



**The Herzfeld Caribbean Basin Fund, Inc.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
November 11, 2008**

**Miami, Florida  
August 31, 2008**

TO THE STOCKHOLDERS OF  
THE HERZFELD CARIBBEAN BASIN FUND, INC.:

The Annual Meeting of Stockholders of The Herzfeld Caribbean Basin Fund, Inc. (the "Fund") will be held on November 11, 2008, at 2:00 p.m. Eastern time, in the Library, 300 South Pointe Drive, Miami Beach, FL 33139, for the following purposes:

- (1) the election of two Class III directors; and
- (2) to transact such other business as may properly come before the meeting and any adjournments thereof.

The subjects referred to above are discussed in detail in the Proxy Statement attached to this notice. Each stockholder is invited to attend the Annual Meeting of Stockholders in person. Stockholders of record at the close of business on August 15, 2008, have the right to vote at the meeting. If you cannot be present at the meeting, we urge you to fill in, sign, and promptly return the enclosed proxy in order that the meeting can be held without additional expense and a maximum number of shares may be voted.

CECILIA GONDOR  
Secretary

**YOUR VOTE IS IMPORTANT  
NO MATTER HOW MANY SHARES YOU OWNED ON THE RECORD DATE.**

**PLEASE INDICATE YOUR VOTING INSTRUCTIONS ON THE ENCLOSED PROXY, DATE, SIGN AND RETURN IT IN THE ENVELOPE PROVIDED, WHICH IS ADDRESSED FOR YOUR CONVENIENCE AND NEEDS NO POSTAGE IF MAILED IN THE UNITED STATES. IN ORDER TO AVOID THE ADDITIONAL EXPENSE TO THE FUND OF FURTHER SOLICITATION, WE ASK YOUR COOPERATION IN RETURNING YOUR PROXY PROMPTLY. YOUR PROXY IS REVOCABLE AT ANY TIME PRIOR TO ITS USE.**

**The Herzfeld Caribbean Basin Fund, Inc.  
P.O. Box 161465, Miami, Florida 33116**

**PROXY STATEMENT  
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD  
NOVEMBER 11, 2008**

**This statement is furnished in connection with the solicitation of proxies by the Board of Directors of The Herzfeld Caribbean Basin Fund, Inc. (the "Fund") for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held in the Library, 300 South Pointe Drive, Miami Beach, FL 33139, on November 11, 2008 at 2:00 p.m. Eastern time.**

**Proxies may be solicited by mail, telephone, telegraph and personal interview. The Fund has also requested brokers, dealers, banks or voting trustees, or their nominees to forward proxy material to the beneficial owners of stock of record. You may revoke your proxy at any time prior to the exercise thereof by submitting a written notice of revocation or subsequently executed proxy to the Secretary of the meeting. Signing and mailing the proxy will not affect your right to give a later proxy or to attend the meeting and vote your shares in person. The cost of soliciting proxies will be paid by the Fund. This proxy statement is expected to be distributed to stockholders on or about August 31, 2008.**

**THE PERSONS NAMED IN THE ACCOMPANYING PROXY WILL VOTE THE NUMBER OF SHARES REPRESENTED THEREBY AS DIRECTED OR, IN THE ABSENCE OF SUCH DIRECTION, FOR THE NOMINEES FOR DIRECTOR AND TO TRANSACT SUCH OTHER BUSINESS THAT MAY PROPERLY COME BEFORE THE MEETING AND ANY ADJOURNMENTS THEREOF.**

**On August 15, 2008, the record date for determination of stockholders entitled to receive notice of and to vote at the Annual Meeting, or any adjournment thereof, there were issued and outstanding 3,713,071 shares of Common Stock of the Fund, each entitled to one vote, constituting all of the Fund's then outstanding securities.**

**At the Annual Meeting, a quorum shall consist of the holders of a majority of the outstanding shares of the Common Stock of the Fund entitled to vote at the meeting. If a quorum is present, a plurality of all votes cast at the Annual Meeting shall be sufficient for the election of a director (Proposal 1). Under Maryland law, abstentions and broker non-votes will be included for purposes of determining whether a quorum is present at the Annual Meeting, but will be treated as votes not cast, and therefore, will not be counted for purposes of determining whether matters to be voted upon at the Annual Meeting have been approved.**

**The Fund will furnish, without charge, a copy of its annual report for its fiscal year ended June 30, 2008, and the most recent semi-annual report preceding the annual report to any stockholder requesting such reports.**

**Requests for the annual report or semi-annual report should be made in writing to the Fund at the address set forth above or by calling the Secretary of the Fund, Cecilia Gondor, at 800-854-3863 or 305-271-1900.**

**ELECTION OF DIRECTORS  
(Proposal 1)**

Two directors are to be elected at the Annual Meeting. Pursuant to the Fund's By-Laws, the directors are classified into three classes with respect to the year of expiration of their terms of office. Because the Fund's Class III directors' terms of office will expire in 2008, the Annual Meeting is being held for the election of those directors. The Class I and Class II directors' terms of office will expire in 2009, and 2010, respectively.

If authority is granted on the accompanying proxy card to vote in the election of directors, it is the intention of the person named in the proxy to vote at the Annual Meeting for the election of the nominees named below, who have consented to being named in the proxy statement and to serve if elected. If a nominee is unavailable to serve for any reason, the person named as proxy will vote for such other nominee or nominees selected by the Board of Directors, or the Board may reduce the number of directors as provided in the Fund's By-Laws. The Fund currently knows of no reason why the nominees listed below would be unable or unwilling to serve if elected.

As of August 31, 2008, the Fund's Board of Directors consisted of four members. The Class III directors of the Fund, Mr. Thomas J. Herzfeld and Mr. Michael A. Rubin, are nominees for election and their current terms as directors will expire on the date of the Annual Meeting or when their successors are elected and qualify. The nominees would serve until his successor has been elected and qualified.

Certain information regarding the nominees as well as the current directors and executive officers of the Fund is set forth below.

#### Nominees for Director - "Interested Person"

Name, Address, Age	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios In Complex Overseen by Director	Other Directorships held by Nominee
<b>Thomas J. Herzfeld*</b> PO Box 161465 Miami, FL 33116 Age: 63	President, Chairman, Director	1993 to present	Chairman and President of Thomas J. Herzfeld & Co., Inc., a broker dealer, and Thomas J. Herzfeld Advisors, Inc.	2	The Cuba Fund, Inc. (in registration)

#### Nominees for Director - "Independent Person"

Name, Address, Age	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios In Complex Overseen by Director	Other Directorships held by Nominee
<b>Michael A. Rubin</b> c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 66	Director	2002 to present	Partner of Michael A. Rubin P.A., attorney at law; Broker, Oaks Management & Real Estate Corp., a real estate corporation	1	Margo Caribe, Inc.

#### Current Directors and Officers

Name, Address, Age	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios In Complex Overseen by Director	Other Directorships held by Officer/Director
<u>Officers:</u>					
<b>Thomas J. Herzfeld*</b> PO Box 161465 Miami, FL 33116 Age: 63	President, Chairman, Director	1993 to present	Chairman and President of Thomas J. Herzfeld & Co., Inc., a broker dealer, and	2	The Cuba Fund, Inc. (in registration)

Thomas J. Herzfeld  
Advisors, Inc.

<p><b>Cecilia L. Gondor</b> Secretary, PO Box 161465 Treasurer Miami, FL 33116 Age: 46</p>	<p>1993 to present</p>	<p>Executive Vice President of Thomas J. Herzfeld &amp; Co., Inc., a broker dealer, and Thomas J. Herzfeld Advisors, Inc.</p>	<p>N/A</p>
--	------------------------	---	------------

Independent Directors:

<p><b>Ann S. Lieff</b> Director c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 56</p>	<p>1998 to present</p>	<p>President of the Lieff Company, a management consulting firm that offers ongoing advisory services as a corporate director to several leading regional and national retail operations, 1998-present; former CEO Spec's Music 1980-1998, a retailer of recorded music.</p>	<p>1</p>	<p>Hastings Entertainment, Inc.; Birks &amp; Mayors, Inc.</p>
<p><b>Michael A. Rubin</b> Director c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 66</p>	<p>2002 to present</p>	<p>Partner of Michael A. Rubin P.A., attorney at law; Broker, Oaks Management &amp; Real Estate Corp., a real estate corporation</p>	<p>1</p>	<p>Margo Caribe, Inc.</p>

\* An "interested person" (as defined in the Investment Company Act of 1940) of the Fund because he/she is an officer and employee of the Fund's investment adviser.

Name, Address, Age	Position(s) Held with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios In Complex Overseen by Director	Other Directorships held by Officer/Director
<b>Kay W. Tatum,</b> <b>Ph.D, CPA</b> c/o The Herzfeld Caribbean Basin Fund, Inc. PO Box 161465 Miami, FL 33116 Age: 56	Director	2007 to present	Chair and Associate Professor of Accounting, University of Miami School of Business Administration, 2004-present; Associate Professor of Accounting, University of Miami, 1992-present, Assistant Professor of Accounting, University of Miami, 1986-1992.	1	None

#### Ownership of Fund Securities by Directors and Executive Officers

Name	Dollar Range of Equity in the Fund**	Number of Shares Held**	Percent of Class**
------	--	----------------------------	--------------------------

#### Interested Director and Executive Officer

Thomas J. Herzfeld	Over \$100,000	123,148	3.32%
Cecilia L. Gondor	\$10,001 - \$50,000	4,600	0.12%

#### Independent Directors

Ann S. Lieff	\$50,001 - \$100,000	9,675	0.26%
Michael A. Rubin	\$10,001 - \$50,000	2,321	0.06%
Kay W. Tatum, Ph.D., CPA	\$0 - \$10,000	580	0.02%

All directors and executive officers as a group (five persons)	N/A	140,324	3.78%
---	-----	---------	-------

\*\* As of June 30, 2008

The Board of Directors of the Fund held four regular meetings and one special meeting during the Fund's fiscal year ended June 30, 2008. Each of the directors attended at least 75% of the aggregate number of meetings of the Board of Directors and of each committee of which he or she was a member.

#### Audit Committee

The Audit Committee of the Board currently consists of Mr. Rubin, Ms. Lieff and Dr. Tatum none of whom is an “interested person” of the Fund. Each member of the Audit Committee is considered independent under the applicable National Association of Securities Dealers’ (“NASD”) listing standards. The Board of Directors has adopted a written charter for the Audit Committee, which was included as Appendix A to the Fund’s proxy statement for the 2007 Annual Meeting. The Audit Committee reviews the scope of the audit by the Fund’s independent auditors, confers with the auditors with respect to the audit and the internal accounting controls of the Fund and with respect to such other matters as may be important to an evaluation of the audit and the financial statements of the Fund, and makes recommendations with respect to the selection of auditors for the Fund.

### **Audit Committee Report**

The Audit Committee met twice during the fiscal year ended June 30, 2008, and has reviewed and discussed the Fund’s audited financial statements with Fund management. Further, the Audit Committee has discussed with Rothstein Kass & Company, LLP, the Fund’s independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee has received the written disclosures and a letter from Rothstein Kass & Company, LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with Rothstein Kass & Company, LLP their independence. Based upon the foregoing, the Audit Committee recommended to the Board of Directors that the audited financial statements of the Fund be included in the Fund’s annual report to stockholders for filing with the U.S. Securities and Exchange Commission for the fiscal year ended June 30, 2008.

Kay W. Tatum  
Ann S. Lieff  
Michael A. Rubin



## Nominating Committee

The Board has a Nominating Committee comprised solely of independent directors which consists of Mr. Rubin, Ms. Lieff and Dr. Tatum. The Nominating Committee is responsible for reviewing and recommending qualified candidates in the event that a directorship is vacated or created, and operates under a written charter, a copy of which was included as Appendix A to the Fund's proxy statement for the 2004 Annual Meeting. The Nominating Committee will not consider nominees recommended by stockholders. Each member of the Nominating Committee is an independent director under the rules promulgated by the NASD. The Nominating Committee believes that candidates for director should have certain minimum qualifications, including (i) the ability to apply good business judgment and must be in a position to properly exercise their duties of loyalty and care; (ii) proven leadership capabilities, high integrity and moral character, significant business experience and a high level of responsibility within their chosen fields; (iii) the ability to quickly grasp complex principles of business, finance, international transactions and the regulatory environment in which investment companies must operate; and (iv) the ability to read and understand basic financial statements, however the committee retains the right to modify these minimum qualifications from time to time. In general, candidates will be preferred who hold an established senior or executive level position in business, finance, law, education, research or government. The committee's process for identifying and evaluating nominees is as follows: In the case of incumbent directors whose terms of office are set to expire, the Nominating Committee reviews such directors' overall service to the Fund during their term, including the number of meetings attended, level of participation, quality of performance, and any transactions of such directors with the Fund, if any, during their term, and confirms their independence if applicable. In the case of new director candidates, the committee first determines whether the nominee must be independent for purposes of The Nasdaq Stock Market and whether the candidate must be considered a disinterested director under the Investment Company Act. In either case, determinations are based upon the Fund's charter and bylaws, applicable securities laws, the rules and regulations of the SEC, the rules of the National Association of Securities Dealers, and the advice of counsel, if necessary. The committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The committee then meets to discuss and consider such candidates' qualifications and recommend the nominee. The Nominating Committee held one meeting during the last fiscal year.

Stockholders and other interested parties may contact the Board or any member of the Board by mail. To communicate with the Board or any member of the Board correspondence should be addressed to the Secretary of the Fund, Attention Board of Directors. All such correspondence should be sent c/o the Fund at P.O. Box 161465, Miami, Florida, 33116.

The Fund pays those directors who are not "interested persons" of the Fund \$2,000 per year in addition to \$800 for each meeting of the Board attended, plus reimbursement for expenses. Such fees totaled \$15,200 for the fiscal year ended June 30, 2008.

The aggregate compensation paid by the Fund to each of its directors serving during the fiscal year ended June 30, 2008, is set forth in the compensation table below. Mr. Herzfeld receives no direct compensation for his services on the Fund's Board.

Name of Person and Position with Fund	Aggregate Compensation from the Fund	Pension or Retirement Benefits Accrued as Part of Fund Expenses	Estimated Annual Benefits Upon Retirement	To Compe From and I Comple t Direc
Thomas J. Herzfeld*	\$0	\$0	\$0	\$

*President and Director*

*Tax Considerations.* Section 162(m) of the Internal Revenue Code disallows a tax deduction for any publicly held corporation for individual compensation exceeding \$1.0 million in any taxable year for our named executive officers (other than our chief financial officer), unless compensation is performance-based. As we only recently became publicly traded, our board of directors has not previously taken the deductibility limit imposed by Section 162(m) into consideration in setting compensation. We expect that our Compensation Committee may in the future, where reasonably practicable, take steps to ensure that the variable compensation paid to our executive officers is deductible by the Company. However, our Compensation Committee may, in its judgment, authorize compensation payments that do not meet the deductibility requirements imposed by Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

---

**Summary Compensation Table**

The following table sets forth information regarding compensation earned by our named executive officers during fiscal 2011.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	Option Awards (\$)(2)	All Other Compensation (\$)	Total (\$)
<b>Richard Hamilton</b>						
<i>President and Chief Executive Officer</i>						
	2011	386,538	94,000	802,000	13,219(4)	1,295,757
	2010	380,000	66,500		7,616	454,116
<b>Paul Kuc</b>						
<i>Chief Financial Officer</i>						
	2011	268,500	74,000	160,400	5,418(5)	508,318
	2010	260,000	65,000	155,133	65,021	545,154
<b>Richard Flavell</b>						
<i>Chief Scientific Officer</i>						
	2011	303,923	67,000	323,400(3)	10,258(6)	704,581
	2010	300,000	45,000	23,270	9,992	378,262
<b>Wilfriede van Assche</b>						
<i>Senior Vice President, General Counsel and Secretary</i>						
	2011	270,231	65,500	241,900	10,312(7)	587,943
	2010	265,000	39,750	38,783	10,051	353,584
<b>Michael Stephenson</b>						
<i>Vice President of Operations</i>						
	2011	254,577	64,000	160,400	8,630(8)	487,607
	2010	250,000	50,000	155,133	6,744	461,877

- (1) For fiscal 2010 and fiscal 2011, bonuses for our named executive officers have been determined on a discretionary basis by our Compensation Committee and our board of directors. Accordingly, we are disclosing bonus amounts in the Bonus column.
- (2) The amounts in the Option Awards column reflect the aggregate grant date fair value of stock options granted during fiscal 2011, computed in accordance with ASC Topic 718. See the Grants of Plan-Based Awards table for more information on stock option grants made in fiscal 2011. These amounts do not correspond to the actual value that may be recognized by the named executive officers.
- (3) The portion of this amount relating to Dr. Flavell's January 20, 2011 option grant represents the incremental fair value of a replacement award granted in connection with the cancellation of a previous option award, computed as of the replacement date, which is equal to the grant date fair value of such replacement award.
- (4) This amount includes a company matching contribution to our 401(k) plan in the amount of \$7,650, company-paid life insurance premiums in the amount of \$318 and reimbursement of \$4,451 for personal legal expenses and \$800 for associated taxes.
- (5) This amount includes a company matching contribution to our 401(k) plan in the amount of \$5,100 and company-paid life insurance premiums in the amount of \$318.
- (6) This amount includes a company matching contribution to our 401(k) plan in the amount of \$9,957 and company-paid life insurance premiums in the amount of \$301.
- (7) This amount includes a company matching contribution to our 401(k) plan in the amount of \$9,994 and company-paid life insurance premiums in the amount of \$318.
- (8) This amount includes a company matching contribution to our 401(k) plan in the amount of \$8,329 and company-paid life insurance premiums in the amount of \$301.

## Grants of Plan-Based Awards

The following table sets forth information regarding grants of compensation in the form of plan-based awards made during fiscal 2011 to our named executive officers.

Name	Grant Date	All Other	Exercise	Grant Date
		Option Awards:	or Base Price of Option Awards	Fair Value of Option Awards
		Number of Securities Underlying Options (#)(1)	(\$/Sh)(2)	(\$)(3)
Richard Hamilton	6/23/11	66,666	16.77	802,000
Paul Kuc	6/23/11	13,333	16.77	160,400
Richard Flavell	1/20/11(4)	33,333	7.32	163,000
	6/23/11	13,333	16.77	160,400
Wilfriede van Assche	1/20/11(5)	16,666	7.32	81,500
	6/23/11	13,333	16.77	160,400
Michael Stephenson	6/23/11	13,333	16.77	160,400

- (1) Unless otherwise specified, the stock option awards listed in this table are subject to a five-year vesting schedule with a two-year cliff, with 40% of the options vesting on the second anniversary of the grant date and the remainder vesting ratably each month thereafter until the fifth anniversary of the grant date. Notwithstanding the foregoing, awards may be subject to acceleration of vesting upon a change in control of our company and/or a termination of employment following a change in control, as further described below in Executive Compensation Potential Severance Payments upon Termination and upon Termination Following a Change in Control . All options were granted under our 2010 Stock Option/Stock Issuance Plan, which is described below under Compensation Discussion and Analysis Executive Compensation Equity Compensation Plans .
- (2) Represents the fair market value of a share of our common stock, as determined by our board of directors, on the respective option grant date.
- (3) Reflects the grant date fair value of each stock option granted computed in accordance with ASC Topic 718. These amounts do not correspond to the actual value that may be recognized by the named executive officers.
- (4) The grant to Dr. Flavell on January 20, 2011 is a replacement award granted in connection with the cancellation of a previous option award that had been granted on June 8, 2010. The replacement award is subject to a three-year vesting schedule, with 25% of the options vesting on the vesting commencement date, which is a date fixed by our board of directors when granting options, and the remainder vesting ratably each month thereafter until the third anniversary of the grant date. The grant date fair value amount represents incremental fair value of the replacement award, computed as of the replacement date, which is equal to the grant date value of such replacement award.
- (5) The grant to Wilfriede van Assche on January 20, 2011, is subject to a four-year vesting schedule, with 25% of the options vesting on the first anniversary of the vesting commencement date and the remainder vesting ratably each month thereafter until the fourth anniversary of the grant date.

**Outstanding Equity Awards at Fiscal 2011 Year-End**

The following table itemizes outstanding options held by the named executive officers as of August 31, 2011.

Name	Option Grant Date	Option Awards		Option Exercise Price (\$)(2)	Option Expiration Date
		Securities Underlying Unexercised Options (#)(1)*	Securities Underlying Unexercised Options (#)(1)		
Richard Hamilton	12/19/2002	400,000	400,000(5)	1.95	12/18/2012
	1/16/2006	68,333	68,333(6)	3.90	1/15/2016
	12/21/2007	187,333	187,333(7)	6.75	12/20/2017
	6/23/2011	66,666(3)	66,666(8)	16.77	6/22/2021
Paul Kuc	9/3/2008	110,000	110,000(9)	6.75	9/2/2018
	6/8/2010	33,333	33,333(10)	6.75	6/7/2020
	6/23/2011	13,333(3)	13,333(8)	16.77	6/22/2021
Richard Flavell	4/4/2002	50,000	50,000(11)	1.80	4/3/2012
	1/16/2006	68,333	68,333(6)	3.90	1/15/2016
	1/20/2011	33,333(4)	33,333(12)	7.32	1/19/2021
	6/23/2011	13,333(3)	13,333(8)	16.77	6/22/2021
Wilfriede van Assche	4/4/2002	21,666	21,666(11)	1.80	4/3/2012
	1/16/2006	34,166	34,166(6)	3.90	1/15/2016
	6/8/2010	8,333	8,333(10)	6.75	6/7/2020
	1/20/2011	16,666	16,666(12)	7.32	1/19/2021
	6/23/2011	13,333(3)	13,333(8)	16.77	6/22/2021
Michael Stephenson	6/4/2008	100,000	100,000(13)	6.75	6/3/2018
	6/8/2010	33,333	33,333(10)	6.75	6/7/2020
	6/23/2011	13,333(3)	13,333(8)	16.77	6/22/2021

\* Stock options may be exercised prior to vesting, subject to repurchase rights that expire over the vesting periods indicated in the footnotes below. Accordingly, all stock options outstanding as of August 31, 2011, were exercisable in full.

- (1) Unless otherwise specified, options granted before 2011 vest as to 25% of the original number of shares on the first anniversary of the vesting commencement date and the remainder of the shares vest ratably each month thereafter until the fourth anniversary of the vesting commencement date. Notwithstanding the foregoing, awards may be accelerated upon a change in control of our company, and/or a termination of employment following a change in control, as further described below in Executive Compensation Potential Severance Payments upon Termination and upon Termination Following a Change in Control. Unvested options are subject to early exercise, in which case, until they vest, the shares acquired pursuant to such exercise will be restricted and subject to repurchase by the Company at the exercise price upon the participant termination of employment.
- (2) The option exercise price represents the fair market value of our common stock as of the date of grant, as determined by our board of directors.
- (3) All options granted on June 23, 2011, are subject to a five-year vesting schedule with a two-year cliff, with 40% of the options vesting on the second anniversary of the grant date and the remainder vesting ratably each month thereafter until the fifth anniversary of

the grant date.

- (4) The options granted to Dr. Flavell on January 20, 2011, are subject to a three-year vesting schedule, with 25% of the options vesting immediately on the vesting commencement date and the remainder vesting ratably each month thereafter until the third anniversary of the vesting commencement date.
- (5) The vesting commencement date of this grant is September 23, 2002.
- (6) The vesting commencement date of this grant is January 16, 2006.

- (7) The vesting commencement date of this grant is December 21, 2007.  
 (8) The vesting commencement date of this grant is June 23, 2011.  
 (9) The vesting commencement date of this grant is September 3, 2008.  
 (10) The vesting commencement date of this grant is June 8, 2010.  
 (11) The vesting commencement date of this grant is April 1, 2002.  
 (12) The vesting commencement date of this grant is January 1, 2011.  
 (13) The vesting commencement date of this grant is June 1, 2008.

#### Option Exercises and Stock Vested in Fiscal 2011

The following table contains information about stock options that were exercised by our named executive officers during fiscal 2011. None of our named executive officers held any shares of restricted stock during fiscal 2011.

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise \$(1)
Wilfriede van Assche	27,000	149,850

- (1) The aggregate dollar value realized upon the exercise of stock options represents the product of the number of options exercised and the excess of the fair market value of our common stock on November 29, 2010, the exercise date, determined by our board of directors to be approximately \$6.75 per share, over the exercise price per share of the stock options exercised.

#### Pension Benefits and Non-Qualified Deferred Compensation

None of our named executive officers participates in, or has an account balance in, a qualified or non-qualified pension plan or deferred compensation plan sponsored by us.

#### Potential Payments Upon Termination and Upon Termination in Connection with a Change in Control

We entered into employment agreements with each of our named executive officers that became effective on September 1, 2011, and which are described in more detail under Executive Employment Agreements below. Assuming these employment agreements had been in effect as of August 31, 2011, our named executive officers would have been entitled to certain severance payments and benefits in the event of their termination of employment under certain circumstances, including (i) termination without cause, (ii) resignation for good reason, (iii) termination without cause or resignation for good reason in connection with a change in control of the Company or (iv) termination due to death or disability. In addition, under our 2010 Plan and 2000 Plan, the named executive officers would have been entitled to accelerated vesting of outstanding equity awards in the event of their involuntary termination of employment within 12 months after a change in control or other corporate transaction.

The following table summarizes the potential severance payments and benefits payable to each of our named executive officers under each of the following circumstances:

- (i) termination of employment without cause or resignation for good reason in the absence of a change in control; (ii) termination of employment without cause or resignation for good reason in connection with a change in control; and (iii) termination of employment due to death or disability. This table assumes that: (a) the named executive officers' employment was terminated on August 31, 2011; (b) the executive employment agreements (described below) were in effect on August 31, 2011; and (c) the post initial public offering salaries (described above) were in effect on August 31, 2011.





Name	Termination Without Cause or Resignation for Good Reason in the Absence of a Change in Control		Termination Without Cause or Resignation for Good Reason in Connection with a Change in Control (a)		Termination Due to Death or Disability	
	Value of Accelerated Lump Sum Severance Payment (\$)(1)	Value of Accelerated Options or Restricted Shares (\$)	Value of Accelerated Lump Sum Severance Payment (\$)(2)	Value of Accelerated Options or Restricted Shares (\$)(3)	Value of Accelerated Lump Sum Severance Payment (\$)	Value of Accelerated Options or Restricted Shares (\$)
Richard Hamilton	466,000		932,000	188,514	466,000	
Paul Kuc	323,000		646,000	561,132	323,000	
Richard Flavell	306,000		612,000	203,371	306,000	
Wilfriede van Assche	300,000		600,000	230,650	300,000	
Michael Stephenson	300,000		600,000	467,876	300,000	

- (1) This column assumes that the named executive officer is terminated without cause or resigns for good reason more than six months prior to or more than twelve months following a change in control (as each term is defined in the executive's employment agreement and described below).
- (2) This column assumes that the named executive officer is terminated without cause or resigns for good reason within six months prior to or within twelve months following a change in control (as each term is defined in the executive's employment agreement and described below).
- (3) This column assumes that the named executive officer suffers an involuntary termination (as defined in the 2010 Plan and described below) within twelve months after an acquisition of the Company, merger or other similar corporate transaction (as each term is defined in the 2010 Plan and the 2000 Plan and described below). The amounts represent, in respect of each unvested stock option outstanding as of August 31, 2011, the number of shares underlying such stock option, multiplied by the excess of the fair market value of our common stock as determined by our board of directors on July 20, 2011 (which was the most recent valuation of our common stock before the close of the fiscal year on August 31, 2011) of \$17.16 per share over the exercise price of the option.

#### Executive Employment Agreements

We entered into executive employment agreements with each of our named executive officers effective as of September 1, 2011. The terms of each of these agreements are substantially similar, except with respect to each named executive officer's initial base salary, which is described below.

Each of the executive employment agreements has an initial term of one year, starting on September 1, 2011, with an automatic renewal for additional one-year periods, unless either party gives 90 days notice of nonrenewal. The employment agreements provide for an initial annual base salary (to be reviewed by the Compensation Committee annually), a performance bonus and long-term incentive award opportunity as determined by the Compensation Committee, and participation in the Company's savings, retirement and other welfare benefit plans that the Company may have in place from time to time.

Under the executive employment agreements, if the Company terminates the named executive officer's employment or does not renew the term of the employment agreement for reasons other than for cause or if the named executive officer resigns his or her employment for good

reason , then he will be entitled to (i) a lump sum severance payment equal to one years base salary; (ii) to the extent the termination occurs on or after the midpoint of the Company s fiscal year, a pro-rated annual bonus and (iii) any other compensation and benefits accrued on or prior to the termination date. The named executive officer (or his or her estate if applicable) will also receive the foregoing amounts if his or her employment is terminated due to death or disability.

If the named executive officer s employment is terminated or not renewed by the Company for reasons other than for cause or if he resigns from his or her employment for good reason , in each case, within six

months prior to, or within twelve months after, a change in control, then he is entitled to a lump sum severance payment equal to two times his or her base salary and any other accrued compensation and benefits. If the named executive officer's employment is terminated or the term of the employment agreement is not renewed for cause or if the named executive officer resigns from his or her employment or does not renew the term for any reason other than good reason, then he will be entitled only to compensation and benefits that have accrued on or prior to the termination date.

The named executive officers are obligated to comply with a confidentiality, proprietary information and inventions assignment agreement previously entered into with the Company and non-disparagement covenants under the executive employment agreements. In addition, payments under the agreements will be subject to any clawback or recoupment policies as required under applicable law.

Under the executive employment agreements, the following definitions apply:

Cause is defined as (i) a material breach of the employment agreement or any other written agreement with the Company to the extent the breach is not cured within 30 days; (ii) the named executive officer's conviction or plea of *nolo contendere* to a felony or another crime involving dishonesty or moral turpitude or which could reflect negatively on or otherwise impair or impede the Company's operations; (iii) the named executive officer's engaging in misconduct, negligence, dishonesty, violence or threat of violence that is injurious to the Company; (iv) a material breach of a written policy of the Company or the rules of any governmental or regulatory body applicable to the Company that could result in an adverse effect on the Company or could reflect negatively on or impair the operations of the Company or (v) any other willful misconduct that is materially injurious to the financial condition or business reputation of the Company.

Good reason is defined as any of the following: (i) an adverse change in the named executive officer's position with the Company that materially reduces his or her level of authority, duties or responsibility; (ii) a reduction of base salary by more than five percent (except a reduction of 15% or less if the reduction is similarly applied to all executives); (iii) a relocation of place of employment by more than 50 miles without the executive's consent or (iv) a substantial change in the nature or orientation of the Company's core business such that the Company is no longer substantially engaged in the agricultural biotechnology business.

A change in control means the occurrence of any of the following events: (i) any person or group becomes the beneficial owner of greater than 50% of the Company's total voting power; (ii) the sale of substantially all of the Company's assets; or (iii) the consummation of a merger or consolidation of the Company, after which the voting securities of the Company outstanding immediately prior to the event no longer represent 50% or more of the voting power represented by the voting securities of the Company or surviving entity immediately after the event.

The initial base salaries set forth in each of our named executive officers' employment agreements were such named executive officers' rate of annual base salary on September 1, 2011. Upon the effective date of our initial public offering, however, certain of our named executive officers' base salaries were increased as described in Compensation Discussion and Analysis Executive Compensation Short-Term Incentives above.

## Equity Compensation Plans

The stock options granted prior to the end of fiscal 2011 and that remained outstanding as of August 31, 2011 were granted under the Company's 2000 Plan, and the Company's 2010 Stock Option/Stock Issuance Plan (the 2010 Plan). The terms of the 2000 Plan, as the plan would be amended pursuant to the Proposal, are summarized below under Proposal Summary of the 2000 Plan. The terms of the 2010 Plan are substantially the same as the 2000 Plan, without giving effect to the amendment set forth in the Proposal.

## Director Compensation

### *Director Compensation Prior to Our Initial Public Offering*

Prior to our initial public offering, we did not pay our directors any cash compensation or directors' fees for their service on the board of directors. It has been our policy, however, to provide annual stock option grants to Messrs. Brandys and Kiley to purchase 5,000 shares of our common stock as compensation for their service on our board of directors. These option grants generally vest over four years, with 25 percent vesting after the first year and the remainder vesting ratably each month thereafter over the next three years. In June 2011, Messrs. Brandys and Kiley each received his grant of 5,000 stock options for fiscal 2011. We also have a consulting agreement with Dr. Goldberg pursuant to which we reimburse him for reasonable out of pocket business expenses incurred in the performance of his consulting duties of up to \$40,000 per year. In addition, pursuant to the consulting agreement, prior to fiscal 2011, Dr. Goldberg received four stock option grants, each covering 5,000 shares of common stock. In July 2011, Dr. Goldberg received a grant of stock options to purchase 5,000 shares of our common stock as compensation for his continued consulting services pursuant to an amendment of his consulting agreement. Each of the stock option grants to our non-employee directors in fiscal 2011 was made pursuant to our standard four-year vesting schedule described above. The following table shows, for the year ended August 31, 2011, information with respect to the compensation of our non-employee directors:

Name	Option Awards	
	(\$)(1)(2)	Total (\$)
Pascal Brandys	58,800	58,800
Robert Goldberg	63,300	63,300
Thomas Kiley	58,800	58,800

- (1) The amounts in the "Option Awards" column reflect the aggregate grant date fair value of stock options granted during fiscal 2011, computed in accordance with ASC Topic 718, consisting of a grant of options to purchase 5,000 shares of our common stock to each of Mr. Brandys, Dr. Goldberg and Mr. Kiley. These amounts do not correspond to the actual value that may be recognized by the directors.
- (2) As of August 31, 2011, members of our board of directors held outstanding stock option awards as follows: Dr. De Logi held 83,333 outstanding stock option awards, Mr. Brandys held 30,000 outstanding stock option awards, Dr. Goldberg held 31,666 outstanding stock option awards and Mr. Kiley held 61,666 outstanding stock option awards.

Our employee directors, Richard Hamilton and Richard Flavell, do not receive any compensation for their service as directors. The compensation that we pay to Dr. Hamilton and Dr. Flavell is discussed in the "Executive Compensation" section of this proxy statement.

### *Director Compensation After Our Initial Public Offering*

Based on the recommendation of Compensia and our Compensation Committee, our board of directors has adopted a compensation policy that became applicable to all of our non-employee directors after our initial public offering. Under this policy, each non-employee director will receive an annual cash retainer and an annual stock option grant. In addition, upon initial appointment to the board of directors, each non-employee director will receive an initial stock option grant. Committee members and committee chairpersons will receive additional committee retainers, and if we elect a lead/non-executive chairman of the board of directors, he or she will also receive an additional lead director retainer. The retainer and stock option amounts that we provide are as follows:

an annual retainer of \$30,000;

an initial stock option grant to purchase 11,666 shares, to vest annually over three years;

an annual stock option grant to purchase 5,833 shares, to vest 100% after one year;

an annual retainer for committee members as follows: \$7,500 for members of the audit and compensation committees, and \$3,500 for members of the nominating and governance committee;

an annual retainer for committee chairs as follows: \$15,000 for the chairs of the audit and compensation committees, and \$6,000 for the chair of the nominating and governance committee;

an annual retainer of \$30,000 for any non-employee director appointed as lead/non-executive chairman of the board of directors; and

reimbursement for reasonable out-of-pocket business expenses.

On May 3, 2012, each non-employee director received his or her first annual grant of 5,833 shares of common stock.

### **Compensation Committee**

The Compensation Committee currently consists of Ms. Cheryl Morley and Messrs. Walter De Logi and Edmund Olivier, who is the chair of the Compensation Committee. The Board of Directors has determined that the composition of the Compensation Committee meets the requirements for independence under the current Nasdaq Stock Market and SEC rules and regulations. The purpose of the Compensation Committee is to set compensation policy, administer compensation plans and recommend compensation for executive officers to the Board of Directors. The Board of Directors has adopted a charter for the Compensation Committee, under which the Compensation Committee will, among other things, discharge the responsibilities of our board of directors relating to compensation of our executive officers.

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

During fiscal 2011, our Compensation Committee was comprised of Messrs. Brandys, De Logi, Goldberg and Olivier. None of them has at any time during the last fiscal year been one of our officers or employees, nor have any of our executive officers served as a member of the board of directors, or as a member of the compensation or similar committee, of an entity that has one or more executive officers who served on our board of directors or Compensation Committee during fiscal 2011. The Edmund and Ellen Olivier Revocable Family Trust purchased \$200,000 aggregate principal amount of convertible subordinated notes (the Convertible Notes ) from the Company in our convertible note offering in August 2011. Mr. Olivier is a trustee of such trust. The Ambergate Trust purchased \$3,350,000 aggregate principal amount of Convertible Notes in the offering. Dr. De Logi is a beneficiary of such trust. The Convertible Notes converted, subject to the terms and conditions set forth therein, into shares of Common Stock upon the consummation of the Company's initial public offering of Common Stock at a price per share equal to a 20% discount from the public offering price, or \$11.40. Additionally, so long as any investor in the Convertible Notes offering who held warrants to purchase shares of Common Stock issued in connection with the purchase of the Company's Series F Preferred Stock or Series G Preferred Stock purchased at least their respective full pro rata portion of the Convertible Notes being offered, The Company agreed to amend the termination provisions of such investors existing warrants such that the warrants would no longer expire upon an initial public offering. Each of The Edmund and Ellen Olivier Revocable Family Trust and The Ambergate Trust purchased their full pro rata portion of the Convertible Notes.

## **PROPOSAL**

### **AMENDMENT TO THE 2000 PLAN**

We are requesting that stockholders consider and approve an amendment to the Ceres, Inc. 2000 Stock Option/Stock Issuance Plan, as amended (the 2000 Plan ) to provide for the extension of the term of options to purchase 403,666 shares of Common Stock that are scheduled to expire on December 18, 2012 (the Expiring Options ) for a period of three years from their original expiration date. Under the current terms of the 2000 Plan, no stock option may have a term exceeding ten years from the date of grant. If this Proposal is approved, the Expiring Options will have a term of thirteen years from the date of their grant (subject to the consent of the affected optionholders). The Board will not have discretion to extend the expiration date of any other stock options outstanding under the 2000 Plan under this Proposal and no other stock options will be impacted by this Proposal.

The Company believes that this amendment is in the best interests of the Company and its stockholders, as it will allow the holders of the Expiring Options more flexibility in determining when to exercise



their Expiring Options and will provide these optionholders with flexibility in exercising their options so as to avoid potentially having to sell significant amounts of stock into the market at a time of low float to satisfy the exercise price for the options and the resulting tax liability.

### **Background of the 2000 Plan**

Our Board of Directors originally adopted, and our stockholders approved on May 11, 2000, the 2000 Plan. The purpose of the 2000 Plan is to promote the interests of the Company by providing eligible persons with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Company as an incentive for them to remain in the service of the Company.

We granted stock options to our employees and directors under the 2000 Plan over a period of ten years, and at the time of the expiration of the term of the 2000 Plan, we adopted the Ceres, Inc. 2010 Stock Option/Stock Issuance Plan (the 2010 Plan ). In connection with our recent initial public offering (the IPO ), we adopted, and our stockholders approved, a new broad-based equity compensation plan, the Ceres, Inc. 2011 Equity Incentive Plan (the 2011 Plan ), which 2011 Plan became effective upon the completion of our IPO. We no longer grant stock options under the 2000 Plan or the 2010 Plan, but rather we have made and will make all of our post-IPO equity awards under the 2011 Plan.

Historically, we have used stock options as our primary form of long-term compensation, because we believe that stock options, with our typical four-year vesting schedule, provide retentive and incentive value. Stock options were particularly important in the earlier stages of our business as a private company, as they enabled us to attract and retain talented senior executives and other key employees when we had limited cash resources. We also believe that granting stock options in our earlier stages helped develop a culture of ownership among our senior executives and key employees and aligned their interests with those of our stockholders. We used stock option grants, in large part, to retain and motivate our current President and CEO, Richard Hamilton, who holds substantially all of the Expiring Options.

The Expiring Options represent a large portion of the options to purchase Common Stock that are scheduled to expire by their terms in the next three years. As of July 2, 2012, in addition to the Expiring Options, there were additional options outstanding to purchase a total of approximately 1.15 million shares of Common Stock under our 2000 Plan, excluding the Expiring Options. Of these other options, options to purchase 17,332 shares of Common Stock are scheduled to expire by their terms in 2013, options to purchase 37,997 shares of Common Stock are scheduled to expire in 2014 and the remaining options granted under the 2000 Plan will expire between 2015 and 2019. None of these other options would be extended or otherwise impacted by this Proposal.

Mr. Hamilton holds 400,000 of the Expiring Options. In addition to his 400,000 Expiring Options, Mr. Hamilton holds other outstanding options to purchase 255,665 shares of Common Stock that were granted under the 2000 Plan which expire in 2016 and 2017, and options to purchase 199,999 shares of Common Stock that were granted under the 2010 Plan and the 2011 Plan which expire in 2021 and 2022. None of Mr. Hamilton's other options would be extended or otherwise impacted by this Proposal.

### **Discussion of the Proposed Amendment**

The 2000 Plan currently provides that no option to purchase shares of Common Stock may have a term in excess of ten years measured from the option grant date. The Board of Directors has typically granted stock options with a maximum term of ten years (subject to early expiration in the event of termination of employment during the options' term).

Under the 2000 Plan, in order to exercise a stock option under the plan, an optionholder must tender the aggregate exercise price of the option to the Company in the form of cash or previously owned shares of Common Stock. In addition, to the extent required, the optionholder must tender a cash amount equal to any



Federal, state and local income and employment taxes required to be withheld in respect of such exercise. The 2000 Plan does not contain a net exercise feature under which the Company can withhold a certain number of the shares issuable upon exercise of the stock option to satisfy the exercise price or tax obligations with respect to the option. Accordingly, an optionholder who is exercising a stock option under the 2000 Plan must either have readily available cash or previously owned shares of Common Stock sufficient to pay the exercise price and must have readily available cash to pay the associated taxes, or he or she must sell shares into the market to acquire enough cash to satisfy these obligations.

At a meeting of the Compensation Committee held on June 18, 2012, the Compensation Committee discussed the issues surrounding the Expiring Options and particularly the impact on Mr. Hamilton. The Compensation Committee was concerned that Mr. Hamilton and the other holders of the Expiring Options may need to sell shares of Common Stock into the market in order to satisfy the cost of exercising the options and resulting tax obligations, which could have a negative impact on the trading price of the Company's shares in the public markets given the relatively low trading volume of the stock and the forthcoming expiration of the Company's lockup agreements which are expected to expire in mid-August 2012. The average daily trading volume reported on the Nasdaq Stock Market since the completion of the Company's IPO is approximately 23,000 shares per day. In particular, Mr. Hamilton has indicated that he would need to sell a sizable number of shares of Common Stock into the market to pay the exercise price and the associated tax obligations for his Expiring Options. After extended discussion, the Compensation Committee determined that it would be in the best interests of the Company and its stockholders to extend the term of the Expiring Options for three years in order to allow the holders of the Expiring Options to realize the value of these options without being forced to make significant sales into the market at this early phase in the Company's status as a publicly traded company. The Compensation Committee presented its recommendation to the full Board of Directors on June 19, 2012 and explained its rationale for the recommendation, and the Board of Directors (excluding Mr. Hamilton and Mr. Flavell who recused themselves from this discussion) agreed with the recommendation.

Factors considered by the Compensation Committee and the Board of Directors in recommending this Proposal included:

Having a significant number of shares sold into the public market, particularly by our CEO, at this early time in the Company's development as a public company could adversely affect the Company and its stockholders and may be looked upon unfavorably by investors.

The holders of these Expiring Options have served the Company for at least ten years and have made substantial contributions to the Company over that time. In particular, Mr. Hamilton has developed and grown the Company through its many stages of development, including the recent launch of its sweet sorghum business in Brazil and the completion of its IPO. Failure to extend the Expiring Options would prevent these optionholders from benefiting, without hardship, from a significant component of their compensation over the last ten years.

Extending the Expiring Options for three years would provide the holders of the Expiring Options, including Mr. Hamilton, with more flexibility and discretion to exercise the Expiring Options at a time and in a manner that is less likely to adversely impact the Company or the stockholders.

The extension of the Expiring Options requires shareholder approval, which makes the process and the decision transparent and collaborative.

On July 2, 2012, the Compensation Committee recommended and the Board of Directors approved an amendment to the 2000 Plan, that would be effective subject to stockholder approval, to provide that all of the options to purchase 403,666 shares of Common Stock granted under the 2000 Plan that are scheduled to expire on December 18, 2012, will have a term of thirteen years from their date of grant (subject to the consent of the affected optionholders).

### **Reasons for Seeking Stockholder Approval of the Proposal**

Under the rules of the Nasdaq Stock Market, material amendments to a compensation plan require stockholder approval. Therefore, we are seeking stockholders' approval for the amendment of the 2000 Plan described above in order to comply with this requirement.

### **Recommendation of the Compensation Committee and the Board of Directors**

The Compensation Committee believes that approval of this Proposal is necessary in order to provide the holders of the Expiring Options with the value of the compensation they were granted and have earned without hardship and without necessitating significant sales of common stock into the public market. For the reasons discussed above, the Compensation Committee and the Board of Directors believe that the extension of the Expiring Options as described above is in the best long term interests of the Company and of the stockholders. Accordingly, the Compensation Committee and the Board of Directors recommend that stockholders vote FOR the Proposal.

### *Accounting Consequences*

Upon shareholder approval we will calculate the fair value of the modified options immediately prior to and subsequent to the modification, and we estimate that the incremental increase in the fair value of these options will be approximately \$300,000. Accordingly, for the quarter and year ended August 31, 2012, we expect to record compensation expense of approximately \$300,000 related to these option modifications.

### **Summary of the 2000 Plan**

#### *Ceres, Inc. 2000 Stock Option/Stock Issuance Plan*

*General.* Our board of directors adopted, and our stockholders approved on May 11, 2000, the 2000 Plan. The 2000 Plan provides for the grant of incentive stock options, nonstatutory stock options, and shares of restricted or unrestricted common stock. No further awards will be granted under the 2000 Plan. However, all outstanding awards will continue to be governed by their existing terms.

*Share Reserve.* The maximum number of shares of common stock issuable under the 2000 Plan is 3,921,666, increased by the number of shares underlying awards granted under predecessor plans that were expired or were otherwise forfeited.

*Administration.* The 2000 Plan is administered by our Board of Directors, but administrative functions may be delegated to the Compensation Committee.

*Eligibility.* Employees, non-employee members of the board of directors and consultants and other independent service providers are eligible to participate in the 2000 Plan. The plan administrator determines which eligible individuals will receive grants and the terms of their awards. Incentive stock options, however, may be granted only to employees.

*Stock Options.* With respect to stock options granted under the 2000 Plan, the exercise price may not be less than 100% of the fair market value of our common stock on the date of grant (or for incentive stock options, 110% of fair market value if the grantee is a ten percent stockholder). In general, the maximum term of stock options granted under the 2000 Plan may not exceed ten years from the date of grant (or in the case of incentive stock options granted to any 10% stockholder, the term may not exceed five years from the date of grant); however, certain stock options granted on December 19, 2002 that remain outstanding on August 15, 2012 will have a term of thirteen years from the date of grant (subject to the approval of this extended term by the holders of these options). Unless otherwise provided by a participant's stock option agreement, if a participant's service relationship with us ceases for any reason other than disability or death, the participant may exercise the vested portion of any options

for three months following the cessation of service. If a participant's service relationship

---

with us terminates by reason of disability or death, the participant or a personal representative may generally exercise the vested portion of any options for 12 months after the date of such termination. In no event, however, may an option be exercised beyond the expiration of its original term. The plan administrator may allow a participant to exercise unvested stock options, upon which such participant will receive restricted shares that will vest in accordance with the stock option's existing vesting schedule. These restricted shares are subject to repurchase by us if the participant terminates service with us.

*Stock Issuance.* Restricted or unrestricted stock may be issued for a purchase price of not less than 85% of fair market value of our common stock (or 110% of fair market value if the grantee is a ten percent stockholder). The purchase price consideration may be provided in the form of cash or check, or provision of past services to the Company. If the participant terminates employment for any reason, any unvested shares will be forfeited, and any cash consideration paid will be repaid to the participant. The plan administrator may waive these forfeiture provisions. To the extent shares issued are restricted, they may vest in accordance with terms determined by the administrator, including performance or time-based vesting. Shares of common stock acquired under such awards may, but need not, be subject to a share repurchase option in our favor in accordance with a vesting schedule to be determined by our board of directors. If a participant's service relationship with us terminates, we may repurchase or otherwise reacquire any or all of the shares of common stock subject to the award that have not vested as of the date of termination.

*Repurchase Rights.* The Company has the right to repurchase any unvested shares at the exercise or purchase price of such shares upon a participant's termination of employment.

*Corporate Transactions.* In the event of an acquisition of the Company, a merger, or other significant corporate transaction, (as defined in the 2000 Plan) all outstanding stock options and restricted shares will vest in full, unless the successor company assumes or replaces such stock options or restricted shares. In addition, all repurchase rights of the Company will terminate unless those rights are assigned to the successor company. Alternatively, in the case of stock options, the plan administrator may provide, either at grant or thereafter, that upon the occurrence of a corporate transaction, (1) all or a portion of outstanding stock options will automatically accelerate and repurchase rights will terminate, or (2) all or a portion of outstanding stock options will automatically accelerate and repurchase rights will terminate if the participant suffers an involuntary termination (as defined in the 2000 Plan and described below) within up to 12 months after the corporate transaction. With respect to stock issued under the plan, in the event of a significant corporate transaction, all repurchase rights will terminate and all restricted shares will vest in full, unless the successor corporation is assigned the repurchase rights. The plan administrator may alternatively provide either at grant or thereafter that upon a corporate transaction, the repurchase rights relating to outstanding shares will terminate and vesting will accelerate if the participant suffers an involuntary termination within up to 18 months after the corporate transaction. Under our current outstanding stock option agreements and restricted stock agreement, if a participant's employment is terminated due to an involuntary termination within 12 months following a corporate transaction all outstanding awards will automatically vest. Under the 2000 Plan and the outstanding award agreements, corporate transaction means any person becoming the beneficial owner of 20% or more of our outstanding securities, a change in the majority of the members of our board of directors, our consummation of a merger or consolidation, our shareholders' approval of a plan of complete liquidation or dissolution of Ceres or our sale of all or substantially all of our assets. Involuntary termination means a participant's involuntary dismissal by us other than for misconduct, or his or her voluntary resignation following a change in position that results in a material reduction in responsibility level, a reduction in compensation by more than 15 percent or a relocation of more than 50 miles. Misconduct means the commission of an act of fraud, embezzlement or dishonesty, an unauthorized use of confidential information or trade secrets or any other intentional misconduct that materially adversely affects our business or affairs.

*Certain Federal Income Tax Consequences.* The following is a brief summary of certain significant United States Federal income tax consequences under the Internal Revenue Code, as in effect on the date of this summary, applicable to the Company and plan participants in

connection with awards under the 2000 Plan. This



summary assumes that, unless otherwise specifically indicated, all awards will be exempt from, or comply with, the rules under Section 409A of the Internal Revenue Code regarding nonqualified deferred compensation ( Section 409A ). If an award constitutes nonqualified deferred compensation and fails to comply with Section 409A, the award will be subject to immediate taxation and tax penalties in the year the award vests. This summary is not intended to be exhaustive, and, among other things, does not describe state, local or non-United States tax consequences, or the effect of gift, estate or inheritance taxes. References to the Company in this summary of tax consequences mean Ceres, Inc., or any affiliate of Ceres, Inc. that employs or receives the services of a recipient of an award under the 2000 Plan, as the case may be.

The grant of stock options under the 2000 Plan will not result in taxable income to the recipient of the options or an income tax deduction for the Company. However, the transfer of our common stock to an option holder upon exercise of his or her option may or may not give rise to taxable income to the option holder and a tax deduction for the Company depending upon whether such option is a nonqualified stock option or an incentive stock option.

The exercise of a nonqualified stock option by an option holder generally results in immediate recognition of taxable ordinary income by the option holder and a corresponding tax deduction for the Company in the amount by which the fair market value of the shares of our common stock purchased, on the date of such exercise, exceeds the aggregate exercise price paid. Any appreciation or depreciation in the fair market value of those shares after the exercise date will generally result in a capital gain or loss to the holder at the time he or she disposes of those shares.

The exercise of an incentive stock option by the option holder is exempt from income tax, although not from the alternative minimum tax, and does not result in a tax deduction for the Company if the holder has been an employee of the Company at all times beginning with the option grant date and ending three months before the date the holder exercises the option (or twelve months in the case of termination of employment due to disability). If the option holder has not been so employed during that time, the holder will be taxed as described above for nonqualified stock options. If the option holder disposes of the shares purchased more than two years after the option was granted and more than one year after the option was exercised, then the option holder will recognize any gain or loss upon disposition of those shares as capital gain or loss. However, if the option holder disposes of the shares prior to satisfying these holding periods (known as a disqualifying disposition ), the option holder will be obligated to report, as taxable ordinary income for the year in which that disposition occurs, the excess, with certain adjustments, of the fair market value of the shares disposed of, on the date the incentive stock option was exercised, over the exercise price paid for those shares. The Company would be entitled to a tax deduction equal to that amount of ordinary income reported by the option holder. Any additional gain realized by the option holder on the disqualifying disposition would be capital gain. If the total amount realized in a disqualifying disposition is less than the exercise price of the incentive stock option, the difference would be a capital loss for the holder.

Certain material modifications of a stock option, including the extension of the term of an incentive stock option beyond ten years, will also result in the disqualification of an incentive stock option, and any stock option that is so disqualified will be treated as a nonqualified stock option at the time it is exercised. The extension of the term of the Expiring Options that is proposed under this Proposal would result in the disqualification of any of the Expiring Options that were incentive stock options prior to the extension. In addition, the extension of the term of the Expiring Options will result a failure to comply with Section 409A, and the Expiring Options will be subject to immediate taxation and tax penalties.

Under section 162(m) of the Internal Revenue Code, the Company may be limited as to federal income tax deductions to the extent that total annual compensation in excess of \$1 million is paid to our CEO or any one of our three highest paid executive officers, other than the CEO or CFO, who are employed by us on the last day of our taxable year. However, certain performance-based compensation the material terms of which are disclosed to and approved by our stockholders is not subject to this deduction limitation. Awards under the

2000 Plan were made prior to our IPO and generally would not be subject to the limitations under section 162(m).

**New Plan Benefits**

Set forth below is information on the Expiring Options that would be amended under this Proposal that are held by the Named Executive Officers, all current executive officers as a group, all current directors who are not executive officers as a group, and all employees who are not executive officers as a group. The stock options listed in the table below are exercisable into the number of shares of Common Stock listed under Number of Stock Options. Each of the stock options listed below has an exercise price of \$1.95 per share and is fully vested and exercisable. The closing price of our Common Stock as of July 2, 2012 was \$8.87.

Name and Position	Number of Stock Options
Richard Hamilton President and Chief Executive Officer	400,000
All current executive officers as a group	400,000
All current directors who are not executive officers as a group	
All employees, including all current officers who are not executive officers as a group	3,666

**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information as of August 31, 2011 regarding compensation plans under which our equity securities are authorized for issuance:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available
			for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by stockholders	2,597,285(1)	\$ 6.06	10,750(2)
Equity compensation plans not approved by stockholders			
<b>Total(3)</b>	<b>2,597,285</b>	<b>\$ 6.06</b>	<b>10,750</b>

(1) Consists of shares underlying stock options granted under the 2010 Plan and the 2000 Plan.

(2) Consists of shares issuable under the 2010 Plan. No additional shares are available for future issuance under the 2000 Plan other than in respect of shares underlying outstanding stock options. The shares issuable under the 2010 Plan may be increased by the number of shares that would have been issuable under any stock option granted under the 2010 Plan or the 2000 Plan that were forfeited or that expired without being exercised. Upon the

completion of this offering and the approval of the 2011 Equity Incentive Plan, no future grants will be made under the 2010 Plan.

- (3) This table does not include securities that are issuable under the 2011 Plan since the 2011 Plan became effective after the end of our most recently completed fiscal year.

**Vote Required**

The affirmative vote of a majority of the shares (by voting power) present in person at the Meeting or represented by proxy and entitled to vote at the Meeting is required to approve the amendment to the 2000 Plan.

---

**Board Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF AN AMENDMENT TO THE COMPANY'S 2000 PLAN TO EXTEND THE TERM OF OUTSTANDING STOCK OPTIONS TO PURCHASE 403,666 SHARES OF COMMON STOCK THAT WERE GRANTED UNDER THE 2000 PLAN THAT ARE SCHEDULED TO EXPIRE ON DECEMBER 18, 2012 TO THIRTEEN YEARS FROM THEIR DATE OF GRANT (SUBJECT TO THE CONSENT OF THE AFFECTED OPTIONHOLDERS).**

**AVAILABLE INFORMATION**

We are currently subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file periodic reports, proxy statements and other information with the SEC relating to our business, financial statements and other matters. We make available, free of charge, copies of materials we file with, or furnish to, the SEC under the Investor Relations section of our website at [www.ceres.net](http://www.ceres.net). In addition, copies of such reports, proxy statements and other information may be copied (at prescribed rates) at the public reference room maintained by the SEC at 100 F Street NE, Washington DC 20549. For further information concerning the SEC's public reference room, you may call the SEC at 1-800-SEC-0330. Some of this information may also be accessed through the SEC's website at <http://www.sec.gov>.

Our Board of Directors hopes that stockholders will attend the special meeting. Whether or not you plan to attend, you are urged to complete, date and sign the enclosed proxy card and return it in the accompanying envelope. Prompt response will greatly facilitate arrangements for the Meeting, and your cooperation is appreciated. Stockholders who attend the Meeting may vote their shares personally even though they have sent in their proxy cards.

\* \* \*

BY ORDER OF THE BOARD OF  
DIRECTORS

Paul Kuc

*Chief Financial Officer*

Thousand Oaks, CA

July , 2012

**Appendix A**

**CERES, INC.**

**2000 STOCK OPTION/STOCK ISSUANCE PLAN,**

**AS AMENDED AND RESTATED ON AUGUST 4, 2006, REVISED AUGUST 19, 2008**

**AND AUGUST 15, 2012**

**ARTICLE ONE**

**GENERAL PROVISIONS**

**I. PURPOSE OF THE PLAN**

This 2000 Stock Option/Stock Issuance Plan is intended to promote the interests of Ceres, Inc., a Delaware corporation, by providing eligible persons with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to remain in the service of the Corporation.

Capitalized terms herein shall have the meanings assigned to such terms in the attached Appendix.

**II. STRUCTURE OF THE PLAN**

A. The Plan shall be divided into two (2) separate equity programs:

(i) the Option Grant Program under which eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of Common Stock, and

(ii) the Stock Issuance Program under which eligible persons may, at the discretion of the Plan Administrator, be issued shares of Common Stock directly, either through the immediate purchase of such shares or as a bonus for services rendered the Corporation (or any Parent or Subsidiary).

B. The provisions of Articles One and Four shall apply to both equity programs under the Plan and shall accordingly govern the interests of all persons under the Plan.

**III. ADMINISTRATION OF THE PLAN**

A. The Plan shall be administered by the Board. However, any or all administrative functions otherwise exercisable by the Board may be delegated to the Committee. Members of the Committee shall serve for such period of time as the Board may determine and shall be subject to removal by the Board at any time. The Board may also at any time terminate the functions of the Committee and reassume all powers and authority previously delegated to the Committee.

B. The Plan Administrator shall have full power and authority (subject to the provisions of the Plan) to establish such rules and regulations as it may deem appropriate for proper administration of the Plan and to make such determinations under, and issue such interpretations of, the Plan and any outstanding options or stock issuances thereunder as it may deem necessary or advisable. Decisions of the Plan Administrator shall be final and

binding on all parties who have an interest in the Plan or any option or stock issuance thereunder.

**IV. ELIGIBILITY**

A. The persons eligible to participate in the Plan are as follows:

(i) Employees,

(ii) non-employee members of the Board or the non-employee members of the board of directors of any Parent or Subsidiary, and

(iii) consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

A-1

B. The Plan Administrator shall have full authority to determine, (i) with respect to the option grants under the Option Grant Program, which eligible persons are to receive option grants, the time or times when such option grants are to be made, the number of shares to be covered by each such grant, the status of the granted option as either an Incentive Option or a Non-Statutory Option, the time or times at which each option is to become exercisable, the vesting schedule (if any) applicable to the option shares and the maximum term for which the option is to remain outstanding, and (ii) with respect to stock issuances under the Stock Issuance Program, which eligible persons are to receive stock issuances, the time or times when such issuances are to be made, the number of shares to be issued to each Participant, the vesting schedule (if any) applicable to the issued shares and the consideration to be paid by the Participant for such shares.

C. The Plan Administrator shall have the absolute discretion either to grant options in accordance with the Option Grant Program or to effect stock issuances in accordance with the Stock Issuance Program.

#### **V. STOCK SUBJECT TO THE PLAN**

A. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock. The maximum number of shares of Common Stock which may be issued over the term of the Plan shall not exceed 3,921,666 shares, as set by the Board of Directors on December 21, 2007.

B. Shares of Common Stock subject to outstanding options shall be available for subsequent issuance under the Plan to the extent (i) the options expire or terminate for any reason prior to exercise in full or (ii) the options are cancelled in accordance with the cancellation-regrant provisions of Article Two. Unvested shares issued under the Plan and subsequently repurchased by the Corporation, at the option exercise price paid per share, pursuant to the Corporation's repurchase rights under the Plan shall be added back to the number of shares of Common Stock reserved for issuance under the Plan and shall accordingly be available for reissuance through one or more subsequent option grants or direct stock issuances under the Plan.

C. Should any change be made to the Common Stock by reason of any stock split, stock dividend, merger, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made to (i) the maximum number, kind and/or class of securities issuable under the Plan and (ii) the number, kind and/or class of securities and the exercise price per share in effect under each outstanding option in order to prevent the dilution or enlargement of benefits thereunder. The adjustments determined by the Plan Administrator shall be final, binding and conclusive. In no event shall any adjustments be made in connection with the conversion of one or more outstanding shares of the Corporation's preferred stock into shares of Common Stock.

### **ARTICLE TWO**

#### **OPTION GRANT PROGRAM**

##### **I. OPTION TERMS**

Each option shall be evidenced by one or more documents in the form approved by the Plan Administrator; provided, however, that each such document shall comply with the terms specified below. Each document evidencing an Incentive Option shall, in addition, be subject to the provisions of the Plan applicable to such options.

##### **A. Exercise Price.**



1. The exercise price per share shall be fixed by the Plan Administrator in accordance with the following provisions:

(i) The exercise price per share shall not be less than the Fair Market Value per share of Common stock on the option grant date.

A-2

(ii) If the person to whom the option is granted is a 10% Stockholder, then the exercise price per share shall not be less than one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall become immediately due upon exercise of the option and shall, subject to the provisions of Section I of Article Four and the documents evidencing the option, be payable in cash or check made payable to the Corporation. Should the Common Stock be registered under Section 12(g) of the 1934 Act at the time the option is exercised, then the exercise price may also be paid as follows:

(i) in shares of Common Stock held for the requisite period necessary to avoid a charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date, or

(ii) to the extent the option is exercised for vested shares, through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide irrevocable written instructions (A) to a Corporation-designated brokerage firm to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable Federal, state and local income and employment taxes required to be withheld by the Corporation by reason of such exercise and (B) to the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale.

Except to the extent such sale and remittance procedure is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

**B. Exercise and Term of Options.** Each option shall be exercisable at such time or times, during such period and for such number of shares as shall be determined by the Plan Administrator and set forth in the documents evidencing the option grant. No option shall have a term in excess of ten years measured from the option grant date; provided, however, that those stock options granted on December 19, 2002 that remain outstanding as of August 15, 2012, will have a term of thirteen years from their date of grant, to the extent the holders of these stock options consent to this extended term.

**C. Effect of Termination of Service.**

1. The following provisions shall govern the exercise of any options held by the Optionee at the time of cessation of Service or death:

(i) Should the Optionee cease to remain in Service for any reason other than Disability or death, then the Optionee shall have a period of three (3) months following the date of such cessation of Service during which to exercise each outstanding option held by such Optionee.

(ii) Should Optionee's Service terminate by reason of Disability, then the Optionee shall have a period of twelve (12) months following the date of such cessation of Service during which to exercise each outstanding option held by such Optionee.

(iii) If the Optionee dies while holding an outstanding option, then the personal representative of his or her estate or the person or persons to whom the option is transferred pursuant to the Optionee's will or the laws of inheritance shall have a twelve (12)-month period following the date of the Optionee's death to exercise such option.

(iv) Under no circumstances, however, shall any such option be exercisable after the specified expiration of the option term.

(v) During the applicable post-Service exercise period, the option may not be exercised in the aggregate for more than the number of vested shares for which the option is exercisable on the

date of the Optionee's cessation of Service. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be

A-3

outstanding for any vested shares for which the option has not been exercised. However, the option shall, immediately upon the Optionee's cessation of Service, terminate and cease to be outstanding with respect to any and all option shares for which the option is not otherwise at the time exercisable or in which the Optionee is not otherwise at that time vested.

2. The Plan Administrator shall have the discretion, exercisable either at the time an option is granted or at any time while the option remains outstanding, to:

i) extend the period of time for which the option is to remain exercisable following Optionee's cessation of Service or death from the limited period otherwise in effect for that option to such greater period of time as the Plan Administrator shall deem appropriate, but in no event beyond the expiration of the option term, and/or

ii) permit the option to be exercised, during the applicable post-Service exercise period, not only with respect to the number of vested shares of Common Stock for which such option is exercisable at the time of the Optionee's cessation of Service but also with respect to one or more additional installments in which the Optionee would have vested under the option had the Optionee continued in Service.

**D. Stockholder Rights.** The holder of an option shall have no stockholder rights with respect to the shares subject to the option until such person shall have exercised the option, paid the exercise price and become a holder of record of the purchased shares.

**E. Unvested Shares.** The Plan Administrator shall have the discretion to grant options which are exercisable for unvested shares of Common Stock. Should the Optionee cease Service while holding such unvested shares, the Corporation shall have the right to repurchase, at the exercise price paid per share, all or (at the discretion of the Corporation and with the consent of the Optionee) any of those unvested shares. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Plan Administrator and set forth in the document evidencing such repurchase right.

**F. First Refusal Rights.** Until such time as the Common Stock is first registered under Section 12(g) of the 1934 Act, the Corporation shall have the right of first refusal with respect to any proposed disposition by the Optionee (or any successor in interest) of any shares of Common Stock issued under the Plan. Such right of first refusal shall be exercisable in accordance with the terms established by the Plan Administrator and set forth in the document evidencing such right.

**G. Limited Transferability of Options.** During the lifetime of the Optionee, the option shall be exercisable only by the Optionee and shall not be assignable or transferable other than by will or by the laws of descent and distribution following the Optionee's death.

**H. Withholding.** The Corporation's obligation to deliver shares of Common Stock upon the exercise of any options granted under the Plan shall be subject to the satisfaction of all applicable Federal, state and local income and employment tax withholding requirements.

## II. INCENTIVE OPTIONS

The terms specified below shall be applicable to all Incentive Options. Except as modified by the provisions of this Section II, all the provisions of the Plan shall be applicable to Incentive Options. Options which are specifically designated as Non-Statutory Options shall not be subject to the terms of this Section II.

**A. Eligibility.** Incentive Options may only be granted to Employees.

**B. Exercise Price.** The exercise price per share shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the option grant date.

A-4

---

**C. Dollar Limitation.** The aggregate Fair Market Value of the shares of Common Stock (determined as of the respective date or dates of grant) for which one or more options granted to any Employee under the Plan (or any other option plan of the Corporation or any Parent or Subsidiary) may for the first time become exercisable as Incentive Options during any one (1) calendar year shall not exceed the sum of One Hundred Thousand Dollars (\$100,000) (the ISO Limit ). To the extent the Employee holds two (2) or more such options which become exercisable for the first time in the same calendar year, the foregoing limitation on the exercisability of such options as Incentive Options shall be applied on the basis of the order in which such options are granted. Notwithstanding the foregoing, any Incentive Option shall become exercisable as of its respective vesting dates and, to the extent the ISO Limit is exceeded, the portion of the option that becomes exercisable because of vesting in excess of the ISO limit for any particular year shall be treated as a Non-Statutory Option under the Federal tax laws.

**D. 10% Stockholder.** If any Employee to whom an Incentive Option is granted is a 10% Stockholder, then the option term shall not exceed five (5) years measured from the option grant date.

### III. CORPORATE TRANSACTION

**A.** The shares subject to each option outstanding under the Plan at the time of a Corporate Transaction shall automatically vest in full so that each such option shall, immediately prior to the effective date of the Corporate Transaction, become fully exercisable for all of the shares of Common Stock at the time subject to that option and may be exercised for any or all of those shares as fully-vested shares of Common Stock. Notwithstanding the foregoing, with respect to any option that is subject to Section 409A of the Code and payment or settlement of the option is to be accelerated in connection with the Corporate Transaction, no Corporate Transaction will be deemed to have occurred for purposes of the Plan and any option agreement unless such event(s) also constitutes a change in the ownership , change in the effective control or a change in the ownership of a substantial portion of the assets of the Corporation as defined under Section 409A of the Code. In addition, the shares subject to an outstanding option shall **not** vest on such an accelerated basis if and to the extent: (i) such option is assumed by the successor corporation (or parent thereof) in the Corporate Transaction and the Corporation's repurchase rights with respect to the unvested option shares are concurrently assigned to such successor corporation (or parent thereof) or (ii) such option is to be replaced with a cash incentive program of the successor corporation which preserves the spread existing on the unvested option shares at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same vesting schedule applicable to those unvested option shares or (iii) the acceleration of such option is subject to other limitations imposed by the Plan Administrator at the time of the option grant.

**B.** All outstanding repurchase rights shall also terminate automatically, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Corporate Transaction, except to the extent: (i) those repurchase rights are assigned to the successor corporation (or parent thereof) in connection with such Corporate Transaction or (ii) such accelerated vesting is precluded by other limitations imposed by the Plan Administrator at the time the repurchase right is issued, in each case to the extent permitted without adverse tax consequences to the Optionees under Section 409A of the Code.

**C.** Immediately following the consummation of the Corporate Transaction, all outstanding options shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof).

**D.** Each option which is assumed in connection with a Corporate Transaction shall be appropriately adjusted, immediately after such Corporate Transaction, to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Corporate Transaction, had the option been exercised immediately prior to such Corporate Transaction. Appropriate adjustments shall also be made to (i) the number, kind

and class of securities available for issuance under the Plan following the consummation of such Corporate Transaction and (ii) the exercise price payable per share under each outstanding option, provided the aggregate exercise price payable for such securities shall remain the same.

A-5

**E.** The Plan Administrator shall have the discretion, exercisable either at the time the option is granted or at any time while the option remains outstanding, to provide for the automatic acceleration (in whole or in part) of one or more outstanding options (and the automatic termination of one or more outstanding repurchase rights, with the immediate vesting of the shares of Common Stock subject to those terminated rights) upon the occurrence of a Corporate Transaction, whether or not those options are to be assumed or replaced (or those repurchase rights are to be assigned) in the Corporate Transaction.

**F.** The Plan Administrator shall also have full power and authority, exercisable either at the time the option is granted or at any time while the option remains outstanding, to structure such option so that the shares subject to that option will automatically vest on an accelerated basis should the Optionee's Service terminate by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of any Corporate Transaction in which the option is assumed and the repurchase rights applicable to those shares do not otherwise terminate. Any such option shall remain exercisable for the fully-vested option shares until the earlier of (i) the expiration of the option term or (ii) the expiration of the one (1)-year period measured from the effective date of the Involuntary Termination. In addition, the Plan Administrator may provide that one or more of the outstanding repurchase rights with respect to shares held by the Optionee at the time of such Involuntary Termination shall immediately terminate on an accelerated basis, and the shares subject to those terminated rights shall accordingly vest.

**G.** The portion of any Incentive Option accelerated in connection with a Corporate Transaction shall remain exercisable as an Incentive Option only to the extent the applicable One Hundred Thousand Dollar limitation is not exceeded. To the extent such dollar limitation is exceeded, the accelerated portion of such option shall be exercisable as a Non-Statutory Option under the Federal tax laws.

**H.** The grant of options under the Plan shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

#### **IV. CANCELLATION AND REGRAV OF OPTIONS**

The Plan Administrator shall have the authority to effect, at any time and from time to time, with the consent of the affected option holders, the cancellation of any or all outstanding options under the Plan and to grant in substitution therefor new options covering the same or different number of shares of Common Stock but with an exercise price per share based on the Fair Market Value per share of Common Stock on the new option grant date.

### **ARTICLE THREE**

#### **STOCK ISSUANCE PROGRAM**

##### **I. STOCK ISSUANCE TERMS**

Shares of Common Stock may be issued under the Stock Issuance Program through direct and immediate issuances without any intervening option grants. Each such stock issuance shall be evidenced by a Stock Issuance Agreement which complies with the terms specified below.

##### **A. Purchase Price.**

1. The purchase price per share shall be fixed by the Plan Administrator but shall not be less than eighty-five percent (85%) of the Fair Market Value per share of Common Stock on the issue date. However, the purchase price per share of Common Stock issued to a 10% Stockholder shall not be less than one hundred and ten percent (110%) of such Fair Market



Value.

A-6

2. Subject to the provisions of Section I of Article Four, shares of Common Stock may be issued under the Stock Issuance Program for any of the following items of consideration which the Plan Administrator may deem appropriate in each individual instance:

- (i) cash or check made payable to the Corporation, or
- (ii) past services rendered to the Corporation (or any Parent or Subsidiary).

**B. Vesting Provisions.**

1. Shares of Common Stock issued under the Stock Issuance Program may, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance or may vest in one or more installments over the Participant's period of Service or upon attainment of specified performance objectives.

2. Any new, substituted or additional securities or other property (including money paid other than as a regular cash dividend) which the Participant may have the right to receive with respect to the Participant's unvested shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration shall be issued subject to (i) the same vesting requirements applicable to the Participant's unvested shares of Common Stock and (ii) such escrow arrangements as the Plan Administrator shall deem appropriate.

3. The Participant shall have full stockholder rights with respect to any shares of Common Stock issued to the Participant under the Stock Issuance Program, whether or not the Participant's interest in those shares is vested. Accordingly, the Participant shall have the right to vote such shares and to receive any regular cash dividends paid on such shares.

4. Should the Participant cease to remain in Service while holding one or more unvested shares of Common Stock issued under the Stock Issuance Program or should the performance objectives not be attained with respect to one or more such unvested shares of Common Stock, then those shares shall be immediately surrendered to the Corporation for cancellation, and the Participant shall have no further stockholder rights with respect to those shares. To the extent the surrendered shares were previously issued to the Participant for consideration paid in cash or cash equivalent (including the Participant's purchase-money indebtedness), the Corporation shall repay to the Participant the cash consideration paid for the surrendered shares and shall cancel the unpaid principal balance of any outstanding purchase-money note of the Participant attributable to such surrendered shares.

5. The Plan Administrator may in its discretion waive the surrender and cancellation of one or more unvested shares of Common Stock (or other assets attributable thereto) which would otherwise occur upon the non-completion of the vesting schedule applicable to such shares. Such waiver shall result in the immediate vesting of the Participant's interest in the shares of Common Stock as to which the waiver applies. Such waiver may be effected at any time, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives.

**C. First Refusal Rights.** Until such time as the Common Stock is first registered under Section 12(g) of the 1934 Act, the Corporation shall have the right of first refusal with respect to any proposed disposition by the Participant (or any successor in interest) of any shares of Common Stock issued under the Stock Issuance Program. Such right of first refusal shall be exercisable in accordance with the terms established by the Plan Administrator and set forth in the document evidencing such right.

**II. CORPORATE TRANSACTION**

A. Upon the occurrence of a Corporate Transaction, all outstanding repurchase rights under the Stock Issuance Program shall terminate automatically, and the shares of Common Stock subject to those terminated

A-7

rights shall immediately vest in full, except to the extent: (i) those repurchase rights are assigned to the successor corporation (or parent thereof) in connection with such Corporate Transaction or (ii) such accelerated vesting is precluded by other limitations imposed by the Plan Administrator at the time the repurchase right is issued. Notwithstanding the foregoing, with respect to any award that is subject to Section 409A of the Code and payment or settlement of the award is to be accelerated in connection with the Corporate Transaction, no Corporate Transaction will be deemed to have occurred for purposes of the Plan and any award agreement unless such event(s) also constitutes a change in the ownership, change in the effective control or a change in the ownership of a substantial portion of the assets of the Corporation as defined under Section 409A of the Code.

**B.** The Plan Administrator shall have the discretionary authority, exercisable either at the time the unvested shares are issued or any time while the Corporation's repurchase rights with respect to those shares remain outstanding, to provide that those rights shall automatically terminate on an accelerated basis, and the shares of Common Stock subject to those terminated rights shall immediately vest, in the event the Participant's Service should subsequently terminate by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of any Corporate Transaction in which those repurchase rights are assigned to the successor corporation (or parent thereof).

### **III. SHARE ESCROW/LEGENDS**

Unvested shares may, in the Plan Administrator's discretion, be held in escrow by the Corporation until the Participant's interest in such shares vests or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested shares.

#### (a) ARTICLE FOUR

### **MISCELLANEOUS**

#### **I. FINANCING**

The Plan Administrator may permit any Optionee or Participant, other than a member of the Board or an officer of the Corporation, to pay the option exercise price or the purchase price for shares issued to such person under the Plan by delivering a full-recourse, interest-bearing promissory note payable in one or more installments and secured by the purchased shares. In no event shall the maximum credit available to the Optionee or Participant exceed the sum of (i) the aggregate option exercise price or purchase price payable for the purchased shares plus (ii) any Federal, state and local income and employment tax liability incurred by the Optionee or the Participant in connection with the option exercise or share purchase.

#### **II. EFFECTIVE DATE AND TERM OF PLAN**

**A.** The Plan shall become effective when adopted by the Board, but no option granted under the Plan may be exercised, and no shares shall be issued under the Plan, until the Plan is approved by the Corporation's stockholders. If such stockholder approval is not obtained within twelve (12) months after the date of the Board's adoption of the Plan, then all options previously granted under the Plan shall terminate and cease to be outstanding, and no further options shall be granted and no shares shall be issued under the Plan. Subject to such limitation, the Plan Administrator may grant options and issue shares under the Plan at any time after the effective date of the Plan and before the date fixed herein for termination of the Plan.

**B.** The Plan shall terminate upon the earliest of (i) the expiration of the ten (10)-year period measured from the date the Plan is adopted by the Board, (ii) the date on which all shares available for issuance under the Plan shall have been issued or (iii) the termination of all outstanding options in connection with a Corporate Transaction. All options and unvested stock issuances outstanding at that time under the Plan shall continue to have full force and effect in accordance with the provisions of the documents evidencing such options or issuances.

A-8

### **III. AMENDMENT OF THE PLAN**

**A.** The Board shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects. However, no such amendment or modification shall adversely affect the rights and obligations with respect to options or unvested stock issuances at the time outstanding under the Plan unless the Optionee or the Participant consents to such amendment or modification. In addition, certain amendments may require stockholder approval pursuant to applicable laws and regulations.

**B.** Options may be granted under the Option Grant Program and shares may be issued under the Stock Issuance Program which are in each instance in excess of the number of shares of Common Stock then available for issuance under the Plan, provided any excess shares actually issued under those programs shall be held in escrow until there is obtained stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock available for issuance under the Plan. If such stockholder approval is not obtained within twelve (12) months after the date the first such excess issuances are made, then (i) any unexercised options granted on the basis of such excess shares shall terminate and cease to be outstanding and (ii) the Corporation shall promptly refund to the Optionees and the Participants the exercise or purchase price paid for any excess shares issued under the Plan and held in escrow, together with interest (at the applicable Short Term Federal Rate) for the period the shares were held in escrow, and such shares shall thereupon be automatically cancelled and cease to be outstanding.

### **IV. USE OF PROCEEDS**

Any cash proceeds received by the Corporation from the sale of shares of Common Stock under the Plan shall be used for general corporate purposes.

### **V. WITHHOLDING**

The Corporation's obligation to deliver shares of Common Stock upon the exercise of any options or upon the issuance or vesting of any shares issued under the Plan shall be subject to the satisfaction of all applicable Federal, state and local income and employment tax withholding requirements.

### **VI. REGULATORY APPROVALS**

The implementation of the Plan, the granting of any options under the Plan and the issuance of any shares of Common Stock (i) upon the exercise of any option or (ii) under the Stock Issuance Program shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the options granted under it and the shares of Common Stock issued pursuant to it.

### **VII. NO EMPLOYMENT OR SERVICE RIGHTS**

Nothing in the Plan shall confer upon the Optionee or the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining such person) or of the Optionee or the Participant, which rights are hereby expressly reserved by each, to terminate such person's Service at any time for any reason, with or without cause.

### **VIII. FINANCIAL REPORTS**

The Corporation shall deliver a balance sheet and an income statement at least annually to each individual holding an outstanding option under the Plan, unless such individual is a key Employee whose duties in connection with the Corporation (or any Parent or Subsidiary) assure such individual access to equivalent information

A-9

**IX. SECTION 409A OF THE CODE**

Notwithstanding any contrary provision in the Plan or an award agreement, if any provision of the Plan or such agreement contravenes any regulations or guidance promulgated under Section 409A of the Code or could cause an award to be subject to the interest and penalties under Section 409A of the Code, such provision may be modified by the Company without consent of the Optionee or Participant to maintain, to the maximum extent practicable, the original intent of the applicable provision without violating the provisions of Section 409A of the Code. Moreover, any discretionary authority that the Board or Committee may have pursuant to the Plan shall not be applicable to an award that is subject to Section 409A of the Code, to the extent such discretionary authority will contravene Section 409A of the Code or the regulations or guidance promulgated thereunder.

A-10



**APPENDIX**

The following definitions shall be in effect under the Plan:

A. **Board** shall mean the Corporation's Board of Directors.

B. **Code** shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

C. **Committee** shall mean a committee of two (2) or more Board members appointed by the Board to exercise one or more administrative functions under the Plan.

D. **Common Stock** shall mean the Corporation's common stock.

E. **Corporate Transaction** shall be deemed to have occurred when:

(i) Any Person is or becomes the beneficial owner (as defined in Rule 13d-3 of the Exchange Act, whether or not the Corporation is then subject to the terms of the Exchange Act), directly or indirectly, of securities of the Corporation representing twenty (20%) percent or more of the combined voting power of the Corporation's then-outstanding securities; or

(ii) The following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who constitute the Board as of December 31, 1999 and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including, but not limited to, a consent solicitation, relating to the election of directors of the Corporation) whose appointment or election by the Board or nomination for election by the Corporation's shareholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) There is consummated a merger or consolidation of the Corporation, other than (A) a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any Subsidiary, at least sixty (60%) percent of the combined voting power of the securities of the Corporation or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a recapitalization of the Corporation (or similar transaction) in which no Person is or becomes the beneficial owner, directly or indirectly, of securities of the Corporation (not including in the securities beneficially owned by such Person any securities acquired directly from the Corporation or its affiliates other than in connection with the securities acquired directly from the Corporation or its affiliates other than in connection with the acquisition by the Corporation or its affiliates of a business) representing twenty (20%) percent or more of the combined voting power of the Corporation's then outstanding securities; or

(iv) The shareholders of the Corporation approve a plan of complete liquidation or dissolution of the Corporation or there is consummated an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets, other than a sale or disposition by the Corporation of all or substantially all of the Corporation's assets to an entity, at least sixty (60%) percent of the combined voting power of the voting securities of which are owned by shareholders of the Corporation in substantially the same proportions as their ownership of the Corporation immediately prior to such sale.

F. **Corporation** shall mean Ceres, Inc., a Delaware corporation.

A-11

G. **Disability** shall mean the inability of the Optionee or the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment and shall be determined by the Plan Administrator on the basis of such medical evidence as the Plan Administrator deems warranted under the circumstances.

H. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

I. **Exercise Date** shall mean the date on which the Corporation shall have received written notice of the option exercise.

J. **Fair Market Value** per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq National Market, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question, as such price is reported by the National Association of Securities Dealers on the Nasdaq National Market or any successor system. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(iii) If the Common Stock is at the time neither listed on any Stock Exchange nor traded on the Nasdaq National Market, then the Fair Market Value shall be determined by the Plan Administrator after taking into account such factors as the Plan Administrator shall deem appropriate.

K. **Incentive Option** shall mean an option which satisfies the requirements of Code Section 422.

L. **Involuntary Termination** shall mean the termination of the Service of any individual which occurs by reason of:

(i) such individual's involuntary dismissal or discharge by the Corporation for reasons other than Misconduct, or

(ii) such individual's voluntary resignation following (A) a change in his or her position with the Corporation which materially reduces his or her level of responsibility, (B) a reduction in his or her level of compensation (including base salary, fringe benefits and target bonuses under any corporate-performance based bonus or incentive programs) by more than fifteen percent (15%) or (C) a relocation of such individual's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected without the individual's consent;

provided, however, that in no circumstances shall an event constitute an Involuntary Termination if it would create an inappropriate acceleration of payment that could give rise to adverse tax consequences to a Participant or Optionee under Section 409A of the Code.

M. **Misconduct** shall mean the commission of any act of fraud, embezzlement or dishonesty by the Optionee or Participant, any unauthorized use or disclosure by such person of

confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by such person adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner.

A-12

The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Corporation (or any Parent or Subsidiary) may consider as grounds for the dismissal or discharge of any Optionee, Participant or other person in the Service of the Corporation (or any Parent or Subsidiary).

N. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

O. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.

P. **Option Grant Program** shall mean the option grant program in effect under the Plan.

Q. **Optionee** shall mean any person to whom an option is granted under the Plan.

R. **Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

S. **Participant** shall mean any person who is issued shares of Common Stock under the Stock Issuance Program.

T. **Person** shall mean any person, entity or group within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, except that such term shall not include (i) the Corporation or any of its Subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Corporation or any of its Subsidiaries, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation.

U. **Plan** shall mean the Corporation's 2000 Stock Option/Stock Issuance Plan, as amended and restated as of August 4, 2006, revised August 19, 2008 and August 15, 2012 as set forth in this document, and as may be amended from time to time.

V. **Plan Administrator** shall mean either the Board or the Committee acting in its capacity as administrator of the Plan.

W. **Service** shall mean the provision of services to the Corporation (or any Parent or Subsidiary) by a person in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor, except to the extent otherwise specifically provided in the documents evidencing the option grant.

X. **Stock Exchange** shall mean either the American Stock Exchange or the New York Stock Exchange.

Y. **Stock Issuance Agreement** shall mean the agreement entered into by the Corporation and the Participant at the time of issuance of shares of Common Stock under the Stock Issuance Program.

Z. **Stock Issuance Program** shall mean the stock issuance program in effect under the Plan.

AA. **Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

BB. **10% Stockholder** shall mean the owner of stock (as determined under Code Section 424(d)) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation (or any Parent or Subsidiary).

A-13

0

**PRELIMINARY COPY**

**CERES, INC.**

**Proxy for the Special Meeting of Stockholders to be held on August 15, 2012**

**This Proxy is solicited on behalf of the Board of Directors of Ceres, Inc.**

The undersigned, revoking all prior proxies, hereby appoint(s) Paul Kuc and Wilfriede van Assche, or any of them, each with full power of substitution, as proxy to represent and vote, as designated herein, all shares of stock of Ceres, Inc., a Delaware corporation (the Company), which the undersigned would be entitled to vote if personally present at the Special Meeting of Stockholders of the Company to be held at The Millennium Biltmore Hotel, 506 South Grand Avenue, Los Angeles, CA 90014 on August 15, 2012, at 11:00 a.m., Pacific Standard Time, and at any adjournment thereof (the Meeting).

**This proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder. If no direction is given, this proxy will be voted FOR the proposal. Attendance of the undersigned at the Meeting or at any adjournment thereof will not be deemed to revoke this proxy unless the undersigned shall revoke this proxy in writing or shall deliver a subsequently dated proxy to the Secretary of the Company or shall vote in person at the Meeting.**

(Continued and to be signed on the reverse side.)

14475

**PRELIMINARY COPY**

**SPECIAL MEETING OF STOCKHOLDERS OF**

**CERES, INC.**

**August 15, 2012**

**PROXY VOTING  
INSTRUCTIONS**

**TELEPHONE** - Call toll-free **1-800-PROXIES** (1-800-776-9437) in the United States or **1-718-921-8500** from foreign countries from any touch-tone telephone and follow the instructions. Have your proxy card available when you call.

**COMPANY  
NUMBER**

Vote by phone until 11:59 PM EST the day before the meeting.

**ACCOUNT  
NUMBER**

**MAIL** - Sign, date and mail your proxy card in the envelope provided as soon as possible.

**IN PERSON** - You may vote your shares in person by attending the Special Meeting.

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:**

The Notice of Meeting, proxy statement and proxy card

are available at <http://www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=17486>

i Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone. i

¢ 00030000000000000000 4

081512

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 1.**



Edgar Filing: HERZFELD CARIBBEAN BASIN FUND INC - Form DEF 14A

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE  
MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

- |   | FOR | AGAINST | ABSTAIN |
|---|-----|---------|---------|
| 1. To amend the Ceres, Inc. 2000 Stock Option/Stock Issuance Plan to extend the term of outstanding options to purchase 403,666 shares of Common Stock that were granted under the 2000 Plan and that are scheduled to expire on December 18, 2012 to thirteen years from their date of grant (subject to the consent of the affected optionholders). | ..  | ..      | ..      |

PLEASE FILL IN, DATE, SIGN AND MAIL THIS PROXY IN  
THE ENCLOSED POSTAGE- PAID RETURN ENVELOPE.

To change the address on your account, please check the box at right and indicate your new address in the address space .. above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder	Date:	Signature of Stockholder	Date:
<b>Note:</b> Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.			

n

n

---

**PRELIMINARY COPY**

**SPECIAL MEETING OF STOCKHOLDERS OF**

**CERES, INC.**

**August 15, 2012**

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:**

The Notice of Meeting, proxy statement and proxy card

are available at <http://www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=17486>

Please sign, date and mail  
your proxy card in the  
envelope provided as soon  
as possible.

ê Please detach along perforated line and mail in the envelope provided. ê

¢ 00030000000000000000 4

081512

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL 1.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED  
ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN  
HERE x**

	FOR	AGAINST	ABSTAIN
1. To amend the Ceres, Inc. 2000 Stock Option/Stock Issuance Plan to extend the term of outstanding options to purchase 403,666 shares of Common Stock that were granted under the 2000 Plan and that are scheduled to expire on December 18, 2012 to thirteen years from their date of grant (subject to the consent of the affected optionholders).	..	..	..

**PLEASE FILL IN, DATE, SIGN AND MAIL  
THIS PROXY IN THE ENCLOSED  
POSTAGE-PAID RETURN ENVELOPE.**

To change the address on your account, please check the box at right and indicate your new address in the address space .. above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder                      Date:                      Signature of Stockholder                      Date:

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

¢

¢