

HESKA CORP  
Form PRE 14A  
April 04, 2016

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

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (Amendment No. )

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240 Rule 14a-12

HESKA CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials:

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

[•], [•]

Dear Heska Corporation Stockholder:

I am pleased to invite you to attend the 2016 Annual Meeting of Stockholders of Heska Corporation. The meeting will be held on Friday, May 13, 2016, at 9:00 a.m., local time, at the Hilton Hotel, 425 West Prospect Road, Fort Collins, CO 80526.

We encourage you to vote your shares as soon as possible as described in the enclosed proxy statement.

Details regarding the meeting and the business to be conducted are more fully described in the accompanying Notice of 2016 Annual Meeting and Proxy Statement. This notice and all proxy materials in connection with this Annual Meeting are also available on our internet website at <http://www.heska.com/proxyvote>.

Your vote is important, so please act at your first opportunity. Whether or not you plan to attend the Annual Meeting, I hope you will indicate your voting preferences as soon as possible. You may vote by proxy or in person at the Annual Meeting. Please review the instructions in the proxy statement and on the proxy card regarding your voting options.

Thank you for your ongoing support of, and continued interest in, Heska.

Sincerely,

Sharon L. Riley

Chair of the Board of Directors,

Heska Corporation

Loveland, Colorado

**YOUR VOTE IS IMPORTANT**

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In order to ensure your representation at the meeting if you will not attend, please follow the corresponding instructions on any enclosed proxy to indicate your voting preferences.

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NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

TIME 9:00 a.m., local time, on Friday, May 13, 2016  
Hilton Hotel

PLACE 425 West Prospect Road  
Fort Collins, Colorado 80526

ITEMS OF BUSINESS

1. To approve an amendment to our Restated Certificate of Incorporation, as amended, to increase by 1,000,000 the number of authorized shares of each class of our common stock, a requirement to satisfy a condition to the completion of our acquisition of Cuatro Veterinary, LLC.
2. To elect two Directors to a three-year term.
3. To amend and restate our 1997 Stock Incentive Plan, as amended and restated (the "1997 Stock Plan"), to, among other things, increase by up to 500,000 the number of shares of our common stock authorized for issuance thereunder and include a so-called "clawback" provision and a minimum 1 year vesting period for restricted stock grants.
4. Subject to the approval of Proposal No. 3, to approve an amendment to our Restated Certificate of Incorporation, as amended, to increase by 500,000 the number of authorized shares of each class of our common stock to make available the additional shares contemplated for issuance under the amended and restated 1997 Stock Plan.
5. To ratify the appointment of EKS&H LLLP as our independent registered public accounting firm.
6. To approve our executive compensation in a non-binding advisory vote.
7. To approve the adjournment of the Annual Meeting, if necessary or appropriate, to solicit additional proxies for the foregoing proposals.
8. To consider such other business as may properly come before the Annual Meeting, including, if practicable, an advisory vote with respect to discretionary voting by proxyholders if, and only if, such other business properly comes before the Annual Meeting.

RECORD DATE You can vote if you were a stockholder of record at the close of business on April 1, 2016.

VOTING BY PROXY Please submit a proxy as soon as possible so that your shares can be voted at the Annual Meeting in accordance with your instructions. For specific instructions on voting, please refer to the instructions on the proxy card.

[•], [•]

By Order of the Board of Directors

Jason A. Napolitano  
Chief Operating Officer, Chief Financial Officer  
Executive Vice President and Secretary,  
Heska Corporation

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PRELIMINARY COPY  
PROXY STATEMENT  
ABOUT THE ANNUAL MEETING

This proxy statement is being furnished to holders of all classes of common stock, \$.01 par value per share (the "Common Stock"), of Heska Corporation ("Heska" or the "Company"). Proxies are being solicited on behalf of the Board of Directors of the Company (the "Board") to be used at the Annual Meeting of Stockholders (the "Annual Meeting") to be held at the Hilton Hotel, 425 West Prospect Road, Fort Collins, CO 80526 on Friday, May 13, 2016, at 9:00 a.m., local time.

At the Annual Meeting, you will be asked to (1) approve an amendment to our Restated Certificate of Incorporation, as amended (the "Acquisition Amendment"), to increase by 1,000,000 the number of authorized shares of each class of our Common Stock (the "Acquisition Share Increase") (2) elect two Directors to a three-year term, (3) approve an amendment and restatement of our 1997 Stock Incentive Plan, as amended and restated (the "1997 Stock Plan"), to, among other things, increase by up to 500,000 the number of shares of our Common Stock authorized for issuance thereunder and include a "clawback" provision and a minimum one year vesting period for restricted stock grants, (4) approve, subject to the approval of Proposal No. 3, an amendment to our Restated Certificate of Incorporation, as amended (the "Equity Plan Amendment"), to increase by 500,000 the number of authorized shares of each class of our Common Stock (the "Incentive Share Increase") to make available the shares contemplated for issuance under the amended and restated 1997 Stock Plan (if approved under Proposal No. 3, the "Restated Plan"), (5) ratify the appointment of EKS&H LLLP as our independent registered public accounting firm, (6) approve our executive compensation in a non-binding advisory vote, (7) approve the adjournment of the Annual Meeting, if necessary or appropriate, to solicit additional proxies for the foregoing proposals, and (8) consider such other business as may properly come before the Annual Meeting, including, if practicable, an advisory vote with respect to discretionary voting by proxyholders if, and only if, such other business properly comes before the Annual Meeting.

Among other more general reasons described later in this proxy statement, we are seeking the Acquisition Share Increase to satisfy a condition to the completion of our previously announced acquisition (the "Acquisition") of Cuattro Veterinary, LLC ("Cuattro International"). Due to the small size of the Acquisition, you are not being asked to approve by a separate vote the Acquisition, the material terms of which are summarized below. We are providing information to you in this proxy statement about the Acquisition because we expect to use a portion of the additional shares of authorized Common Stock as consideration for the purchase of Cuattro International in the Acquisition.

Acquisition Summary Term Sheet

We have agreed to acquire Cuattro International from its members in exchange for between 175,000 shares and 200,000 shares of our Common Stock, which shares are intended to equal approximately \$6.0 million in value. The value of the Common Stock to be issued as consideration for the Acquisition will be based on the average per share price of the Common Stock for the ten trading days ending on the trading day prior to the closing date of the Acquisition.

We have also agreed to pay, as additional contingent consideration in the Acquisition, cash in an amount equal to specified uncollectible liabilities of Cuattro International, but only to the extent such liabilities are actually recovered by us.

Kevin S. Wilson, the Company's Chief Executive Officer and President as well as a member of the Board, is the spouse of Shawna M. Wilson ("Mrs. Wilson"). Including shares held by Mrs. Wilson and by trusts for the benefit of Mr. and Mrs. Wilson's children and family, Mr. Wilson owns a 100%

interest in Cuattro, LLC. Cuattro, LLC owns a majority interest in Cuattro International. As such, Mr. Wilson may be deemed to own indirectly a majority interest in Cuattro International and to have a substantial interest in the Acquisition Amendment to the extent of Cuattro, LLC's interest in Cuattro International.

Please read the discussion regarding Proposal No. 1 under the caption "Why is the Acquisition Amendment necessary to complete the Acquisition, and what are the material terms of the Acquisition?" beginning on page [•] for additional information concerning the proposed Acquisition.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on Friday, May 13, 2016:

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The Proxy Statement and Proxy Card are available at <http://www.heska.com/proxyvote>.

This proxy statement and the accompanying proxy card are being provided to our stockholders of record entitled to vote at the Annual Meeting on or about [•].

This proxy statement is available on the Company's website at [www.heska.com/proxy/vote](http://www.heska.com/proxy/vote). The Company's website address is not intended to function as a hyperlink, and the information on the Company's website is not and should not be considered part of this proxy statement and is not incorporated herein by reference.

#### QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE 2016 ANNUAL MEETING

Q: Why am I receiving these materials?

A: The Board is providing these proxy materials for you in connection with Heska's upcoming 2016 Annual Meeting. Eligible stockholders of record as of the close of business on April 1, 2016 (the "Record Date"), are invited to attend the Annual Meeting and are entitled and requested to vote on the items of business to be conducted at the Annual Meeting.

Q: When and where is the Annual Meeting?

A: The Annual Meeting will be held at the Hilton Hotel, 425 West Prospect Road, Fort Collins, CO 80526 on Friday, May 13, 2016, at 9:00 a.m., local time.

Q: What information is contained in these materials?

A: The information included in this proxy statement relates to the proposals to be voted

on at the 2016 Annual Meeting, the voting process, the compensation of our Directors and most highly paid Executive Officers, and certain other required information. Our annual report on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission (the "SEC"), is also enclosed.

Q: What items of business will be voted on at the Annual Meeting?

A: The items of business scheduled to be voted on at the Annual Meeting are:

To approve an amendment to our Restated Certificate of Incorporation, as amended, to increase by 1,000,000 the (1) number of authorized shares of each class of our Common Stock to satisfy a condition to the completion of our previously announced acquisition of Cuattro International;

- (2) The election of two nominees to serve on our Board of Directors for a three-year term;  
To approve an amendment and restatement of our 1997 Stock Plan to increase by up to 500,000 the number of
- (3) shares of our Common Stock authorized for issuance thereunder and include a "clawback" provision and a minimum one year vesting period for restricted stock grants, among other changes;  
Subject to the approval of Proposal No. 3, to approve an amendment to our Restated Certificate of Incorporation,
- (4) as amended, to increase by 500,000 the number of authorized shares of each class of our Common Stock solely to make available the shares contemplated for issuance under the Restated Plan;
- (5) To ratify the appointment of EKS&H LLLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016;
- (6) The offering of approval of our executive compensation in a non-binding advisory vote; and
- (7) To approve the adjournment of the Annual Meeting, if necessary or appropriate, to solicit additional proxies for the foregoing proposals.

We will also consider other business that properly comes before the 2016 Annual Meeting, including, if practicable, conducting an advisory vote with respect to discretionary voting by proxyholders if, and only if, such other business properly comes before the 2016 Annual Meeting.

Q: How does the Board recommend I vote on the proposals?

A: The Board recommends that you vote FOR the Acquisition Amendment to effect the Acquisition Share Increase, FOR the election of each of the Director nominees, FOR the Restated Plan, FOR the Equity Plan Amendment to effect the Incentive Share Increase, FOR the ratification of EKS&H LLP as the Company's independent registered public accounting firm, FOR the offering of approval of the Company's executive

compensation policies, FOR the adjournment of the Annual Meeting, if necessary or appropriate, to solicit additional proxies for the approval of the foregoing proposals, and FOR your preference being that the proxyholders exercise their voting discretion in a manner they determine to be in the best interest of the Company's stockholders, if other business properly comes before the 2016 Annual Meeting and you are voting by proxy.

Q: What classes of stock does Heska's Restated Certificate of Incorporation, as amended authorize?

A: Our Restated Certificate of Incorporation, as amended (our "Charter"), authorizes three classes of stock. First, our Charter authorizes a class of Common Stock to be referred to as "Traditional Common Stock" if either the Acquisition Amendment or the Equity Plan Amendment passes and defines it as the "Original Common Stock". We will refer to this class of stock in these proxy materials as the "Original Common Stock". Second, our Charter authorizes a class of Public Common Stock and defines it as the "Common Stock" or "NOL Restricted Common Stock". We will refer to this class of stock in these proxy materials as the "Public Common Stock" or "NOL Restricted Common Stock". Third, our Charter authorizes a class of Preferred Stock. We shall refer to this class of stock in these proxy materials as "Preferred Stock". For the purpose of these proxy materials, "Common Stock" shall mean collectively Original Common Stock and Public Common Stock.

Q: Who is an eligible stockholder entitled to vote at the Annual Meeting?

A: Stockholders holding Common Stock registered with Computershare Trust Company, Inc. ("Computershare"), our registrar and transfer agent ("Registrar Listed Shares"), as of the close of business on April 1, 2016, the Record Date, are eligible and entitled to vote at the Annual Meeting. Each stockholder is entitled to one vote for each share of Common Stock held on the Record Date. As of the Record Date, [•] shares of our



Common Stock were issued and outstanding; no shares of Preferred Stock were issued and outstanding. A list of stockholders entitled to vote at the Annual Meeting will be available at the Annual Meeting and for ten days prior to the meeting during normal business hours at our offices at 3760 Rocky Mountain Avenue, Loveland, Colorado 80538, by contacting our Secretary as outlined under "Who can help answer my questions?" below.

Q: How do I know if I hold Registrar Listed Shares?

In general, there are two ways in which you may hold Common Stock registered with Computershare: Physical Certificate and "Direct" Registration. With a Physical Certificate, there is an actual, hard copy stock certificate A: representing your ownership of Common Stock which is registered with Computershare. With Direct Registration, there is no paper certificate but your shares are registered with Computershare. Either way, you would have an account with Computershare and Computershare would have sent you these proxy materials.

If someone other than Computershare sent you these proxy materials, it is likely you do not hold Registrar Listed shares in any related account. A large portion of our Registrar Listed Shares are held by Cede & Co., a nominee of Depository Trust Company ("DTC Shares") - as we believe is typical for publicly traded companies. We believe DTC Shares are more conveniently publicly traded than other Registrar Listed Shares and thus represent most of our daily trading volume. If a broker buys a position in DTC Shares from another broker, we believe the identity of the parties is typically not reported to Computershare or us. We believe Depository Trust Company maintains records of the DTC Shares allocated to different entities, such as brokers and banks, and in the case of a broker buying a position in DTC Shares from another broker will record an increase in the number of DTC Shares allocated to the first broker equal to the number of shares involved as well as a corresponding decrease in the number of

shares allocated to the second broker. DTC Shares allocated to a given broker in this way may represent many client accounts for which the broker or the broker's agent maintains internal records, which we do not believe are generally shared with Depository Trust Company or Computershare.

If your shares are held through a broker, bank or other nominee and are not registered in your name with Computershare, such shares are herein referred to as being held in "Street Name", and you probably received these materials through such broker, bank or other nominee. We believe over 90% of our shares are held in Street Name. Computershare will generally not be able to identify the holders of shares held in Street Name as stockholders entitled to vote without further arrangements by the corresponding broker, bank or other nominee.

Q: How can I vote at the Annual Meeting if my shares are held in Street Name?

If you wish to vote shares held in Street Name at the Annual Meeting, you must contact your broker, bank or other A: nominee to obtain the proper documentation - which should be documentation entitling you to vote a certain number of Registrar Listed Shares at the Annual Meeting which we can verify as legitimate - and bring it with you to the Annual Meeting.

Q: Can eligible stockholders who are unable or unwilling to attend the Annual Meeting vote?

A: Yes, such stockholders may vote by proxy.

Q: How can I direct a vote by proxy?

If you hold Registrar Listed Shares you may (a) sign, date and indicate your voting preferences by following the A: corresponding instructions on each proxy card you receive and return each such proxy card in the postage prepaid envelope; (b) indicate your voting preferences via the telephone by following the corresponding instructions, or (c) indicate your voting preferences via the internet by following the corresponding instructions.

If you have shares held in Street Name, you should indicate your vote for the shares via any procedure(s) adopted by your broker, bank or other nominee. These may include directing proxy votes by mail, telephone via a touch tone dialpad or the internet. Proxy solicitors, including any proxy solicitor(s) we may engage, may make arrangements with certain brokers, banks and other nominees where you may be able to direct proxy votes on a taped telephone call.

Q: How can I change my proxy vote or revoke my proxy?

A: For Registrar Listed Shares, you have the right to revoke your proxy and change your vote at any time before the meeting by notifying our Secretary, or returning a later-dated proxy card, updating your vote via the telephone by following the corresponding instructions or updating your vote via the internet by following the corresponding instructions. You may also revoke your proxy and change your vote by voting in person at the Annual Meeting. For shares held in Street Name, you should follow any corresponding procedure(s) adopted by your broker, bank or other nominee. These may include procedures as simple as a later vote via telephone or the internet to change your vote.

Q: Who can help answer my questions?

A: If you have any questions about the Annual Meeting or how to vote or revoke your proxy, you should contact: Heska Corporation

Attn: Secretary

3760 Rocky Mountain Avenue

Loveland, Colorado 80538

(970) 493-7272

If you need additional copies of this proxy statement or voting materials, please contact our Secretary as described above.

Q: What does it mean if I get more than one proxy card?

A: It probably means that you hold shares of Common Stock in more than one account. Vote all proxies to ensure that all of your shares are voted if you do not plan to attend the Annual Meeting.

Q: Who will serve as inspector of elections?

A: The inspector of elections will be a representative of Computershare, our registrar and transfer agent.

Q: How do you expect votes will be counted for quorum and other purposes?

A: We intend to count shares underlying proxies containing a "for", "withhold", "against", or "abstain" vote, as well as any legitimate proxies without any voting instructions as "present" for purposes of determining a quorum.

We intend to consider an abstention or a non-vote on a given matter to be a forfeiture of the right to vote on that matter and a forfeiture of the voting power present at the 2016 Annual Meeting underlying the forfeited votes regarding that matter. Accordingly, if you abstain or do not vote on a given matter, your shares will not be voted "for" or "against" that matter and will not be considered as present and entitled to vote on that matter. However, you may abstain on a given matter for a certain portion of your shares and vote on the same matter with the remaining portion of your shares without forfeiting the votes underlying the shares you choose to vote. For example, a stockholder who has two accounts with 50 shares in each account may choose to abstain on a proposal with 50 shares and vote for the same proposal with the other 50 shares. In this case, the stockholder would forfeit his right to vote 50 shares on the proposal and would have his other 50 votes count for the proposal. In addition, an abstention or a non-vote on any matter will not affect your ability to vote on any other matter.

The underlying broker, bank or other nominee of shares held in Street Name may report consolidated proxy vote totals to Computershare. The underlying broker, bank

or other nominee of shares held in Street Name may not treat voting preferences such as non-votes in their proxy voting materials in the same manner we intend to. For example, if you do not indicate a vote on a given matter, the underlying broker, bank or other nominee may be permitted by law, rule and policy to exercise voting discretion on this matter and may direct a vote for the corresponding shares accordingly. Similarly, if you do not indicate a vote on a given matter, the underlying broker, bank or other nominee may be permitted by law, rule and policy not to direct a vote for the underlying shares on this or any other matter and may not direct a vote for the corresponding shares at all, including on other matters for which you may have indicated a voting preference.

If you hold shares in Street Name through a broker, bank or other nominee, your broker, bank or nominee may not be permitted by law, rule or policy to exercise voting discretion with respect to certain matters to be acted upon. If you do not give your broker, bank or nominee specific instructions, your underlying shares may not be voted on those matters and, if so, will not be considered as present and entitled to vote with respect to those matters. In some cases, your broker, bank or other nominee may not be permitted by law, rule or policy to exercise voting discretion with respect to any matters to be acted upon and, in the absence of specific instructions from you, may not vote or submit a proxy card to anyone at all regarding these matters. In such a circumstance, your underlying shares will not be considered present at the Annual Meeting in person or by proxy and will not be voted on any matters to be acted upon therein. We suggest you clearly indicate your voting preferences on all matters to help ensure your voting preferences are accurately recorded.

Q: What are the quorum and voting requirements for the Annual Meeting?

A: The holders of a majority of the outstanding shares of our Common Stock, present in person or represented by proxy at the Annual

Meeting, will constitute a quorum for the transaction of business at the Annual Meeting. Based on the number of shares of Common Stock outstanding as of the Record Date, a quorum requires [•] shares.

The Acquisition Amendment and resulting Acquisition Share Increase presented in Proposal No. 1 is to be approved by an affirmative vote of a majority of our outstanding shares of Common Stock (an "Absolute Majority"). Based on the number of shares of Common Stock outstanding as of the Record Date, approval requires the affirmative vote of a minimum of [•] shares.

The election of Directors presented in Proposal No. 2 is to be determined by a plurality of the votes of the shares of Common Stock having voting power present in person or represented by proxy at the Annual Meeting and entitled to vote on the subject matter (a "Plurality Vote").

The amendment and restatement of our 1997 Stock Plan presented in Proposal No. 3 is to be approved by both (1) the vote of the majority of the shares of our Common Stock having voting power present in person or by proxy, and entitled to vote on the subject matter at the Annual Meeting and (2) a minimum affirmative vote of a majority of our quorum requirement (with a vote meeting both criteria (1) and (2) being defined as a "Quorum Majority"). Based on the number of shares of Common Stock outstanding as of the Record Date, the affirmative vote of a minimum of [•] shares will be required to achieve a Quorum Majority.

If the Restated Plan is approved as requested in Proposal No. 3, the Equity Plan Amendment and resulting Incentive Share Increase presented in Proposal No. 4 is to be approved by an affirmative vote of an Absolute Majority, or a minimum of [•] shares.

The ratification of the selection of our independent registered public accounting firm for fiscal 2016 is to be approved by the vote of a majority of the shares of our Common Stock

having voting power present in person or by proxy, and entitled to vote on the subject matter (a "Voting Majority"). An offer of approval of our executive compensation in a non-binding advisory vote is to be obtained by a Voting Majority.

The Potential Adjournment is to be approved by a Quorum Majority, or the affirmative vote of a minimum of [•] shares.

Any other business which may properly come before the Annual Meeting is to be determined by a Quorum Majority, unless the matter is one upon which by express provision of law, or our Restated Certificate of Incorporation, as amended, or our Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such matter.

Q: What happens if additional matters are presented at the 2016 Annual Meeting?

Other than the seven specific items of business described in this proxy statement, we are not aware of any other business to be acted upon at the 2016 Annual Meeting. If other business properly comes before the Annual Meeting, we will intend to try to conduct an advisory vote of stockholders who have granted the persons named below as proxyholders a proxy regarding the preference of these stockholders' regarding the manner in which the below persons named as proxyholders exercise their voting discretion or otherwise communicate any related

A: information in this regard to such proxyholders, and then proceed to consideration of the other business which has properly come before the Annual Meeting. If you grant a proxy, the persons named as proxyholders - Jason A. Napolitano, our Chief Operating Officer, Chief Financial Officer, Executive Vice President and Secretary, John McMahon, our Vice President, Financial Operations and Controller, and Daniel J. Pollack, our Treasurer and Assistant Secretary - will have the discretion to vote your shares on any additional matters presented for a vote at the meeting. It is important to note that

while the proxyholders may consider any advisory vote or related information in such a circumstance, the proxyholders retain full discretion to vote as they may determine regardless of outcome of any advisory vote or related information.

Q: What happens if one or more of the nominees for Director is unable to stand for election?

A: If for any unforeseen reason any of our nominees is not available as a candidate for Director, the persons named as proxyholders - Mr. Napolitano, Mr. McMahon and Mr. Pollack - expect to vote your proxy for such other candidate or candidates who may be nominated by the Board, although the proxyholders retain full discretion to vote as they may determine.

Q: Where can I find the voting results of the meeting?

A: Unless adjourned under Proposal No. 7, we intend to announce preliminary voting results at the Annual Meeting, and publish final voting results in a Current Report on Form 8-K (a "Form 8-K") to be filed with the SEC within four business days after the Annual Meeting. If final voting results are not available within four business days after the Annual Meeting, we intend to publish preliminary voting results in a Form 8-K to be filed with the SEC on the fourth business day following Annual Meeting and then publish final voting results in a Form 8-K to be filed with the SEC within four business days following the final voting results becoming known.

Q: Who bears the costs of soliciting votes for the Annual Meeting?

A: Heska is making this solicitation and will pay the entire cost of preparing, printing, assembling and mailing these proxy materials. In addition to the mailing of these proxy materials, certain of our directors and employees may solicit proxies on our behalf in person, by mail, telephone, email, facsimile or other means. No additional compensation will

be paid to these people for such solicitation. We have engaged Morrow & Co., LLC, 470 West Ave., Stamford, CT 06902 ("Morrow") to solicit proxies on our behalf for a fee of \$14 thousand, which may increase based on Morrow's solicitation activities with non-objecting beneficial owners of our Common Stock, plus reimbursement of certain disbursements. We believe our engagement with Morrow is consistent with customary terms and conditions for soliciting proxies. Charges under the engagement may increase if we direct Morrow to engage in activities not currently contemplated. We may enlist the assistance of brokerage firms, fiduciaries, custodians and other third party solicitation firms in soliciting proxies. If we elect to engage any such assistance, we expect our arrangements with the solicitation firm(s) will be on customary terms and conditions, the cost of which is not anticipated to be material to us. Upon request, we will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders.

Q: Is a corporate 2015 Annual Report available?

A: A corporate 2015 Annual Report was posted to the investor relations portion of our Corporate website on or about [•]. We have not mailed physical copies of our corporate 2015 Annual Report with this mailing in order to reduce the cost of conducting the Annual Meeting as compared to comparable costs in previous years. If you wish to obtain a hardcopy of our corporate 2015 Annual Report, please contact our Secretary as follows:

Heska Corporation  
Attn: Secretary  
3760 Rocky Mountain Avenue  
Loveland, Colorado 80538  
(970) 493-7272.

Q: May I propose actions for consideration at next year's Annual Meeting or nominate individuals to serve as Directors?

A: Yes. You may submit proposals, including Director nominations, for consideration at

future stockholder meetings. All proposals or nominations should be addressed to: Secretary, Heska Corporation, 3760 Rocky Mountain Avenue, Loveland, Colorado 80538.

Stockholder Proposals: For a stockholder proposal to be considered for inclusion in our proxy statement for the annual meeting next year, the written proposal must be received by our Secretary at our principal executive offices under either (1) Rule 14a-8 (a "Rule 14 Proposal") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or (2) the Bylaws of Heska (a "Bylaws Proposal"). A Rule 14 Proposal must be received by our Secretary at our principal executive offices no later than [•], 2016. If the date of next year's annual meeting is moved more than 30 days before or after the anniversary date of this year's annual meeting, the deadline for inclusion of proposals in our proxy statement is instead a reasonable period of time before we begin to print and mail our proxy materials. Such proposals also will need to comply with Rule 14a-8 under the Exchange Act regarding the inclusion of stockholder proposals in company-sponsored proxy materials. For a Bylaws Proposal, the stockholder must deliver a written notice of intent to propose such action in accordance with our Bylaws, which in general require that the notice be received by us not less than 60 days nor more than 90 days prior to the first anniversary of the date on which notice of the prior year's annual meeting was mailed to stockholders. These proxy materials for the Annual Meeting are to be mailed on or about [•]. This means that for the 2017 annual meeting of stockholders, any such proposal must be received no earlier than [•] and no later than [•], 2017.

Director Nominees: You may propose Director candidates for consideration by the Board's Corporate Governance Committee. Any such recommendations should be directed to our Secretary at our principal executive offices. In addition, you may nominate a Director for consideration by Heska's stockholders if you give timely and adequate

notice to our Secretary of your intention to make such nomination in accordance with our Bylaws, which require that the notice be received by the Secretary within the time periods described above under "Stockholder Proposals" and with the detail regarding your nomination as is required by our Bylaws.

Copy of Bylaw Provisions: You may contact our Secretary at our principal executive offices for a copy of the relevant Bylaw provisions regarding the requirements for making stockholder proposals and nominating Director candidates. A copy of our current Bylaws has also been filed with the SEC with our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015. This document is accessible at the website of the SEC at [www.sec.gov](http://www.sec.gov).

PROPOSALS TO BE VOTED ON

PROPOSAL NO. 1

APPROVAL OF AN AMENDMENT TO OUR CHARTER TO INCREASE BY 1,000,000 THE NUMBER OF AUTHORIZED SHARES OF OUR COMMON STOCK

You are being asked to approve an amendment to our Charter to increase by 1,000,000 the total number of authorized shares of our Common Stock. The Board has unanimously approved the proposed Acquisition Amendment and resulting Acquisition Share Increase and recommends that you vote FOR its approval and adoption. The form of the proposed Acquisition Amendment is attached to this proxy statement as Appendix A and is incorporated herein by reference.

What is the purpose of the Acquisition Amendment?

We are seeking your approval of the Acquisition Amendment to effect the Acquisition Share Increase in order to (i) satisfy a condition to the completion of the Acquisition, (ii) enable us to utilize fully our stockholder approved Equity Incentive Plans (as defined below), and (iii) provide the Company adequate flexibility in corporate planning and strategies. You are not being asked to approve specifically any of these purposes.

Our Charter currently authorizes the issuance of 17,500,000 shares, consisting of 7,500,000 shares of Original Common Stock, 7,500,000 shares of NOL Restricted Common Stock and 2,500,000 shares of Preferred Stock. Pursuant to our Charter, our NOL Restricted Common Stock automatically converts into an equivalent number of shares of Original Common Stock on the date that the transfer restrictions on the NOL Restricted Common Stock terminate, and we are required at all times to have reserved for issuance the number of shares of Original Common Stock sufficient to permit conversion of the NOL Restricted Common Stock.

As of April 1, 2016, we had [•] shares of NOL Restricted Common Stock outstanding, no shares of Original Common Stock outstanding but [•] shares of Original Common Stock reserved for issuance upon conversion of currently outstanding NOL Restricted Common Stock and we had zero treasury shares. We also had an aggregate of [•] shares reserved for issuance under our 1997 Stock Incentive Plan (the "1997 Stock Plan"), 1997 Employee Stock Purchase Plan, as amended and restated, and 2003 Equity Incentive Plan, as amended and restated (collectively, the "Equity Incentive Plans"), of which approximately [•] shares had previously been issued under the Equity Incentive Plans, approximately [•] shares were reserved for issuance under the Equity Incentive Plans pursuant to outstanding awards which were not contingent on an increase in the total number of authorized shares of our NOL Restricted Common Stock and approximately [•] shares were reserved for issuance under the Equity Incentive Plans pursuant to outstanding awards which were contingent on an increase in the total number of authorized shares of our NOL Restricted Common Stock to at least 8,500,000 shares, leaving approximately [•] shares of Common Stock available for future issuance under the Equity Incentive Plans if we do not obtain an increase in the total number of authorized shares of our NOL Restricted Common Stock.

Why is the Acquisition Amendment necessary to complete the Acquisition, and what are the material terms of the Acquisition?

The Acquisition Amendment to effect the Acquisition Share Increase is a stated condition to the closing of the Acquisition. As previously disclosed in a press release and Current Report on Form 8-K that were filed with the SEC on November 16, 2015, and as subsequently updated in Current Reports on Form 8-K that were filed with SEC on December 16, 2015 and March 15, 2016, the Company has agreed to acquire Cuattro

International from all of the members of Cuattro International (the "Members") pursuant to an Agreement and Plan of Merger, dated as of March 14, 2016 (the "Merger Agreement"), among the Company, Cuattro International, Mr. Wilson, the Members, and Cuattro International Merger Subsidiary, Inc., a wholly-owned subsidiary of the Company ("Merger Sub"). Under the Merger Agreement, Merger Sub will be merged with and into Cuattro International, with Cuattro International surviving as a wholly-owned subsidiary of the Company. Mr. Wilson is a founder of Cuattro International, Cuattro, LLC, Cuattro Software, LLC and Cuattro Medical. Mr. Wilson, Mrs. Wilson and trusts for the benefit of Mr. and Mrs. Wilson's children and family own a 100% interest in Cuattro, LLC and a majority interest in Cuattro Medical, LLC. Cuattro, LLC owns a 100% interest in Cuattro Software, LLC and a majority interest in Cuattro International. As such, Mr. Wilson may be deemed to own indirectly a majority interest in Cuattro International and to have a substantial interest in the Acquisition Amendment to the extent of Cuattro, LLC's interest in Cuattro International. Our Board appointed a special committee (the "Special Committee") of independent directors to consider, negotiate and make all decisions relating to the Acquisition. All members of our current Board other than Mr. Wilson served on the Special Committee, which was chaired by our former Lead Director and current outside Chair of the Board. The Special Committee engaged counsel and financial advisors and was afforded full access to the Company's financial management to assist the Special Committee in its work. Mr. Wilson did not participate in the deliberations of the Special Committee and its advisors or otherwise have a role in the transaction on behalf of the Company. Mr. Wilson's role in the proposed transaction was limited to negotiating on behalf of Cuattro International with representatives of the Special Committee.

As consideration for the Acquisition, the Company will issue an aggregate number of between 175,000 shares and 200,000 shares of Common Stock, which number of shares is intended to equal in value to \$6.0 million. The actual aggregate number of shares to be issued within the range in the Acquisition will be determined by reference to the average per share price of the Common Stock as reported on the Nasdaq Stock Market for the ten trading days ending on the trading day prior to the closing date of the Acquisition. The Company may also be required to pay, as additional contingent consideration in the Acquisition, cash to the Members under the Merger Agreement to the extent any liabilities or obligations to Cuattro International that have been fully reserved as uncollectible (the "Reserved Assets") from Cuattro, LLC, Cuattro Software, LLC and Cuattro Medical, LLC are recovered by the Company or Cuattro International. The Reserved Assets consisted solely of liabilities from Cuattro, LLC with a face value of approximately \$2.2 million on December 31, 2015. Cuattro, LLC, Cuattro Software, LLC and Cuattro Medical, LLC are affiliates of Cuattro International, Mr. Wilson or the Members. Mr. Wilson, Mrs. Wilson and trusts for the benefit of Mr. and Mrs. Wilson's children and family own a 100% interest in Cuattro, LLC as well as a majority interest in Cuattro Medical, LLC. Cuattro, LLC owns a 100% interest in Cuattro Software, LLC. While the contingent consideration is required to be paid within 30 days after the recovery, the Company does not expect to recover any of these liabilities or obligations.

The Acquisition is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the Merger Agreement is intended to be a plan of reorganization for purposes of Sections 354 and 361 of the Code and within the meaning of Treasury regulation section 1.368-2(g). The description of our Common Stock to be issued in the Acquisition is incorporated herein by reference to our Amendment No. 2 to Registration Statement on Form 8-A/A (File No. 000-222472) filed with the SEC on January 4, 2011. There are no federal or state regulatory requirements that must be complied with or approvals that must be obtained in connection with the Acquisition.

What does Cuattro International do and what are the reasons for the Acquisition?

Cuattro International is a provider to international markets of digital radiography, picture archiving and communication systems ("PACS") and other imaging technologies for veterinarians. Its principal executive offices are located at 3760 Rocky Mountain Avenue, Loveland, Colorado 80538, and its telephone number is (800) 709-4515. There is no active trading market for the Units of Cuattro International. Additional financial



and other information about Cuattro International is being provided as Appendix B to this proxy statement and is incorporated by reference herein.

As a leading provider of advanced veterinary diagnostic and specialty products, our acquisition of Cuattro International is to combine Cuattro International's international reach with our domestic success in the imaging and blood testing space in the United States. International markets represent a significant portion of worldwide veterinary revenues for which the Company intends to compete.

What is the history of the negotiations between the parties related to the Acquisition?

On February 5, 2015, the Company held a meeting of its Board of Directors (the "Board"), at which Mr. Wilson discussed various ideas he had where the Company could obtain greater efficiencies or enhance its business through the purchase of assets controlled by Cuattro, LLC or Mr. Wilson. In addition to Mr. Wilson, Board members in attendance during Mr. Wilson's discussion were Executive Chair Robert B. Grieve, Ph.D., Lead Director Sharon L. Riley, William A. Aylesworth, G. Irwin Gordon, David E. Sveen, Bonnie J. Trowbridge and Carol A. Wrenn; Jason A. Napolitano, the Company's Executive Vice President, Chief Financial Officer and Secretary, and William M. Hardin of Osborn Maledon P.A. were also in attendance during Mr. Wilson's discussion. Following Mr. Wilson's discussion, Mr. Wilson, Dr. Grieve and Mr. Napolitano excused themselves from the meeting and the Board decided to establish a special committee of the independent members of the Board (the "Independent Committee"). On February 6, 2015, Mr. Wilson was informed that the Independent Committee had been formed and that Ms. Riley would be acting as the primary liason between Mr. Wilson and the Independent Committee. At an Independent Committee meeting on February 19, 2015, Ms. Riley was formally named as Chair of the Independent Committee. On April 7, 2015, Mr. Wilson, Ms. Riley, Mr. Hardin and Mr. Napolitano met, at which time Mr. Wilson proposed the Company purchase several assets controlled by Cuattro, LLC or Mr. Wilson, including the assets of Cuattro International. Following due diligence conducted by, and various discussions with, its legal and financial advisors and Mr. Napolitano, the Independent Committee approved that a counter-proposal be made to Mr. Wilson, which occurred at a meeting on August 19, 2015 between Ms. Riley, Mr. Napolitano, Mr. Hardin, Mr. Wilson and Cuattro International's legal and tax advisors. This counter-proposal was for the purchase of the assets of Cuattro International as well as other specific assets owned by Cuattro, LLC for a combination of stock and cash. The participants discussed the recent reorganization of Cuattro International as a C corporation for tax purposes and that an equity-for-equity transaction might be more appealing as a result. At a Board meeting on September 24, 2015 with Dr. Grieve, Ms. Riley, Mr. Gordon, Dr. Sveen, Ms. Trowbridge, Ms. Wrenn, Mr. Napolitano and Mr. Hardin in attendance, Mr. Wilson proposed the Company obtain 100% ownership of Cuattro International in an equity-for-equity transaction for 187,500 shares of Company stock. Following the preparation of legal documents and discussions with Mr. Napolitano and its legal and financial advisors, the Independent Committee authorized Mr. Napolitano and Mr. Hardin to negotiate with Mr. Wilson and Cuattro International's representatives for a "collar" where the number of shares issuable in the transaction would be adjusted based on the stock price when the acquisition closes. Mr. Napolitano and Mr. Hardin were able to obtain an agreement for a collar which was to vary between 175,000 shares and 200,000 shares based on a target valuation of \$6 million. On November 10, 2015, the Independent Committee approved a Unit Purchase Agreement with Cuattro International, Mr. Wilson and all of the Cuattro International members which the parties executed on November 11, 2015. Under the Unit Purchase Agreement, the Company also agreed to issue additional shares of common stock to the Members (the "Contingent Shares") in the event that the Reserved Assets were recovered by the Company or Cuattro International. The Unit Purchase Agreement was expected to close on or about January 1, 2016 subject to certain closing conditions, including the affirmative vote of the Company's stockholders to increase by 1,000,000 shares each the authorized shares of both classes of the Company's Common Stock. It subsequently became apparent to the parties to the Unit Purchase Agreement, as well as their advisors, that a January 1, 2016 closing date was not going to prove realistic. On December 16, 2015, following approval of

the Independent Committee, the Company entered into a First Amendment to Unit Purchase Agreement, dated effective as of December 1, 2015, with Cuattro International, Kevin S. Wilson and all of the Members which extended to February 29, 2016 from December 31, 2015 the earliest date upon which the parties could have terminated the amended Unit Purchase Agreement for the failure of a closing condition under the amended Unit Purchase Agreement to be satisfied and capped the Contingent Shares that could have been issued at 100,000. Mr. Wilson and Cuattro International's advisors proposed via email a change to the deal structure on February 25, 2016 which they believed would eliminate the need for Contingent Shares. This proposal was discussed during a March 2, 2016 Board meeting at which Mr. Wilson, Ms. Riley, Mr. Gordon, Dr. Sveen, Ms. Trowbridge, Ms. Wrenn, Mr. Napolitano and Mr. Hardin were in attendance. On March 14, 2016, following approval of the Independent Committee, the Company, Cuattro International, Kevin S. Wilson and the Members terminated the amended Unit Purchase Agreement and superseded the amended Unit Purchase Agreement with the Merger Agreement. The Merger Agreement eliminated the use of Contingent Shares in the event any of the Reserved Assets are recovered by the Company or Cuattro International; in such a circumstance, the Members would be paid in cash under the Merger Agreement. The earliest date upon which the parties may terminate the Merger Agreement for failure of a closing condition under the Merger Agreement to be satisfied is May 31, 2016.

Will I get the opportunity to vote on separately on the Acquisition itself?

No. The Company's stockholders will not have the opportunity to vote upon the Acquisition separate and apart from the proposal to approve the Acquisition Amendment and resulting Acquisition Share Increase.

Why is the Acquisition Amendment necessary to enable us to utilize fully our stockholder approved Equity Incentive Plans?

As more fully described above under the caption "What is the purpose of the Acquisition Amendment?", as of [•], 2016 approximately [•] shares of Common Stock were reserved for issuance under the Equity Incentive Plans pursuant to outstanding awards, which were not contingent on an increase in the total number of authorized shares of our Public Common Stock and approximately [•] shares were reserved for issuance under the Equity Incentive Plans pursuant to outstanding awards which were contingent on an increase in the total number of authorized shares of our Public Common Stock to at least 8,500,000 shares and approximately [•] shares of Common Stock were available for future issuance under the Equity Incentive Plans. However, as of [•], 2016, only approximately [•] authorized but unissued shares of Common Stock remained under our Charter. Therefore, the Acquisition Amendment to effect the Acquisition Share Increase is necessary in order to be able to fully utilize the number of shares of Common Stock that remain available as contemplated and authorized by our stockholders for future issuance under the Equity Incentive Plans. These additional shares are important to enable the Company to continue to motivate and retain its existing employees and to attract new employees.

How will the Acquisition Amendment provide the Company flexibility in corporate planning and strategies?

The stockholders' approval of additional authorized but unissued shares of Common Stock under the Acquisition Amendment is important to the Company for a number of other reasons. It would allow the Company to complete future acquisitions of other businesses or products, including the acquisition of equity in Heska Imaging US, LLC ("Heska Imaging") not currently owned by the Company, establish strategic partnerships, complete equity financings, provide equity incentives to new and existing employees, pay stock dividends, and effect stock splits and other recapitalizations. From time to time the Company considers these types of transactions as market conditions or other opportunities arise.

It can become increasingly important to have additional shares available beyond the 200,000 shares which may be issued in Acquisition in the event the Board needs to undertake any of the foregoing actions on an expedited basis and thus avoid the time and expense of seeking stockholder approval in connection with the contemplated issuance of Common Stock. Such additional authorized shares may be issued for such purposes and for such consideration as the Board may determine without further stockholder approval, unless stockholder approval is required for currently unanticipated issuances by applicable law or the requirements of the Nasdaq Stock Market or any national securities exchange on which our securities may be listed from time to time. For example, the Company may obtain the right, but not the obligation, to issue up to approximately an additional 650,000 shares of Common Stock to acquire from the minority owners the remaining position in Heska Imaging not already owned by the Company. The Board may determine to use shares of Common Stock for that purpose, should the opportunity arise, in order to preserve cash or for other commercial reasons determined in the best interests of the Company's stockholders at the time. We do not anticipate that stockholders will have the right to vote on any voluntary purchase of the remaining minority position in Heska Imaging from the minority holders. Please see the information provided below under the caption "Do any of Heska's Officers or Directors, or persons associated with them, have a substantial interest in the Acquisition Amendment?" for an additional discussion of the possible future issuance of shares of Common Stock in respect of the ownership of Heska Imaging.

Does the Board presently anticipate issuing additional shares of Common Stock for unidentified reasons if the Acquisition Amendment is approved?

Except for the issuance of shares of Common Stock in connection with the Acquisition, pursuant to the Equity Incentive Plans for employees and for the purchase of the equity in Heska Imaging not currently owned by the Company, the Company has no present arrangement, agreement, understanding or plan for the issuance of any additional shares of Common Stock proposed to be authorized by the Acquisition Amendment.

Do any of Heska's Officers or Directors, or persons associated with them, have a substantial interest in the Acquisition Amendment?

Mr. Wilson, one of our Directors and our Chief Executive Officer and President, is a founder of Cuattro, LLC, one of the Members of Cuattro International that will receive shares of our Common Stock if the Acquisition is completed following an approval of the Acquisition Amendment. Including shares held by Mrs. Wilson and by trusts for the benefit of Mr. and Mrs. Wilson's children and family, Mr. Wilson owns a 100% interest in Cuattro, LLC. Cuattro, LLC owns a majority interest in Cuattro International. As such, he may be deemed to have a substantial interest in the Acquisition Amendment to the extent of his pecuniary interest in Cuattro, LLC.

Any shares received in the Acquisition by the Members will be subject to lock-up agreement that will restrict the Members from transferring the shares they receive for a period of 181 days after the completion of the transaction. In addition, Mr. Wilson and his associates who are identified below in this discussion and who are also Members of Heska Imaging may also be deemed to benefit from any assumption by the Company of the debt obligation of Cuattro International that is currently owed to Heska Imaging. As of December 31, 2015, the aggregate amount outstanding of such debt obligations was approximately \$1.5 million.

Cuattro, LLC is currently a supplier to Heska Imaging of software products, and other products and services, under an Amended and Restated Master License Agreement between the parties (the "License Agreement") and a Supply Agreement between the parties (the "Supply Agreement"), respectively. If the Acquisition closes, the License Agreement and the Supply Agreement are to be assigned from Heska Imaging to a newly created legal entity 100% owned by Heska Corporation. Heska Imaging and Cuattro International

are to be approved sub-distributors for the software products, and other products and services obtained under the License Agreement and the Supply Agreement, respectively. Mr. Wilson may be deemed to have a substantial interest in the Acquisition Amendment to the extent license payments increase, unit volumes purchased increase and/or other similar matters improve the profitability of Cuattro, LLC from what it otherwise would have been as a result of the Acquisition.

Mr. Wilson and other holders of the remaining minority position in Heska Imaging may also be deemed to have a substantial interest in the Acquisition Amendment to the extent that the Company determines, in its sole discretion, to use a portion of the additional shares authorized to purchase the remaining minority position in Heska Imaging, an entity in which Heska acquired a 54.6% controlling interest in February 2013. Depending on the performance of Heska Imaging, we may either have the right or the obligation to purchase the remaining minority position from the minority holders. We believe either instance is most likely to arise following the audit of our financial statements for the calendar year 2016 or the calendar year 2017. In either instance, the Company may use up to approximately 650,000 shares of Common Stock to pay for a portion of the purchase price for the minority position. Shawna M. Wilson, Steven M. Asakowicz, Rodney A. Lippincott, Kevin S. Wilson and Cuattro, LLC own approximately 29.75%, 4.09%, 3.07%, 0.05% and 0.05% of Heska Imaging, respectively. Steven M. Asakowicz serves as Executive Vice President, Companion Animal Health Sales for the Company. Rodney A. Lippincott serves as Executive Vice President, Companion Animal Health Sales for the Company.

What are the anticipated effects of the Acquisition Amendment and any additional anti-takeover considerations on existing stockholders of Heska?

If the Acquisition Amendment is approved, our Board will generally under applicable law be able to authorize and approve the issuance of additional shares of common stock authorized by the Acquisition Amendment without further stockholder action. For example, there will be no separate opportunity for the stockholders to vote on the Acquisition and the issuance of shares of Common Stock in connection with the Acquisition under the Merger Agreement. Upon issuance, the additional shares of authorized Common Stock would have rights identical to the currently outstanding shares of the Company's Common Stock. Adoption of the Acquisition Amendment would not have an immediate dilutive effect on the proportionate voting power or other rights of existing stockholders. As is true for shares presently authorized but unissued, however, the future issuance of Common Stock authorized by the Acquisition Amendment may, among other things, dilute the earnings per share of Common Stock, decrease existing stockholders' percentages of equity ownership, dilute the voting rights of existing stockholders and, depending on the price at which they are issued, could have a negative effect on the market price of the Company's Common Stock. Current stockholders have no preemptive or similar rights. Accordingly, current stockholders do not have a prior right to purchase any new issue of Common Stock in order to maintain their proportionate ownership of the Company.

If the Board determines that a hostile takeover attempt or a change in control of management of the Company is not in the best interest of the Company's stockholders, the Board could use the additional shares of Common Stock that would become available for issuance if this proposal is approved, to oppose, delay or prevent such attempted takeover or change, which could discourage certain transactions in which our stockholders might otherwise receive a premium for their shares over the then current market prices. The authorization of such Common Stock will have no current anti-takeover effect. No hostile take-over attempts are, to our management's knowledge, currently threatened. Am I entitled to dissenters or appraisal rights in connection with the proposed Acquisition Amendment?

The holders of shares of our Common Stock will have no dissenters rights of appraisal under Delaware law, our Charter or our Bylaws with respect to the Acquisition Amendment to effect the Acquisition Share Increase.

Vote Required; Recommendation of our Board of Directors

Approval of this proposal requires the affirmative vote of an Absolute Majority. Based on the number of shares of Common Stock outstanding as of the Record Date, this requires the affirmative vote of a minimum of [•] shares. Our Board unanimously recommends that you vote FOR the Acquisition Amendment to effect the Acquisition Share Increase.

## BOARD STRUCTURE AND COMMITTEES

Our Board has three standing Committees, each of which is chaired by an independent Director: (1) Audit (the "Audit Committee"), (2) Compensation (the "Compensation Committee") and (3) Corporate Governance (the "Corporate Governance Committee"). The membership during 2015 and the function of each Committee are described below. Our Board held seven (7) meetings during 2015. Our Board currently has six (6) Directors, arranged into three classes with overlapping three-year terms of service: Sharon L. Riley, Chair (Class III), G. Irwin Gordon (Class I), David E. Sveen, Ph.D. (Class II), Bonnie J. Trowbridge (Class III), Kevin S. Wilson (Class II) and Carol A. Wrenn (Class I). In 2015, William A. Aylesworth also served as a Director to our 2015 Annual Meeting on May 5, 2015 and Robert B. Grieve, Ph.D. also served as a Director and Executive Chair of the Board until his resignation from these roles on October 1, 2015. We encourage our directors to attend each Annual Meeting and all of our Directors attended our last annual meeting of stockholders in May 2015. All Board members have attended at least 75% of all Board and applicable Committee meetings during 2015.

### Board Leadership Structure

We currently have separated the role of Chair of the Board and Chief Executive Officer with Ms. Riley serving as Chair of our Board and Kevin S. Wilson serving as our Chief Executive Officer. In considering the separation of the Chair and Chief Executive Officer roles, the Board considered corporate governance, potential conflict of interest and time management questions. See "Transition of Chief Executive Officer Role" below for more detail. In 2010, we amended our Bylaws to allow our Board to formally choose a Lead Director. The Lead Director was expected to chair sessions involving only the independent directors, among other responsibilities as the Board may provide. Ms. Riley served as our Lead Director from our 2014 Annual Meeting on May 6, 2014 until her appointment as Chair of the Board on October 1, 2015, following the resignation of Dr. Grieve as a Director and as Executive Chair of the Board on October 1, 2015. At the time of Ms. Riley's appointment as Chair of the Board, the Board eliminated the Lead Director position as the Company appointed an independent Chair who is neither an Officer nor an employee of the Company.

### Board Risk Oversight

Our business, including risk oversight, is conducted with the advice, counsel and direction of our Board. The formal channel for risk-related information to be communicated to our Board is through our Chief Executive Officer. Our Chief Executive Officer periodically conveys the Company's risks, including credit risks, liquidity risks and operational risks to the Board at Board meetings and through other forms of communication, as appropriate. Our Board may also discuss the Company's risks with other members of management as directed by our Chief Executive Officer or as part of another Board function. For example, our Chief Financial Officer has discussed credit risk with directors during Audit Committee meetings primarily focused on accounting determinations.

### Board Independence

Our Board has determined that each of the Directors standing for re-election has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company) and meets the requirements of "independence" as set forth in the rules and regulations promulgated by the SEC and the Nasdaq Stock Market listing standards (the "Nasdaq Listing Standards"). Furthermore, the Board has determined that, with the exception of Mr. Wilson, Heska's Chief Executive Officer and President, all current members of the Board meet the definition of "independence" as set forth in the rules and regulations promulgated by the SEC and the Nasdaq Listing Standards.

#### Audit Committee

Our Audit Committee has the following responsibilities:

- appoint and replace our independent auditors;
- compensate and oversee the work of our independent auditors;
- oversee and monitor the integrity of our annual and quarterly financial statements;
- review and discuss with management and our independent auditors significant financial reporting issues, judgments made in connection with the preparation of the Company's financial statements and critical accounting policies and practices;
- oversee and monitor the qualifications, independence and performance of our independent auditors;
- oversee and monitor our internal accounting and financial controls; and
- provide the results of examinations and recommendations derived therefrom to the Board.

During 2015, our Audit Committee met eight times. Our Audit Committee consisted of Mr. Aylesworth, as Chair, Ms. Riley and Ms. Wrenn from our 2013 Annual Meeting until a Board vote on February 6, 2015, Mr. Aylesworth, as Chair, Ms. Riley, Ms. Trowbridge and Ms. Wrenn from February 6, 2015 to our 2015 Annual Meeting on May 5, 2015 and Ms. Trowbridge, as Chair, Ms. Riley and Ms. Wrenn thereafter.

Our Board has determined that each of the current members of our Audit Committee meets the requirements of "independence" as set forth in Section 10A(m)(3) of the Exchange Act, the rules and regulations promulgated by the SEC and the Nasdaq Listing Standards. Our Board has also determined that Bonnie J. Trowbridge is an audit committee financial expert within the meaning of the rules and regulations promulgated by the SEC and she has accounting and related financial management expertise within the meaning of the Nasdaq Listing Standards.

Our Audit Committee has a written charter, which is available on our website at [www.heska.com](http://www.heska.com) (under Investors - Corporate Governance). The Company's website address provided above is not intended to function as a hyperlink, and the information on the Company's website is not and should not be considered part of this proxy statement and is not incorporated by reference herein.

#### Compensation Committee

Our Compensation Committee has the following responsibilities:

- discharge the Board's responsibilities relating to compensation of our Executive Officers, including our Chief Executive Officer;
- oversee all compensation programs involving the use of our stock; and
- produce an annual report on executive compensation for inclusion in our proxy statement for our annual meeting of stockholders.

During 2015, our Compensation Committee met seven times. Our Compensation Committee has consisted of Mr. Gordon, as Chair, Dr. Sveen and Ms. Wrenn since February 20, 2014.

Our Board has determined that each of the current members of our Compensation Committee meets the requirements of "independence" as set forth in the rules and regulations promulgated by the SEC and the Nasdaq Listing Standards.

Our Compensation Committee has a written charter, which is available on our website at [www.heska.com](http://www.heska.com) (under Investors - Corporate Governance). The Company's website address provided above is not intended to function as a hyperlink, and the information on the Company's website is not and should not be considered part of this proxy statement and is not incorporated by reference herein.

#### Corporate Governance Committee

Our Corporate Governance Committee has the following responsibilities:

- assist our Board by identifying qualified candidates for Director, and recommend to the Board the Director nominees for each annual meeting of stockholders;
- lead our Board in its annual review of our Board's performance;
- recommend Director nominees to our Board for each Board Committee and the Chair of such Committees;
- develop and recommend to our Board the corporate governance guidelines applicable to the Company; and
- review and advise the Board on Director compensation matters.

During 2015, our Corporate Governance Committee met five times. Our Corporate Governance Committee consisted of Ms. Riley, as Chair, Mr. Gordon and Dr. Sveen from February 20, 2014 until a Board vote on February 6, 2015 and Ms. Riley, as Chair, Mr. Gordon, Dr. Sveen and Ms. Trowbridge thereafter.

Our Board has determined that each of the current members of our Corporate Governance Committee meets the requirements of "independence" as set forth in the rules and regulations promulgated by the SEC and the Nasdaq Listing Standards.

Our Corporate Governance Committee has a written charter, which is available on our website at [www.heska.com](http://www.heska.com). In addition, our Corporate Governance Committee prepared, and our full Board has approved, Corporate Governance Guidelines outlining the qualifications, responsibilities and other issues related to our Board's governance role and functions. The document is also available on our website at [www.heska.com](http://www.heska.com) (under Investors - Corporate Governance). The references to the Company's website address provided above is not intended to function as a hyperlink, and the information on the Company's website is not and should not be considered part of this proxy statement and is not incorporated by reference herein.

#### Director Qualification and Nomination

Service on our Board varies from one year to 15 years. All of our Directors have gained Company and industry specific knowledge as a result. The experience, qualifications, attributes or skills that qualify our Directors to serve on our Board are discussed on a Director-by-Director basis in the "Election of Directors" section of this document as well as in this "Board Structure and Committees" section. None of our directors is serving as a result of one specific qualification. It is the breadth of their individual experiences and the manner in which they complement each other as a group that make them individually and collectively attractive Directors.

Our Corporate Governance Committee does not have an established policy for minimum qualifications of Director nominees or appointees. However, pursuant to our Corporate Governance Committee Charter, we believe that it is in the best interests of the Corporation and its stockholders to obtain highly qualified candidates for the Board. Our Corporate Governance Committee seeks candidates with excellent decision-making ability, business experience, relevant experience, personal integrity and reputation as candidates for nomination and appointment.



Our Corporate Governance Committee does not have an established policy for diversity of Director nominees or appointees. However, we believe diversity is inherent in our approach of seeking high quality individuals with complementary skills to create a group dynamic and decision making process that is even stronger than would be obtained by the mere summation of its individual contributors in isolation.

Our Corporate Governance Committee does not have a formalized process for identifying and evaluating nominees or appointees for Director. Our Corporate Governance Committee determines desired Board member skills and attributes and conducts searches for prospective Director candidates whose skills and attributes reflect those desired. This analysis may start with a Board evaluation, including determination of areas of strength and areas for improvement. Particular skills and experience may be desired in areas of improvement. Our Corporate Governance Committee may determine guidelines and parameters for a search for an individual with the desired skills and experience. Our Corporate Governance Committee will evaluate candidates identified by its own initiative as well as candidates referred to it by other members of the Board, by the Company's management, or by external sources. Our Corporate Governance Committee has utilized a third-party executive search firm in the past to identify candidates as well as other sources. Our Corporate Governance Committee has adopted a policy stating it will not consider unsolicited applications for Board membership.

Our Corporate Governance Committee will also consider nominees recommended by stockholders provided such recommendations are made in accordance with our Bylaws and the procedures described in this proxy statement under "Questions and Answers About the Proxy Materials and the 2016 Annual Meeting." Although to date no stockholder has presented any candidate for Board membership to us, it is expected that recommendations from stockholders would generally be considered in the same manner as recommendations by a Director or an Officer of the Company.

#### Stockholder Communication with our Board

Stockholders can contact our Board, any Committee thereof, or any Director in particular, by writing to them, c/o Heska Corporation, 3760 Rocky Mountain Avenue, Loveland, Colorado 80538, Attn: Secretary. We will forward any correspondence sent in the foregoing manner to the appropriate addressee without review by management.

#### DIRECTOR COMPENSATION

The form and amount of compensation paid to the non-employee directors is reviewed from time to time by our Corporate Governance Committee. Any revisions to our Director Compensation policy have been recommended by our Corporate Governance Committee and approved by our Board. In 2012, our Corporate Governance Committee worked with the same compensation consultant and the same set of comparable companies our Compensation Committee used to evaluate executive compensation to evaluate Director compensation. The Corporate Governance Committee decided to recommend an enhanced policy for Director compensation designed to deliver a compensation package in the middle of the range.

In 2015, our two employee Directors did not receive any separate compensation for Board activities.

#### 2015 Non-Employee Director Compensation

On each date of our Annual Meeting, each non-employee Director elected and each other continuing non-employee Director who was a Director immediately prior to the Annual Meeting is to receive automatically options to purchase shares of our Common Stock valued at \$50,000 (the "Director Value"), subject to a maximum grant of options to purchase 5,000 (the "Option Cap") shares of our Common Stock. These grants are to be immediately exercisable and to vest in full on the earlier of (i) the one year anniversary

of the date of grant and (ii) the date immediately preceding the date of the Annual Meeting for the year following the year of grant for the award. Any new non-employee Director appointed or elected to our Board between Annual Meetings is to be automatically granted immediately exercisable options to purchase shares of our Common Stock with Director Value and Option Cap adjusted pro rata for the time until the next Annual Meeting and which vest at the same time as options issued to directors at the last Annual Meeting. The value for options granted pursuant to this paragraph is to be determined pursuant to our option valuation policy at the time of issuance.

Each non-employee Director is also entitled to an annual cash retainer in the amount of \$40,000. The Company pays the annual retainer in advance, in quarterly installments on the first business day of each calendar quarter, subject to the non-employee director's continued service to the Company as a non-employee Director on such date.

Other cash compensation, payable in advance, in quarterly installments on the first business day of each calendar quarter, subject to the non-employee Director's continued service in such role on such date is as follows (directors are not to be paid a Chair and member-based fee for serving on the same Committee):

Board Chair	\$ 12,000
Lead Director	\$ 10,000
Audit Chair	\$ 20,000
Compensation Chair	\$ 12,000
Corporate Governance Chair	\$ 7,500
Audit Member	\$ 10,000
Compensation Member	\$ 6,000
Corporate Governance Member	\$ 3,000

Non-employee Directors will also continue to be reimbursed for customary and usual travel and other expenses.

#### Historical and Director Compensation Tables

The following tables provide information for fiscal 2015 compensation for non-employee Directors who served during fiscal 2015.

The following table represents compensation recognized for financial reporting purposes for each of our non-employee Directors for the fiscal year ended December 31, 2015. The "Option Awards" column lists the cost of options recognized for financial reporting purposes for a given individual in 2015.

#### Historical Compensation (1)

Name	Fees Earned Or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$) (2) (3)	Non-Equity Incentive Plan Compensation (\$)	Change in		Total (\$)
					Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)	
William A. Aylesworth	30,000	—	6,526	—	—	—	36,526
G. Irwin Gordon	55,000	—	36,476	—	—	—	91,476
Sharon L. Riley	67,500	—	39,558	—	—	—	107,058
David E. Sveen, Ph.D.	49,000	—	36,476	—	—	—	85,476
Bonnie J. Trowbridge	44,750	—	37,690	—	—	—	82,440

Carol A. Wrenn	56,000	—	36,476	—	—	—	92,476
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The following table contains the same information as above with the exception of the column entitled "Option Awards". "Option Awards" in the following table represent the grant date option value for all stock options granted to a given individual in 2015 rather than the cost of stock option grants for such individual recognized in 2015 for financial reporting purposes.

## Director Compensation (1)

Name	Fees Earned Or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$) (3) (4)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation		All Other Compensation (\$)	Total (\$)
					Earnings			
William A. Aylesworth	30,000	—	—	—	—	—	—	30,000
G. Irwin Gordon	55,000	—	45,674	—	—	—	—	100,674
Sharon L. Riley	67,500	—	45,674	—	—	—	—	113,174
David E. Sveen, Ph.D.	49,000	—	45,674	—	—	—	—	94,674
Bonnie J. Trowbridge	44,750	—	45,674	—	—	—	—	90,424
Carol A. Wrenn	56,000	—	45,674	—	—	—	—	101,674

## 2015 Equity Grants to Directors

Name	Grant Date	Number of Securities Underlying Options (5)	Exercise Price (\$)	Grant Date Fair Value of Option Award (\$ (3))
G. Irwin Gordon	5/5/2015	5,000	28.41	45,674
Sharon L. Riley	5/5/2015	5,000	28.41	45,674
David E. Sveen, Ph.D.	5/5/2015	5,000	28.41	45,674
Bonnie J. Trowbridge	5/5/2015	5,000	28.41	45,674
Carol A. Wrenn	5/5/2015	5,000	28.41	45,674

- (1) Reimbursed travel expenses incurred in connection with Board and Board Committee meeting attendance are not included.
- (2) Represents cost recognized in 2015 for financial reporting purposes.  
Grant date fair value of option awards are based on valuation techniques required by current accounting guidance which we use in preparing our financial statements ("Option Accounting Rules"). Like any estimate prepared in good faith, the underlying assumptions we use under Option Accounting Rules may vary from our actual future results. The option valuations used for accounting and/or financial reporting purposes do not necessarily represent the value any individual recipient would place on an option award. In addition, Option Accounting Rules prohibit some valuation techniques which may be useful in certain circumstances. A more detailed description of our option valuation techniques and assumptions can be found in our Annual Report on Form 10-K for the year ended December 31, 2015 in our Note 8 of the Notes to Consolidated Financial Statements.
- (3) Represents grant date fair value.
- (4) At December 31, 2015, total shares of Common Stock issuable upon exercise of stock options outstanding, as well as options to purchase fractional shares resulting from Heska's 1-for-10 reverse stock split that occurred in

December 2010 where noted, for each then current non-employee Director was as follows: Mr. Gordon, 43,387 shares plus 1.5 fractional shares; Ms. Riley, 25,000 shares; Dr. Sveen, 5,000 shares; Ms. Trowbridge 6,346 shares; and Ms. Wrenn, 16,630 shares. Heska intends to issue whole shares only from option exercises. There were no stock grants outstanding for then current non-employee directors on December 31, 2015 which did not relate to stock options.

PROPOSAL NO. 2

ELECTION OF DIRECTORS

Our Board is divided into three classes serving staggered three-year terms. Our Certificate of Incorporation requires us to ensure each class is as nearly equal in number as possible. Directors for each class are elected at the Annual Meeting of Stockholders held in the year in which the term for their class expires.

We are to elect two (2) Class I Directors at our 2016 Annual Meeting. G. Irwin Gordon and Carol A. Wrenn are continuing Class I Directors whose terms are schedule to expire at our 2016 Annual Meeting. Directors elected at our 2016 Annual Meeting are to hold office for a three-year term expiring at our 2019 Annual Meeting (or until their respective successors are elected and qualified, or until their earlier death, resignation or removal).

Nominees for Three-Year Terms That Will Expire in 2019 (Class I)

G. Irwin Gordon, age 65, has served us as a Director since May 2001. Mr. Gordon is the Executive Vice President and Chief Customer Officer of Invitation Homes, a Blackstone Company, which owns and leases almost 50,000 single family residences in the USA, a position he has held since February 2016. Mr. Gordon is also the Managing Partner of Trion LLC, a consulting firm he founded in 2000. From September 2012 to May 2015, Mr. Gordon served as the CEO of Landes Foods, LLC, a Dallas-based food manufacturer. From July 2000 until August 2001, Mr. Gordon served as President and Chief Executive Officer of Gruma Corporation, a food manufacturer. He also served as President and Chief Operating Officer of Suiza Foods Corporation, a food manufacturer and distributor, from February 1998 to October 1999. Mr. Gordon joined Suiza in August 1997 as its Executive Vice President and Chief Marketing Officer. Prior to joining Suiza, Mr. Gordon held various positions with subsidiaries of PepsiCo, Inc. ("PepsiCo"), including most recently as Senior Vice President Global Branding for Frito-Lay, Inc., from May 1996 to August 1997. From 1983 to 1992, Mr. Gordon served as President and General Manager of several international Frito-Lay companies before becoming Senior Vice President Marketing, Sales and Technology for Frito-Lay International from 1992 to 1996. Prior to joining PepsiCo in 1992, Mr. Gordon served in various capacities at the Kellogg Company. Mr. Gordon holds an Education degree from the University of British Columbia and a Management Certificate from Stanford University.

Carol A. Wrenn, age 55, has served us as a Director since January 2013. She founded Sky River Helicopters, LLC in 2010 and has served as President of that company from 2010 until its sale in 2015. She served as an Executive Vice President and the President of the Animal Health Division at Alpharma Inc. from 2001 to 2009. Ms. Wrenn also held the position of Chairman of the Animal Health Institute from 2007 to 2009 and was a member of the board of directors of the International Federation of Animal Health from 2002 to 2009. Prior to joining Alpharma, Ms. Wrenn held various executive positions at Honeywell International Inc. (formerly, AlliedSignal Inc.) from 1984 to 2001. She served as Business Director of Honeywell's Refrigerants, Fluorine Products Division from 2000 to 2001 and was the Commercial Director and Managing Director of Honeywell's European Fluorochemical operations from 1997 to 2000. Ms. Wrenn also held a number of positions in sales, marketing, business development and finance during her tenure with AlliedSignal. Ms. Wrenn serves as a Director of Phibro Animal Health Corporation. She holds a Bachelor's Degree from Union College and an MBA from Lehigh University.

If any nominee is unable or declines to serve as Director at the time of the 2016 Annual Meeting, the proxyholders intend to vote for such other candidate or candidates who may be nominated by the Board.

**Vote Required; Recommendation of our Board of Directors**

A Plurality Vote is required to elect each of the two directors. If no such Plurality Vote is obtained for one or both Director positions, Mr. Gordon and/or Ms. Wrenn will continue to serve as directors until their respective successors are elected and qualified, or until their earlier death, resignation or removal, based on the status of their election and length of service.

Our Board unanimously recommends a vote FOR the election of its nominees, Mr. Gordon and Ms. Wrenn, as our directors.

Heska's directors listed below whose terms are not expiring at the Annual Meeting will continue in office for the remainder of their terms in accordance with our Bylaws. Information regarding the business experience and education of each of such Director is provided below.

**Directors Whose Term Will Expire in 2018 (Class III)**

Sharon L. Riley, age 55, has served us as a Director since July 2011 and as our Board Chair from October 2015 to the present. Ms. Riley was also our Lead Director from May 2014 to October 2015. Ms. Riley currently serves as Principal and CEO of Larson Riley Associates, a healthcare consulting firm. Ms. Riley served as Chief Executive Officer UT Southwestern University Hospitals and Vice President for University Hospitals, UT Southwestern Medical Center from 2004 to 2010. From 2000 to 2004 she was the COO at Anne Arundel Health System in Annapolis, Maryland. She held various jobs (Associate Administrator, COO and Corporate Vice President) during her employment in the Nebraska Health System from 1995 to 2000. From 1990 to 1995 she was an Assistant Administrator in the Inova Health System in Virginia. Prior to 1990 she was with Brackenridge Hospital in Austin, Texas and the Good Samaritan Hospital and Health Center in Dayton, Ohio. Ms. Riley currently serves as an Advisor to DigiWorksCorp, and as a member of the Innovation Council of Anthello Healthcare Solutions, Inc. She has also served on various boards and been involved with several community projects. Ms. Riley holds BBA (Business Administration) and MA (Hospital and Health Administration) degrees from the University of Iowa.

Bonnie J. Trowbridge, age 69, has served us as a Director since January 2015. Ms. Trowbridge is Chair of the Heska Audit Committee from May 2015 to the present and a member of the Governance Committee from February 2015 to the present. Ms. Trowbridge served as Vice President, Chief Audit Executive and Risk Officer of Apollo Education Group, a publicly traded company, from 2007 to 2014. She is a retired Pricewaterhouse Coopers Audit Partner, having served with Pricewaterhouse Coopers from 1985 to 2007. Ms. Trowbridge is Chairman of the Board of Directors and treasurer of Camelot Therapeutic Horsemanship. She is a Certified Public Accountant in Arizona and California and is a member of the American Institute of Certified Public Accountants and the Arizona Society of CPA's. Ms. Trowbridge holds a Master of Science in Accountancy from Southern Oregon State University, a Master's Degree from San Jose State University and a Bachelor's degree from Washington State University.

**Director Whose Term Will Expire in 2017 (Class II)**

David E. Sveen, Ph.D., age 59, has served us as a Director since November 2013. He is the President of Cedarstone Partners, Inc., an accounting and consulting practice for nonprofit organizations, which he founded in 1993. His professional background includes 13 years in senior management with investment banking firm Griffin, Kubik, Stephens and Thompson, as well as an adjunct assistant professorship of Christian Formation and Ministry at Wheaton College from 1995 until 2013. Dr. Sveen holds a Ph.D. degree from Trinity Evangelical Divinity School in 2004, an MBA from DePaul University in 1986, an MA from Wheaton Graduate School in 2004, and a B.S. degree from Northern Illinois University in 1978.





Kevin S. Wilson, age 44, has been our Chief Executive Officer and President since March 31, 2014. He previously served as our President and Chief Operating Officer since February 2013. Mr. Wilson is a founder, member and officer of Cuattro, LLC. Since 2008, he has been involved in developing technologies for radiographic imaging with Cuattro, LLC and including as a founder of Cuattro Software, LLC, Cuattro Medical, LLC and Cuattro Veterinary, LLC. Mr. Wilson served on the board of various private, non-profit, and educational organizations from 2005 to 2011. He was a founder of Sound Technologies, Inc., a diagnostic imaging company, in 1996. After Sound Technologies, Inc. was sold to VCA Antech, Inc. in 2004, Mr. Wilson served as Chief Strategy Officer for VCA Antech, Inc. until 2006. Mr. Wilson attended Saddleback College.

PROPOSAL NO. 3

APPROVAL OF AMENDMENT AND RESTATEMENT OF 1997 STOCK INCENTIVE PLAN

We currently maintain the 1997 Stock Plan for the purpose of making equity compensation grants to employees, directors and consultants. The 1997 Stock Plan has served as an important part of our overall compensation program since its initial adoption, and continuing through several amendments and restatements. However, the number of shares available for issuance under the 1997 Stock Plan is insufficient for future needs. The Compensation Committee recommended, and the Board adopted, subject to the approval of our stockholders, the Restated Plan. The Restated Plan is intended to replace the 1997 Stock Plan. If stockholders do not approve the Restated Plan, then it will not be effective and no grants will be made under it. In such event, the 1997 Stock Plan will remain in effect. The following is only a summary of the Restated Plan, if approved, and is qualified in its entirety by reference to its full text, a copy of which is attached hereto as Appendix C.

In order to enable us to continue to make regular equity compensation grants that serve as incentives to recruit and retain key employees, directors and consultants, and to continue aligning the interests of our employees, directors and consultants with stockholders, the Board recommends that the Restated Plan be approved by stockholders.

Background

Our 1997 Stock Plan was originally adopted by our Board and approved by our stockholders in 1997. It was amended and/or restated as of March 6, 2007, May 5, 2009, February 22, 2012, March 25, 2014, and May 6, 2014. The stated purpose of the 1997 Stock Plan is to promote the long-term success of the Company and the creation of stockholder value by: (a) encouraging employees, outside directors and consultants to focus on critical long-range objectives, (b) encouraging the attraction and retention of employees, outside directors and consultants with exceptional qualifications, and (c) linking employees, outside directors and consultants directly to stockholder interests through increased stock ownership.

The Restated Plan retains the purpose of the 1997 Stock Plan, provides for the same type of awards (restricted shares, incentive stock options and nonstatutory options), and has many of the same features as the 1997 Stock Plan. The Restated Plan is different from the 1997 Stock Plan in some respects, including:

- The number of shares available for awards is increased by 500,000.
  - The automatic annual increase in shares based on number of continuing non-employee Directors is eliminated.
  - The Restated Plan adds a provision addressing the rights of the Company to cancel, recoup, rescind, require payback, or take any other action to the extent required under applicable law or any clawback policy adopted by the Company.
  - The Restated Plan adds a minimum vesting requirement of one year for restricted shares.
  - The Restated Plan makes explicit that no modification of an option can be made to the extent it would effect a repricing, without stockholder consent.
  - The Restated Plan makes explicit that shares will not be available for future awards to the extent they were tendered in connection with the exercise of an option, or delivered or withheld to satisfy tax withholding obligations.
- The Restated Plan amends the definition of change in control to eliminate the provision defining a transaction in which a beneficial owner acquires 30% or more of the Company's voting power as a change in control and to change the provision

related to Board members in a manner we believe will narrow the circumstances which will be defined as a change in control.

The Restated Plan removes provisions that would have permitted the Committee to accept payment for options in the form of a loan or promissory note.

Under the 1997 Stock Plan, shares subject to a restricted share award that is canceled, forfeited or expires were not to be available for issuance upon the exercise of an incentive stock option. Under the Restated Plan, shares subject to a restricted share award that is canceled, forfeited or expires are to be available for issuance upon the exercise of an incentive stock option.

The Restated Plan makes explicit that a restricted share award agreement may defer payment of dividends until vesting of the shares.

The Restated Plan makes minor adjustments to the performance goals that can be used for the purpose of qualifying grants of restricted shares as performance-based compensation for purposes of Section 162(m) of the Code.

A summary of the material features of the Restated Plan appears below and is qualified in its entirety by reference to the full text of the Restated Plan as set forth in Appendix C, which should be referred to for a complete description of its provisions.

Shares available under the 1997 Stock Plan are increased by the Restated Plan

As of April 1, 2016, the aggregate number of shares cumulatively authorized by our stockholders for issuance under the 1997 Stock Plan was 2,135,130. Of that total, only [•] shares remain available for the issuance of future awards. This is because, under the 1997 Stock Plan as of April 1, 2016, a total of [•] restricted shares have been issued and are not subject to further vesting conditions, [•] shares have been issued pursuant to the exercise of incentive stock options, [•] shares have been issued pursuant to the exercise of nonqualified options, [•] restricted shares have been issued and are subject to further vesting conditions, [•] shares could be issued if outstanding incentive stock options are exercised, and [•] shares could be issued if outstanding nonqualified options are exercised. The 1997 Stock Plan includes a provision that will automatically increase the shares authorized for issuance under the 1997 Stock Plan by 5,000 shares times the number of non-employee Directors continuing to serve through our 2016 Annual Meeting. Assuming all five (5) current non-employee Directors so serve and no new Directors are appointed, shares authorized under the 1997 Plan would increase by 25,000, which would be available for issuance of future awards. This represents an increase of 475,000 shares as compared to [•] shares, the total number of shares that may be granted under the 1997 Stock Plan assuming all current non-employee Directors continue to serve through our 2016 Annual Meeting, no new Directors are appointed and the Restated Plan is not approved.

If the Restated Plan is approved, the aggregate number of shares available for awards will be increased by 500,000, so that the new total of shares authorized for issuance as restricted stock or options under the Restated Plan will be 2,635,130. Assuming none of the unexercised options as of April 1, 2016 are exercised and none of the unvested restricted shares as of April 1, 2016 vest, the total number of shares that may be granted under the Restated Plan (as incentive stock options, nonqualified options or restricted shares) is [•]. Conversely, assuming all such unexercised Options and unvested restricted shares vest and are exercised, the total number of shares that may be granted under the Restated Plan is [•].

#### Plan Highlights

##### Effective Date and Expiration

The Restated Plan will be effective as of March 2, 2016, if approved by stockholders. It has no predetermined expiration date, although incentive stock options may not be granted after the tenth anniversary

of its most recent amendment or restatement. Awards made prior to any termination or suspension of the Restated Plan may extend beyond that date.

#### Administration

The Restated Plan will be administered by a committee of two or more directors appointed by the Board (the "Committee"). The Committee has full authority to interpret the Restated Plan and to establish rules for its administration.

#### Eligibility for Awards

Awards can be made to any employee, outside Director or consultant. However, only employees are eligible to receive incentive stock options.

#### Determination of Amount and Form of Award

The amount of individual awards will be determined by the Committee, subject to the limitations of the Restated Plan. In determining the amount and form of an award, consideration will be given to the functions and responsibilities of the employee, his or her potential contributions to our success, and other factors deemed relevant by the Committee.

#### Shares Subject to the Plan; Other Limitations on Awards

Subject to certain adjustments, the total number of shares of our stock that may be issued pursuant to awards under the Restated Plan is [•] (assuming no unvested restricted shares as of April 1, 2016 vest and no unexercised stock options as of April 1, 2016, are exercised). Approximately [•] of these shares are shares that are currently available under the 1997 Stock Plan and will be incorporated into the Restated Plan upon approval by stockholders.

Shares subject to an award under the Restated Plan which is canceled or terminated without having been exercised or paid will again be available for future awards. On the other hand, in no event will shares of our stock that are (i) tendered in payment of the exercise price of options or (ii) withheld from any award to satisfy a participant's tax withholding obligations be available for future awards under the Plan.

A maximum of 50,000 options may be issued in one year to any one participant (except that options granted to a new employee in the first fiscal year of their employment may be a maximum of 100,000 shares). A maximum of 45,000 (or, in the case of a new employee in the first fiscal year of their employment, a maximum of 75,000 shares) may be awarded in the form of restricted shares in one year to any one participant.

#### Stock Options

The Committee may grant non-qualified options and options qualifying as "incentive stock options" under Section 422 of the Code. The Committee generally determines the terms and conditions of all options granted, subject to the terms of the Restated Plan. Options vest in accordance with a vesting schedule determined by the Committee, and the Committee may impose additional conditions, restrictions or terms on the vesting of any option, including the full or partial attainment of performance goals. The term of an incentive stock option cannot exceed ten years from the date of grant. The option price of an incentive stock option must be not less than 100% of the fair market value of a share of our stock on the date of grant, and the option price of a nonqualified option must not be less than 85% of the fair market value of a share of our stock on the date of grant.

The option price may be paid in cash, with shares of our stock, through a broker-assisted "cashless" exercise procedure or with such other acceptable form of valid consideration and method of payment as may be determined by the Committee.

Stock options may not be repriced. This means that the Committee may not take any of the following actions:

- Amend a stock option to reduce its option price;
- Cancel a stock option in exchange for cash, other awards or the re-grant of a new stock option with a lower option price than the original option price of the cancelled stock option; or
- Take any other action (whether in the form of an amendment, cancellation or replacement grant) that has the effect of repricing a stock option without stockholder approval.

#### Restricted Shares

The Committee may also issue or transfer shares of our stock to a participant under a restricted share award. Restricted share awards are subject to certain conditions and restrictions during a specific period of time, such as the participant remaining in the employment of the Company and/or the attainment by the Company of certain pre-established performance goals, as discussed below. The shares cannot be transferred by the participant prior to the lapse of the restriction period or the attainment of the performance goals. In the case of restricted shares, the participant is entitled to vote the shares during the restriction period. Restricted shares may receive dividends, at the discretion of the Committee. The minimum vesting period for restricted shares is one year.

#### Performance Goals

The Restated Plan contains provisions intended to enable compensation paid to those executive officers whose compensation is subject to the deduction limitations of Section 162(m) of the Code to qualify as "performance-based compensation" that will be fully deductible by us. Prior to or during the beginning of a performance period, the Committee may establish performance goals for the Company and our various operating units. The goals will be comprised of specified levels of one or more of the following performance criteria as the Committee may deem appropriate:

- (1) operating income or operating profit (including but not limited to operating income and any affiliated growth measure);
- (2) net earnings or net income (before or after taxes, including but not limited to deferred taxes, and any affiliated growth measure);
- (3) basic or diluted earnings per share (before or after taxes, including but not limited to deferred taxes, and any affiliated growth measure);
- (4) revenues (including but not limited to revenue, gross revenue, net revenue, and any affiliated growth measure);
- (5) gross profit or gross profit growth;
- (6) return on assets, capital, invested capital, equity or sales;
- (7) cash flow (including, but not limited to, operating cash flow, free cash flow, and cash flow return on capital);
- (8) earnings before or after taxes, interest, depreciation and/or amortization (including but not limited to changes in this measure);
- (9) improvements or changes in capital structure (including but not limited to debt balances or debt issuance);

- (10) budget management;
- (11) productivity targets;
- (12) economic value added or other value added measurements;
- (13) share price (including, but not limited to, growth measures and total shareholder return);
- (14) expense targets;
- (15) margins (including but not limited to gross or operating margins);
- (16) efficiency measurements (including but not limited to availability measurements, call wait times, call, meeting, shipping or other volume measurements, turnaround times and error rates);
- (17) working capital targets (including but not limited to items reported on the Company's balance sheet and time-based or similar measures such as days inventory, days receivable and days payable);
- (18) equity or market value measures;
- (19) enterprise or adjusted market value measures;
- (20) safety record;
- (21) completion of business acquisition, divestment or expansion;
- (22) book value or changes in book value (including but not limited to tangible book value and net asset measures);
- (23) assets or changes in assets;
- (24) cash position or changes in cash position;
- (25) employee retention or recruiting measures;
- (26) milestones related to filings with government entities or related approvals (including but not limited to filings with the Securities and Exchange Commission which may require stockholder approval);
- (27) changes in location or the opening or closing of facilities;
- (28) contract or other development of relationship with identified suppliers, distributors or other business partners; and new product development (including but not limited to third-party collaborations or contracts, and with
- (29) milestones that may include but are not limited to contract execution, proof of concept, regulatory approval, product launch and targets such as unit volume and revenue following product launch).

In addition, for any awards not intended to meet the requirements of Section 162(m) of the Code, the Committee may establish goals based on other performance criteria as it deems appropriate. The Committee will disregard or offset the effect of certain extraordinary items, such as restructuring charges, gains or losses on the disposition of a business, changes in tax or accounting rules or the effects of a merger or acquisition, in determining the attainment of performance goals. Awards may also be payable when our performance, as measured by one or more of the above criteria, as compared to peer companies meets or exceeds an objective criterion established by the Committee.

#### Adjustments on Capitalization

In the event of a subdivision of our outstanding shares, a declaration of a dividend payable in shares, a declaration of a dividend payable in a form other than shares in an amount that has a material effect on the price of shares, a combination or consolidation of the outstanding shares (by reclassification or otherwise) into a lesser number of shares, a recapitalization, a spin-off or a similar occurrence, such that an adjustment is appropriate to prevent dilution or enlargement of the benefits intended to be made available under the Restated Plan, then the Committee may make appropriate adjustments in the maximum aggregate number and kind of shares issuable under the Restated Plan, and to any one participant, and the number and kind of shares and the price per share subject to outstanding awards.

#### Change in Control

For purposes of the Restated Plan, "change in control" means any of the following events:

- (a) The consummation of a merger or consolidation of the Company with or into another entity of any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such merger, consolidation or other reorganization is owned by persons who were not stockholders of the Company immediately prior to such merger, consolidation, or other reorganization;
- (b) The sale, transfer or other disposition of all or substantially all of the Company's assets;
- (c) A majority of the members of the Board are replaced during any eighteen month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of appointment or election.

An option agreement or a restricted share grant agreement may provide that the option will become exercisable or the shares will become unrestricted in the event of a change in control.

#### Amendment

The Board can amend, suspend or terminate the Restated Plan. An amendment of the Restated Plan will be subject to our stockholders' approval only to the extent required by law.

#### Certain Federal Tax Aspects

The following paragraphs are a summary of the Company's understanding of the general federal income tax consequences to U.S. taxpayers and the Company of awards granted under the Restated Plan. Tax consequences for any particular individual may be different.

#### Incentive Stock Options

No taxable income is reportable when an incentive stock option is granted or exercised (except for purposes of the alternative minimum tax, in which case taxable income is the same as for nonstatutory stock options). If the participant exercises the option and then later sells or otherwise disposes of the shares more than two years after the grant date and more than one year after the exercise date, the difference between the sale price and the exercise price will be taxed as capital gain or loss. If the participant exercises the option and then later sells or otherwise disposes of the shares before the end of the two- or one-year holding periods described above, he or she generally will have ordinary income at the time of the sale equal to the fair market value of the shares on the exercise date (or the sale price, if less) minus the exercise price of the option if the sale price exceeds the exercise price.

#### Nonstatutory Stock Options

No taxable income is reportable when a nonstatutory stock option, which also may be referred to as a nonqualified stock option, is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the excess of the fair market value (on the exercise date) of the shares purchased over the exercise price of the option. Any additional gain or loss recognized upon any later disposition of the shares would be capital gain or loss.

#### Restricted Shares

A participant will not have taxable income upon grant unless he or she elects to be taxed at that time. Instead, he or she will recognize ordinary income at the time of vesting equal to the fair market value (on the vesting date) of the vested shares.

#### Tax Effect for the Company

The Company generally will be entitled to a tax deduction in connection with an award under the Restated Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, the exercise of a nonstatutory stock option).

Special rules limit the deductibility of compensation paid to certain of our executive officers. Under Section 162(m) of the Code, the annual compensation paid to certain executives will be deductible only to the extent that it does not exceed \$1,000,000. However, the Company can preserve the deductibility of certain compensation in excess of \$1,000,000 if the conditions of Section 162(m) are met. These conditions include stockholder approval of the Restated Plan, setting limits on the number of awards that any individual may receive and, for awards other than certain stock options, establishing performance criteria that must be met before the award actually will vest or be paid. The Restated Plan has been designed to permit the Company to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thereby permitting the Company to continue to receive a federal income tax deduction in connection with such awards.

The Company expects a minimal impact on cash taxes paid resulting from deductions related to the Restated Plan due to the Company's large domestic net operating loss position, which allows the Company to offset current taxable income with losses from prior years for ordinary income tax purposes.

#### New Plan Benefits

The number of awards that our Named Executive Officers, directors, other Executive Officers and other employees may receive under the Restated Plan will be determined in the discretion of the Committee in the future, and the Committee has not made any determination to make future grants to any persons under the Restated Plan as of the date of this proxy statement. Therefore it is not possible to determine the future benefits that will be received by these participants under the Restated Plan, or the benefits that would have been received by such participants if the Restated Plan had been in effect in the year ended December 31, 2015.

#### Outstanding Equity Awards

As noted above, outstanding awards were issued under the 1997 Stock Plan. If the Restated Plan is adopted, there will be additional shares available for awards. However, the number of awards that an employee, consultant or director may receive under the Restated Plan is at the discretion of the Committee and therefore cannot be determined in advance.



The following table sets forth summary information as of April 1, 2016 concerning the number of shares underlying options (vested and unvested) and unvested restricted stock grants made under the 1997 Stock Plan to each of our Named Executive Officers, all Executive Officers as a group, all directors who are not Executive Officers as a group and all employees other than Executive Officers as a group, as of the Record Date.

Name	Shares	Restricted Stock Awards
	Underlying Stock Option Awards (1)	
G. Irwin Gordon	[•]	[•]
Sharon L. Riley	[•]	[•]
David E. Sveen, Ph.D.	[•]	[•]
Bonnie J. Trowbridge	[•]	[•]
Kevin S. Wilson	[•]	[•]
Carol A. Wrenn	[•]	[•]
Steven M. Eyl	[•]	[•]
Michael J. McGinley, Ph.D.	[•]	[•]
Jason A. Napolitano	[•]	[•]
Nancy Wisnewski, Ph.D.	[•]	[•]
All Executive Officers, as a group	[•]	[•]