products, the allocation of product revenue is based on best estimated selling price for the products sold. The objective of best estimated selling price is to determine the price at which the Company would transact a sale, had the product been sold on a stand-alone basis. The Company determines best estimated selling price for its systems by considering multiple factors. The Company regularly reviews best estimated selling price.

The Company receives reimbursement under its U.S. government contract that supports research and development of defined projects. The contract generally provides for reimbursement of approved costs incurred under the terms of the contract. Revenue related to the cost reimbursement provisions under the Company's U.S. government contract are recognized as the qualified direct and indirect costs on the projects are incurred. The Company invoices under its U.S. government contract using the provisional rates in the government contract and thus is subject to future audits at the discretion of government. These audits could result in an adjustment to revenue previously reported, which adjustments potentially could be significant. The Company believes that revenue for periods not yet audited has been recorded in amounts that are expected to be realized upon final audit and settlement. Costs incurred related to services performed under the contract are included as a component of research and development or selling, general and administrative expenses in the Company's consolidated statements of operations. The Company's use of estimates in recording accrued liabilities for government contract activities (see "Use of Estimates" above) affects the revenue recorded from development funding and under the government contract.

Research and Development Expenses

In accordance with ASC Topic 730, "Accounting for Research and Development Expenses," research and development ("R&D") expenses are charged to expense when incurred, including cost incurred pursuant to the terms of any contract that has been awarded to the Company by the U.S. government. Research and development expenses include salaries and related expenses for scientific and regulatory personnel, payments to consultants, supplies and chemicals used in in-house laboratories, costs of R&D facilities, depreciation of equipment and external contract research expenses, including clinical trials, preclinical safety studies, other laboratory studies, process development and product manufacturing for research use.

The Company's use of estimates in recording accrued liabilities for R&D activities (see "Use of Estimates" above) affects the amounts of R&D expenses recorded from development funding and under the government contract. Actual results may differ from those estimates under different assumptions or conditions.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less from the date of purchase to be classified as cash equivalents. These investments primarily consist of money market instruments, and are classified as available-for-sale.

Investments

Investments with original maturities of greater than three months primarily include corporate debt and U.S. government agency securities are designated as available-for-sale and classified as short-term investments or investment in marketable equity securities, in accordance with ASC Topic 320, "Accounting for Certain Investments in Debt and Equity Securities". Available-for-sale securities are carried at estimated fair value. The Company views its available-for-sale portfolio as available for use in its current operations. Unrealized gains and losses derived by changes in the estimated fair value of available-for-sale securities were recorded in "Net unrealized (losses) gains on available-for-sale investments, net of taxes" on the Company's unaudited condensed consolidated statements of comprehensive loss. Realized gains (losses) from the sale of available-for-sale investments were recorded in "Other income, net" on the Company's unaudited condensed consolidated statements of operations. The costs of securities sold are based on the specific identification method, if applicable. The Company reported the amortization of any premium and accretion of any discount resulting from the purchase of debt securities as a component of interest income.

The Company also reviews its available-for-sale securities on a regular basis to evaluate whether any security has experienced an other-than-temporary decline in fair value. Other-than-temporary declines in market value, if any, are recorded in "Other income, net" on the Company's unaudited condensed consolidated statements of operations.

Restricted Cash

As of September 30, 2017 and December 31, 2016, the Company had certain non-U.S. dollar denominated deposits recorded as “Restricted cash” in compliance with certain foreign contractual requirements.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents, available-for-sale securities and accounts receivable.

Pursuant to the Company’s investment policy, substantially all of the Company’s cash, cash equivalents and available-for-sale securities are maintained at major financial institutions of high credit standing. The Company monitors the financial credit worthiness of the issuers of its investments and limits the concentration in individual securities and types of investments that exist within its investment portfolio. Generally, all of the Company’s investments carry high credit quality ratings, which is in accordance with its investment policy. At September 30, 2017, the Company does not believe there is significant financial risk from non-performance by the issuers of the Company's cash equivalents and short-term investments.

Concentrations of credit risk with respect to trade receivables exist. On a regular basis, including at the time of sale, the Company performs credit evaluations of its significant customers that it expects to sell to on credit terms. Generally, the Company does not require collateral from its customers to secure accounts receivable. To the extent that the Company determines specific invoices or customer accounts may be uncollectible, the Company establishes an allowance for doubtful accounts against the accounts receivable on its unaudited condensed consolidated balance sheets and records a charge on its unaudited condensed consolidated statements of operations as a component of selling, general and administrative expenses.

The Company had two and three customers that accounted for more than 10% of the Company's outstanding trade receivables at September 30, 2017 and December 31, 2016, respectively. These customers cumulatively represented approximately 42% and 46% of the Company's outstanding trade receivables at September 30, 2017 and December 31, 2016, respectively. To date, the Company has not experienced collection difficulties from these customers.

Inventories

At September 30, 2017 and December 31, 2016, inventory consisted of work-in-process and finished goods only. Finished goods include INTERCEPT disposable kits, illuminators, and certain replacement parts for the illuminators. Platelet and plasma systems' disposable kits generally have a two-year life from the date of manufacture. Illuminators and replacement parts do not have regulated expiration dates. Work-in-process includes certain components that are manufactured over a protracted length of time before being sold to, and ultimately incorporated and assembled by Fresenius Kabi Deutschland GmbH or Fresenius, Inc. (with their affiliates, "Fresenius") into the finished INTERCEPT disposable kits. The Company maintains an inventory balance based on its current sales projections, and at each reporting period, the Company evaluates whether its work-in-process inventory would be sold to Fresenius for production of finished units in order to sell to existing and prospective customers within the next twelve-month period. It is not customary for the Company's production cycle for inventory to exceed twelve months. Instead, the Company uses its best judgment to factor in lead times for the production of its work-in-process and finished units to meet the Company's forecasted demands. If actual results differ from those estimates, work-in-process inventory could potentially accumulate for periods exceeding one year. At September 30, 2017 and December 31, 2016, the Company classified its work-in-process inventory as a current asset on its consolidated balance sheets based on its evaluation that the work-in-process inventory would be sold to Fresenius for finished disposable kit production within each respective subsequent twelve-month period.

Inventory is recorded at the lower of cost, determined on a first-in, first-out basis, or net realizable value. The Company uses significant judgment to analyze and determine if the composition of its inventory is obsolete, slow-moving or unsalable and frequently reviews such determinations. The Company writes down specifically identified unusable, obsolete, slow-moving, or known unsalable inventory that has no alternative use in the period that it is first recognized by using a number of factors including product expiration dates, open and unfulfilled orders, and sales forecasts. Any write-down of its inventory to net realizable value establishes a new cost basis and will be maintained even if certain circumstances suggest that the inventory is recoverable in subsequent periods. Costs associated with the write-down of inventory are recorded in "Cost of product revenue" on the Company's consolidated statements of operations. At both September 30, 2017 and December 31, 2016, the Company had $0.2 million recorded for potential obsolete, expiring or unsalable product.

Property and Equipment, net

Property and equipment is comprised of furniture, equipment, leasehold improvements, construction-in-progress, information technology hardware and software and is recorded at cost. At the time the property and equipment is ready for its intended use, it is depreciated on a straight-line basis over the estimated useful lives of the assets (generally three to five years). Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful lives of the improvements.

Goodwill and Intangible Assets, net

Intangible assets, net, which include a license for the right to commercialize the INTERCEPT Blood System in Asia, are subject to ratable amortization over the original estimated useful life of ten years. The amortization of the Company’s intangible assets, net, is recorded in “Amortization of intangible assets” on the Company’s consolidated statements of operations. Goodwill is not amortized but instead is subject to an impairment test performed on an annual basis, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Such impairment analysis is performed on August 31 of each fiscal year, or more frequently if indicators of impairment exist. The test for goodwill impairment may be assessed using qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than the carrying amount. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the Company must then proceed with performing the quantitative goodwill impairment test. The Company may choose not to perform the qualitative assessment to test goodwill for impairment and proceed directly to the quantitative impairment test; however, the Company may revert to the qualitative assessment to test goodwill for impairment in any subsequent period. The quantitative goodwill impairment test compares the fair value of each reporting unit with its respective carrying amount, including goodwill. The Company has determined that it operates in one reporting unit and estimates the fair value of its one reporting unit using the enterprise approach under which it considers the quoted market capitalization of the Company as reported on the Nasdaq Global Market. The Company considers quoted market prices that are available in active markets to be the best evidence of fair value. The Company also considers other factors, which include future forecasted results, the economic environment and overall market conditions. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess, limited to the carrying amount of goodwill in the Company's one reporting unit.

The Company performs an impairment test on its intangible assets, in accordance ASC Topic 360-10, "Property, Plant and Equipment," if certain events or changes in circumstances occur which indicate that the carrying amounts of its intangible assets may not be recoverable. If the intangible assets are not recoverable, an impairment loss would be recognized by the Company based on the excess amount of the carrying value of the intangible assets over its fair value. For further details regarding the impairment analysis, reference is made to the section below under "Long-lived Assets." See Note 4 in the Notes to Unaudited Condensed Consolidated Financial Statements for further information regarding the Company's impairment analysis and the valuation of goodwill and intangible assets, net.

Long-lived Assets

The Company evaluates its long-lived assets for impairment by continually monitoring events and changes in circumstances that could indicate carrying amounts of its long-lived assets may not be recoverable. When such events or changes in circumstances occur, the Company assesses recoverability by determining whether the carrying value of such assets will be recovered through the undiscounted expected future cash flows. If the expected undiscounted future cash flows are less than the carrying amount of these assets, the Company then measures the amount of the impairment loss based on the excess of the carrying amount over the fair value of the assets. The Company did not recognize impairment charges related to its long-lived assets during the three and nine months ended September 30, 2017 and 2016.

Foreign Currency Remeasurement

The functional currency of the Company's foreign subsidiary is the U.S. dollar. Monetary assets and liabilities denominated in foreign currencies are remeasured in U.S. dollars using the exchange rates at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are remeasured in U.S. dollars using historical exchange rates. Product revenues and expenses are remeasured using average exchange rates prevailing during the period. Remeasurements are recorded in the Company's consolidated statements of operations.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC Topic 718, Compensation - Stock Compensation. Stock-based compensation expense is measured at the grant-date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period, and is adjusted for estimated forfeitures. To the extent that stock options contain performance criteria for vesting, stock-based compensation is recognized once the performance criteria are probable of being achieved.

For stock-based awards issued to non-employees, the Company follows ASC Topic 505-50, Equity Based Payment to Non-Employees and considers the measurement date at which the fair value of the stock-based award is measured to be the earlier of (i) the date at which a commitment for performance by the grantee to earn the equity instrument is reached or (ii) the date at which the grantee's performance is complete. The Company recognizes stock-based compensation expense for the fair value of the vested portion of the non-employee stock-based awards in its consolidated statements of operations.

See Note 10 in the Notes to Unaudited Condensed Consolidated Financial Statements for further information regarding the Company's stock-based compensation expenses.

Income Taxes

The Company accounts for income taxes using an asset and liability approach in accordance with ASC Topic 740, Accounting for Income Taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. ASC Topic 740 requires derecognition of tax positions that do not have a greater than 50% likelihood of being recognized upon review by a taxing authority having full knowledge of all relevant information. Use of a valuation allowance as described in ASC Topic 740 is not an appropriate substitute for derecognition of a tax position. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in its income tax expense. To date, the Company has not recognized any interest and penalties in its unaudited condensed consolidated statements of operations, nor has it accrued for or made payments for interest and penalties. Although the Company believes it more likely than not that a taxing authority would agree with its current tax positions, there can be no assurance that the tax positions the Company has taken will be substantiated by a taxing authority if reviewed. The Company's U.S. federal tax years 1998 through 2016 and California tax years through 2015 remain subject to examination by the taxing jurisdictions due to unutilized net operating losses and research credits. The Company continues to carry a full valuation allowance on all of its net deferred tax assets, except for its indefinite lived intangibles.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted net loss per share gives effect to all potentially dilutive common shares outstanding for the period. The potentially dilutive securities include stock options, employee stock purchase plan rights and restricted stock units, which are calculated using the treasury stock method.

For the three and nine months ended September 30, 2017 and 2016, all potentially dilutive securities outstanding have been excluded from the computation of dilutive weighted average shares outstanding because such securities have an antidilutive impact due to losses reported.

The table below presents shares underlying stock options, restricted stock units, and employee stock purchase plan rights that were excluded from the calculation of the weighted average number of shares outstanding used for the calculation of diluted net loss per share. These are excluded from the calculation due to their anti-dilutive effect for the three and nine months ended September 30, 2017 and 2016 (shares in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Weighted average number of anti-dilutive potential shares:				
Stock options	17,629	15,851	17,424	15,506
Restricted stock units	1,313	699	1,211	519
Employee stock purchase plan rights	—	5	11	2
Total	18,942	16,555	18,646	16,027

Guarantee and Indemnification Arrangements

The Company recognizes the fair value for guarantee and indemnification arrangements issued or modified by the Company. In addition, the Company monitors the conditions that are subject to the guarantees and indemnifications in order to identify if a loss has occurred. If the Company determines it is probable that a loss has occurred, then any such estimable loss would be recognized under those guarantees and indemnifications. Some of the agreements that the Company is a party to contain provisions that indemnify the counter party from damages and costs resulting from claims that the Company's technology infringes the intellectual property rights of a third party or claims that the sale or use of the Company's products have caused personal injury or other damage or loss. The Company has not received any such requests for indemnification under these provisions and has not been required to make material payments pursuant to these provisions.

The Company generally provides for a one-year warranty on certain of its INTERCEPT blood-safety products covering defects in materials and workmanship. The Company accrues costs associated with warranty obligations when claims become known and are estimable. The Company has not experienced significant or systemic warranty claims nor is it aware of any existing current warranty claims. Accordingly, the Company had not accrued for any future warranty costs for its products at September 30, 2017 and December 31, 2016.

Fair Value of Financial Instruments

The Company applies the provisions of fair value relating to its financial assets and liabilities. The carrying amounts of accounts receivables, accounts payable, and other accrued liabilities approximate their fair value due to the relative short-term maturities. Based on the borrowing rates currently available to the Company for loans with similar terms, the Company believes the fair value of its debt approximates their carrying amounts. The Company measures and records certain financial assets and liabilities at fair value on a recurring basis, including its available-for-sale securities. The Company classifies instruments within Level 1 if quoted prices are available in active markets for identical assets, which include the Company’s cash accounts and money market funds. The Company classifies instruments in Level 2 if the instruments are valued using observable inputs to quoted market prices, benchmark yields, reported trades, broker/dealer quotes or alternative pricing sources with reasonable levels of price transparency. These instruments include the Company's corporate debt and U.S. government agency securities holdings. The available-for-sale securities are held by a custodian who obtains investment prices from a third party pricing provider that uses standard inputs (observable in the market) to models which vary by asset class. The Company classifies instruments in Level 3 if one or more significant inputs or significant value drivers are unobservable. The Company assesses any transfers among fair value measurement levels at the end of each reporting period.

See Note 2 in the Notes to Unaudited Condensed Consolidated Financial Statements for further information regarding the Company's valuation of financial instruments.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most current revenue recognition guidance. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which clarifies how to identify the unit of accounting for the principal versus agent evaluation and how to apply the control principle to certain types of arrangements. In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which clarifies the implementation guidance on identifying performance obligations and licensing. In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which addresses certain issues on assessing collectability, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition. In December 2016, the FASB issued ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers, which makes technical corrections and improvements to the new revenue standard. These ASUs will be effective for the Company in the first quarter of fiscal year 2018, using one of two retrospective application methods. The Company will adopt this ASU on January 1, 2018, using the modified retrospective approach. To date the Company has primarily derived its revenues from product sales of its INTERCEPT Blood System and reimbursement under its U.S. government contract. The Company has categorized its current revenue streams into homogenous populations based on the terms and conditions included in the contracts of its customers to date. The Company is currently in the process of finalizing the evaluation of the impact of the adoption to the Company's financial statements, and is evaluating the accounting policies as well as the disclosure requirements under the new standard. The Company will continue to monitor industry activities and any additional guidance provided by regulators, standards setters, or the accounting profession as an ongoing component of its assessment and implementation plans. The Company currently anticipates that the adoption of ASU 2014-09 will not have a material impact on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments-Overall (Subtopic 825-10), which requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, this ASU eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. The standard is effective for annual periods beginning after December 15, 2017, and interim periods thereafter, with early application permitted. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which, for operating leases, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The standard is effective for annual periods beginning after December 15, 2018, and interim periods thereafter, with early application permitted. The Company does not anticipate early adoption of the new standard and is currently assessing the future impact of this ASU on its consolidated financial statements. The Company anticipates that the Company's operating lease commitments will be subject to the new standard and be recognized as operating lease liabilities and right-of-use assets upon the adoption of this ASU, which will increase the Company's total assets and total liabilities.

In March 2016, the FASB issued ASU No. 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which requires entities to record all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement when awards vest or are settled, and eliminates additional paid-in capital pools. The ASU also changes the accounting for an employee's use of shares to satisfy the employer's statutory income tax withholding obligation, and the accounting for forfeitures, and provides two practical expedients for nonpublic entities. The Company adopted this ASU in the first quarter of fiscal year 2017 and it did not have a significant impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires measurement and recognition of expected credit losses for financial assets held. The standard is effective for annual periods beginning after December 15, 2019, and interim periods thereafter, with early application permitted. The Company does not anticipate early adoption of the new standard and is currently assessing the future impact of this ASU on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which removes Step 2 from the goodwill impairment test and modifies the goodwill impairment to be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill allocated to that report unit. The standard is effective for annual periods beginning after December 15, 2019, and interim periods thereafter, with early application permitted for impairment tests performed after January 1, 2017. The Company adopted this ASU in the first quarter of fiscal year 2017 and it had no impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting, which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The standard is effective for annual periods beginning after December 15, 2017, and interim periods thereafter, with early application permitted. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

Note 2. Available-for-sale Securities and Fair Value on Financial Instruments

Available-for-sale Securities

The following is a summary of available-for-sale securities at September 30, 2017 (in thousands):

	September 30, 2017			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Money market funds	$6,603	$ —	$ —	$6,603
United States government agency securities	14,780	—	(10)	14,770
Corporate debt securities	27,893	—	(18)	27,875
Total available-for-sale securities	$49,276	$ —	$ (28)	$49,248

The following is a summary of available-for-sale securities at December 31, 2016 (in thousands):

	December 31, 2016			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Money market funds	$8,991	$ —	$ —	$8,991
United States government agency securities	8,030	—	(1)	8,029
Corporate debt securities	37,110	—	(23)	37,087
Marketable equity securities	—	3,952	—	3,952
Total available-for-sale securities	$54,131	$ 3,952	$ (24)	$58,059

Available-for-sale securities at September 30, 2017 and December 31, 2016, consisted of the following by contractual maturity (in thousands):

	September 30, 2017		December 31, 2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	$43,261	$43,244	$54,131	$54,107
Marketable equity securities	—	—	—	3,952
Greater than one year and less than five years	6,015	6,004	—	—
Total available-for-sale securities	$49,276	$49,248	$54,131	$58,059

The following tables show all available-for-sale marketable securities in an unrealized loss position for which an other-than-temporary impairment has not been recognized and the related gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

	September 30, 2017					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
United States government agency securities	$11,771	$ (10)	$—	$ —	$11,771	$ (10)
Corporate debt securities	25,625	(17)	2,000	(1)	27,625	(18)
Total available-for-sale securities	$37,396	$ (27)	$2,000	$ (1)	$39,396	$ (28)

	December 31, 2016					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
United States government agency securities	$6,035	$ (1)	$—	$ —	$6,035	$ (1)
Corporate debt securities	34,086	(23)	—	—	34,086	(23)
Total available-for-sale securities	$40,121	$ (24)	$—	$ —	$40,121	$ (24)

As of September 30, 2017, the Company considered the declines in market value of its marketable securities investment portfolio to be temporary in nature and did not consider any of its investments other-than-temporarily impaired. The Company typically invests in highly-rated securities, and its investment policy limits the amount of credit exposure to any one issuer. The policy generally requires investments to be investment grade, with the primary objective of minimizing the potential risk of principal loss. Fair values were determined for each individual security in the investment portfolio. When evaluating an investment for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, changes in market interest rates, and the Company's intent to sell, or whether it is more likely than not it will be required to sell, the investment before recovery of the investment's cost basis. During the three and nine months ended September 30, 2017 and 2016, the Company did not recognize any other-than-temporary impairment loss. The Company has no current requirement or intent to sell the securities in an unrealized loss position. The Company expects to recover up to (or beyond) the initial cost of investment for securities held.

The Company recognized zero and $3.5 million of realized gains from the sale of available-for-sale investments during the three and nine months ended September 30, 2017, which were reclassified out of accumulated other comprehensive income into "Other income, net" on the Company's consolidated statements of operations. The Company did not record any gross realized losses from the sale or maturity of available-for-sale investments during the three and nine months ended September 30, 2016.

Fair Value Disclosures

The Company uses certain assumptions that market participants would use to determine the fair value of an asset or liability in pricing the asset or liability in an orderly transaction between market participants at the measurement date. The identification of market participant assumptions provides a basis for determining what inputs are to be used for pricing each asset or liability. A fair value hierarchy has been established which gives precedence to fair value measurements calculated using observable inputs over those using unobservable inputs. This hierarchy prioritized the inputs into three broad levels as follows:

- Level 1: Quoted prices in active markets for identical instruments
- Level 2: Other significant observable inputs (including quoted prices in active markets for similar instruments)
- Level 3: Significant unobservable inputs (including assumptions in determining the fair value of certain investments)

Money market funds are highly liquid investments and are actively traded. The pricing information on these investment instruments are readily available and can be independently validated as of the measurement date. This approach results in the classification of these securities as Level 1 of the fair value hierarchy.

To estimate the fair value of Level 2 debt securities as of September 30, 2017, the Company's primary service relies on inputs from multiple industry-recognized pricing sources to determine the price for each investment. Corporate debt and U.S. government agency securities are systematically priced by this service as of the close of business each business day. If the primary pricing service does not price a specific asset a secondary pricing service is utilized.

The fair values of the Company's financial assets and liabilities were determined using the following inputs at September 30, 2017 (in thousands):

	Balance sheet classification	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	Cash and cash equivalents	$6,603	$ 6,603	$ —	$ —
United States government agency securities	Short-term investments	14,770	—	14,770	—
Corporate debt securities	Short-term investments	27,875	—	27,875	—
Total financial assets		$49,248	$ 6,603	$ 42,645	$ —

The fair values of the Company's financial assets and liabilities were determined using the following inputs at December 31, 2016 (in thousands):

Balance sheet	Quoted	Significant	Significant Unobservable

	classification	Total	Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Inputs (Level 3)
Money market funds	Cash and cash equivalents	$8,991	$8,991	$ —	$ —
United States government agency securities	Short-term investments	8,029	—	8,029	—
Corporate debt securities	Short-term investments	37,087	—	37,087	—
Marketable equity securities	Marketable equity securities	3,952	3,952	—	—
Total financial assets		$58,059	$12,943	$45,116	$ —

The Company did not have any transfers among fair value measurement levels during the three and nine months ended September 30, 2017.

Note 3. Inventories

Inventories at September 30, 2017 and December 31, 2016, consisted of the following (in thousands):

	September 30, 2017	December 31, 2016
Work-in-process	$ 3,523	$ 5,044
Finished goods	10,727	7,487
Total inventories	$ 14,250	$ 12,531

Note 4. Goodwill and Intangible Assets, net

Goodwill

During the three and nine months ended September 30, 2017, the Company did not dispose of or recognize additional goodwill. The Company performed its annual review of goodwill on August 31, 2017, and noted no impairment as of that date. As of September 30, 2017, the Company has not identified any indicators of goodwill impairment.

Intangible Assets, net

The following is a summary of intangible assets, net at September 30, 2017 (in thousands):

	September 30, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquisition-related intangible assets:			
Reacquired license - INTERCEPT Asia	$2,017	$ (1,430)	$ 587
Total intangible assets	$2,017	$ (1,430)	$ 587

The following is a summary of intangible assets, net at December 31, 2016 (in thousands):

	December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount

Acquisition-related intangible assets:			
Reacquired license - INTERCEPT Asia	$2,017	$ (1,279)	$ 738
Total intangible assets	$2,017	$ (1,279)	$ 738

During the three and nine months ended September 30, 2017 and 2016, there were no impairment charges recognized related to the acquired intangible assets.

At September 30, 2017, the expected amortization expense of the intangible assets, net is less than $0.1 million for the remaining three months of 2017, $0.2 million annually beginning with the year ending December 31, 2018, through the year ending December 31, 2019, and $0.1 million for the year ending December 31, 2020.

Note 5. Marketable Equity Investments

The Company held an investment in preferred shares of Aduro which it had historically accounted for under the cost method of accounting with a net carrying value of zero. In April 2015, Aduro's common stock began trading on the NASDAQ Global Select Market, under the symbol "ADRO". At the time of Aduro's initial public offering ("IPO"), the Company's preferred shares in Aduro converted to 396,700 shares of common stock, and the fair value of the Company's investment became readily determinable and, as a result became a marketable equity security. Therefore, the Company no longer accounted for the investment in Aduro under the cost basis of accounting. The Company reflected the investment in Aduro as an available-for-sale security included in investment in marketable equity securities on the Company's unaudited condensed consolidated balance sheet (Note 2) and adjusted the carrying value of this investment to fair value each quarterly reporting period, with changes in fair value recorded within other comprehensive income (loss), net of tax. During the nine months ended September 30, 2017, the Company sold its remaining shares of Aduro common stock and recognized a gain of $3.5 million in "Other income, net" on the Company's consolidated statements of operations. As of September 30, 2017, the Company had no remaining investment in Aduro's common stock.

Note 6. Accrued Liabilities

Accrued liabilities at September 30, 2017 and December 31, 2016, consisted of the following (in thousands):

	September 30, 2017	December 31, 2016
Accrued compensation and related costs	$ 5,546	$ 7,098
Accrued professional services	3,454	2,511
Accrued insurance premiums	675	476
Other accrued expenses	1,006	1,133
Total accrued liabilities	$ 10,681	$ 11,218

Note 7. Debt

Debt at September 30, 2017, consisted of the following (in thousands):

	September 30, 2017		
	Principal	Unamortized Discount	Total
Loan and Security Agreement	$30,000	$ (220)	$29,780
Less: debt - current	—	—	—
Debt - non-current	$30,000	$ (220)	$29,780

Debt at December 31, 2016, consisted of the following (in thousands):

	December 31, 2016		
	Principal	Unamortized Discount	Net Carrying Value
Loan and Security Agreement	$19,499	$ (124)	$ 19,375
Less: debt - current	(7,013)	79	(6,934)
Debt - non-current	$12,486	$ (45)	$ 12,441

Principal and interest payments on debt at September 30, 2017, are expected to be as follows (in thousands):

Year ended December 31,	Principal	Interest	Total
2017	$—	$609	$609
2018	—	2,445	2,445
2019	7,857	2,178	10,035
2020	8,571	1,489	10,060
2021	8,572	785	9,357
2022	5,000	2,535	7,535
Total	$30,000	$10,041	$40,041

Loan and Security Agreement

On June 30, 2014, the Company entered into a five year loan and security agreement with (the “Term Loan Agreement”) with Oxford Finance LLC (“Oxford”) to borrow up to $30.0 million in term loans in three equal tranches (the “Term Loans”). On June 30, 2014, the Company received $10.0 million from the first tranche (“Term Loan A”). The second tranche of $10.0 million (“Term Loan B”) was drawn on June 15, 2015. Term Loan A bore an interest rate of 6.95%. Term Loan B bore an interest rate of 7.01%. Term Loans A and B were set to mature on June 1, 2019.

On September 29, 2015, the Term Loan Agreement was amended to extend (i) the period in which the third tranche could have been drawn and (ii) the interest-only period for all advances under the Term Loan Agreement. The Company was required to make interest only payments through June 2016, followed by thirty-six months of equal principal and interest payments thereafter. On July 28, 2016, the Term Loan Agreement was amended to include an additional interest-only period for all advances under the Term Loan Agreement. As amended, the Company was required to make interest only payments from August 2016 through January 2017, followed by twenty-nine months of equal principal and interest payments thereafter. On April 27, 2017, the Term Loan Agreement was amended to include an additional interest-only period for all advances under the Term Loan Agreement. As amended, the Company was required to make interest only payments from May 2017 through December 2017, followed by eighteen months of equal principal and interest payments thereafter. The Company determined that these amendments to the Term Loan Agreement resulted in debt modifications. As a result, the accounting treatment for the Term Loan continues under the interest method, with a new effective interest rate based on revised cash flows calculated on a prospective basis upon the execution of each of these amendments to the Term Loan Agreement. The Company was also required to make a final payment equal to 7% of the principal amounts of the Term Loans drawn payable on the earlier to occur of maturity or prepayment. The costs associated with the final payment are recognized as interest expense over the life of the Term Loans. The Company could prepay at any time the Term Loans subject to declining prepayment fees over the term of the Term Loan Agreement. The Company pledged all current and future assets, excluding its intellectual property and 35% of the Company's investment in its subsidiary, Cerus Europe B.V., as security for borrowings under the Term Loan Agreement.

On July 31, 2017 (the "Closing Date"), the Company entered into an amended and restated loan and security agreement (the "Amended Credit Agreement") with Oxford, which amends and restates in its entirety the Term Loan Agreement. The Amended Credit Agreement provides for secured growth capital term loans of up to $40.0 million (the "2017 Term Loans"). All of the Company's current and future assets, excluding its intellectual property and 35% of the Company's investment in Cerus Europe B.V., are secured for its borrowings under the Amended Credit Agreement. The 2017 Term Loans are available in two tranches. The first tranche of $30.0 million ("2017 Term Loan A") was drawn by the Company on July 31, 2017, with the proceeds used in part to repay in full all of the outstanding term loans under the Term Loan Agreement of $17.6 million. The second tranche of $10.0 million ("2017 Term Loan B") will be made available to the Company upon the Company's achieving consolidated trailing six-month revenues as defined in the agreement (the "Revenue Milestone"). If the Revenue Milestone is achieved, the Company may draw the 2017 Term Loan B through the earlier of (i) January 31, 2019, and (ii) the date which is 60 days after the achievement of the Revenue Milestone. The 2017 Term Loans require interest-only payments through February 1, 2019, followed by 42 months payments of equal principal plus declining interest payments. However, if the Company draws the 2017 Term Loan B, then the interest-only period will be extended through August 1, 2019, and the amortization period will be reduced to 36 months. Interest on 2017 Term Loan A and 2017 Term Loan B will bear interest at a rate equal to the greater of (i) 8.01% and (ii) the three-month U.S. LIBOR rate plus 6.72%. The Company will also be required to make a final payment fee of 8.00% of the principal amounts of the 2017 Term Loans. The Amended Credit Agreement contains certain nonfinancial covenants, with which the Company was in compliance at September 30, 2017.

Note 8. Commitments and Contingencies

Operating Leases

The Company leases its office facilities, located in Concord, California and Amersfoort, the Netherlands, and certain equipment and automobiles under non-cancelable operating leases with initial terms in excess of one year that require the Company to pay operating costs, property taxes, insurance and maintenance. The operating leases expire at various dates through 2021, with certain of the leases providing for renewal options, provisions for adjusting future lease payments based on the consumer price index, and the right to terminate the lease early. The Company's leased facilities qualify as operating leases under ASC Topic 840, "Leases" and as such, are not included on its consolidated balance sheets.

Financed Leasehold Improvements

In 2010, the Company financed $1.1 million of leasehold improvements. The Company pays for the financed leasehold improvements as a component of rent and is required to reimburse its landlord over the remaining life of the respective leases. At September 30, 2017, the Company had an outstanding liability of $0.3 million related to these leasehold improvements, of which $0.1 million was reflected in “Accrued liabilities” and $0.2 million was reflected in “Other non-current liabilities” on the Company’s consolidated balance sheets.

Purchase Commitments

The Company is party to agreements with certain suppliers for certain components of the INTERCEPT Blood System. Certain of these agreements require minimum purchase commitments from the Company.

Note 9. Stockholders’ Equity

Sales Agreement

On May 5, 2016, the Company entered into Amendment No. 2 to the Controlled Equity Offering℠ Sales Agreement, dated August 31, 2012, as previously amended on March 21, 2014, (together, the “Amended Cantor Agreement”) with Cantor Fitzgerald & Co. (“Cantor”) that provides for the issuance and sale of shares of the Company’s common stock having an aggregate offering price of up to $132.2 million through Cantor over the term of the Amended Cantor Agreement. As a result of Amendment No. 2, at May 5, 2016, the Company had $70 million of common stock available to be sold under the Amended Cantor Agreement. Under the Amended Cantor Agreement, Cantor also acts as the Company's sales agent and receives compensation based on an aggregate of 2% of the gross proceeds on the sale price per share of its common stock. The issuance and sale of these shares by the Company pursuant to the Amended Cantor Agreement are deemed an "at-the-market" offering and are registered under the Securities Act of 1933, as amended.

During the nine months ended September 30, 2017, 7.6 million shares of the Company's million shares of the Company's common stock were sold under the Amended Cantor Agreement for net proceeds of $19.3 million. At September 30, 2017, the Company had $42.6 million of common stock available to be sold under Amendment No. 2 to the Amended Cantor Agreement.

On August 4, 2017, the Company entered into Amendment No. 3 to the Amended Cantor Agreement. In connection with Amendment No. 3, the Company filed a new shelf registration statement on Form S-3 (the "New Registration Statement"). Amendment No. 3 will become effective upon the effectiveness of the New Registration Statement. As a result of Amendment No. 3, the Amended Cantor Agreement will provide, when effective, for the issuance and sale of shares of the Company's common stock having an aggregate offering price of up to $70.0 million through Cantor following the effectiveness of the New Registration Statement, which amount includes any unsold shares of common stock previously available for sale under the Amended Cantor Agreement. As of September 30, 2017, the New Registration Statement had not been declared effective by the U.S. Securities and Exchange Commission and, as a result, Amendment No. 3 has not become effective.

Note 10. Stock-Based Compensation

Employee Stock Purchase Plan

The Company maintains an Employee Stock Purchase Plan (the "Purchase Plan"), which is intended to qualify as an employee stock purchase plan within the meaning of Section 423(b) of the Internal Revenue Code. Under the Purchase Plan, the Company's Board of Directors may authorize participation by eligible employees, including officers, in periodic offerings. Under the Purchase Plan eligible employee participants may purchase shares of common stock of the Company at a purchase price equal to 85% of the lower of the fair market value per share on the start date of the offering period or the fair market value per share on the purchase date. The Purchase Plan consists of a fixed offering period of 12 months with two purchase periods within each offering period. At September 30, 2017, the Company had 1.2 million shares available for future issuance.

2008 Equity Incentive Plan and Inducement Plan

The Company also maintains an equity compensation plan to provide long-term incentives for employees, contractors, and members of its Board of Directors. The Company currently grants equity awards from one plan, the 2008 Equity Incentive Plan (the "2008 Plan"). The 2008 Plan allows for the issuance of non-statutory and incentive stock options, restricted stock, restricted stock units ("RSUs"), stock appreciation rights, other stock-related awards, and performance awards which may be settled in cash, stock, or other property. On June 6, 2012 and June 12, 2013, the stockholders approved amendments to the 2008 Plan (collectively the "Amended 2008 Plan") such that the Amended 2008 Plan had reserved for issuance an amount not to exceed 19.5 million shares. On June 10, 2015, the Company's stockholders approved an amendment and restatement of the 2008 Plan that increased the aggregate number of shares of common stock authorized for issuance under the 2008 Plan by 5,000,000 shares. On June 7, 2017, the Company's stockholders approved an amendment and restatement of the 2008 Plan that increased the aggregate number of shares of common stock authorized for issuance under the 2008 Plan by 6,000,000 shares. Awards under the Amended 2008 Plan generally have a maximum term of 10 years from the date of the award. The Amended 2008 Plan generally requires options to be granted at 100% of the fair market value of the Company's common stock subject to the option on the date of grant. Options granted by the Company to employees generally vest over four years. RSUs are measured based on the fair market value of the underlying stock on the date of grant and will generally vest over three years. Performance-based stock or cash awards granted under the Amended 2008 Plan are limited to either 500,000 shares of common stock or $1.0 million per recipient per calendar year. The attainment of any performance-based awards granted shall be conclusively determined by a committee designated by the Company's Board of Directors. On August 31, 2016, the Company's Board of Directors adopted the Cerus Corporation Inducement Plan (the "Inducement Plan"), and reserved 1,250,000 shares of its common stock under the Inducement Plan to be used exclusively for the issuance of non-statutory stock options and restricted stock units to individuals who were not previously employees or directors of the Company, or who had experienced a bona fide period of non-employment, as an inducement material to the individual's entry into employment with the Company within the meaning of Rule 5635(c)(4) of the NASDAQ Listing Rules. The Inducement Plan was approved by the Company's Board of Directors without stockholder approval pursuant to Rule 5635(c)(4), and the terms and conditions of the Inducement Plan are substantially similar to the Amended 2008 Plan. Effective June 7, 2017, the Company no longer issues shares from the Inducement Plan.

At September 30, 2017, the Company had an aggregate of approximately 26.4 million shares of its common stock subject to outstanding options or RSUs, or remaining available for future issuance under the Amended 2008 Plan, of which approximately

17.4 million shares and 1.3 million shares were subject to outstanding options and outstanding RSUs, respectively, and approximately 7.7 million shares were available for future issuance under the Amended 2008 Plan. The Company's policy is to issue new shares of common stock upon the exercise of options or vesting of RSUs.

Activity under the Company's equity incentive plans related to stock options is set forth below (in thousands except per share amounts):

	Number of Options Outstanding	Weighted Average Exercise Price per Share
Balances at December 31, 2016	15,787	$ 4.39
Granted	3,260	