

HEAT BIOLOGICS, INC.
Form DEF 14A
May 11, 2017

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

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 Section 240.14a-12

HEAT BIOLOGICS, INC.

(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

801 Capitola Drive, Suite 12
Durham, North Carolina 27713

May 11, 2017

To Our Valued Shareholders,

In 2016, we laid the foundation for important clinical milestones that we announced in the beginning of 2017, as we advanced and augmented our pipeline. Our mission is to enable new immuno-therapy combinations to dramatically improve patient outcomes across multiple indications.

Most recently, we announced positive interim results for our Phase 2 clinical trial evaluating our vaccine with an anti-PD-1 checkpoint inhibitor, nivolumab, for the treatment of non-small cell lung cancer (NSCLC). Fifteen patients have completed the HS-110/nivolumab combination to-date and 12 of these 15 patients were evaluable for ELISPOT analysis. Our findings suggest that HS-110 plays an integral role in tumor reduction and may enhance efficacy of checkpoint inhibitors in lung cancer patients, especially for those patients least likely to respond to checkpoint therapies. We are encouraged by the positive response and level of interest from within the industry.

In the beginning of 2017, we presented immunological data from our 94-patient Phase 2 trial evaluating HS-410 either alone or in combination with BCG for the treatment of non-muscle invasive bladder cancer (NMIBC). Researchers reported that there were encouraging signs of anti-tumor activity as HS-410 generated a robust antigen-specific immune response to multiple tumor-associated peptides in treated patients, while there were no immune responses of this type in the placebo. While these results were encouraging, these responses did not translate into clinical outcomes, and the study did not meet its primary endpoint. On May 1, 2017, we announced that we completed on April 28, 2017 the acquisition of an 80% controlling interest in Pelican Therapeutics, which broadens our current pipeline with the addition of T cell costimulators that have the potential to enhance durability of clinical responses in combination therapies. Importantly, this acquisition brings with it a \$15.2 million grant from the Cancer Prevention and Research Institute of Texas to advance multiple products through preclinical development and at least one program through a 70-patient Phase 1 clinical trial.

As a result of encouraging data from our interim results for the Phase 2 trial evaluating HS-110 in combination with Bristol-Myers Squibb's anti-PD-1 checkpoint inhibitor, nivolumab (Opdivo®) for the treatment of non-small cell lung cancer (NSCLC) and our recent acquisition of Pelican, we are discontinuing programs where we do not see an opportunity to immediately combine with checkpoints, such as our non-muscle invasive bladder cancer program, and will instead reallocate those resources to fund current and future checkpoint and T cell co-stimulator combination programs.

We believe 2017 has the potential to be a transformative year with a number of upcoming milestones. We would like to thank our shareholders and employees for their continued support and look forward to keeping you apprised of developments.

Sincerely,

Jeff Wolf

Chief Executive Officer

801 Capitola Drive, Suite 12
Durham, North Carolina 27713

May 11, 2017

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of Heat Biologics, Inc.:

We hereby notify you that the 2017 Annual Meeting (the "2017 Annual Meeting" or "Annual Meeting") of stockholders of Heat Biologics, Inc., a Delaware corporation, will be held on June 29, 2017 beginning at 9:00 a.m., local time, at our offices located at 801 Capitola Drive, Suite 12, Durham, North Carolina 27713, for the following purposes:

- (1) to elect the four (4) nominees for director named herein to our Board of Directors (the "Board" or "Board of Directors") to hold office until our next annual meeting of stockholders and until their successors are duly elected and qualified;
- (2) to ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for our fiscal year ending on December 31, 2017;
- (3) to approve (in the event it is deemed advisable by our Board of Directors) an amendment to our third amended and restated certificate of incorporation, as amended (the "Restated Certificate of Incorporation"), to effect a reverse stock split of our issued and outstanding shares of common stock, \$0.0002 par value per share (the "Common Stock"), at a ratio to be determined in the discretion of our Board of Directors within a range of one (1) share of Common Stock for every two (2) to ten (10) shares of Common Stock (the "Reverse Stock Split");
- (4) to approve an amendment to the Restated Certificate of Incorporation to increase the number of authorized shares of Common Stock from 50,000,000 to 100,000,000 (the "Increase");
- (5) to approve an adjournment of the 2017 Annual Meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of Proposals 3 or Proposal 4 (the "Adjournment");
- (6) to approve the 2017 Stock Incentive Plan (the "2017 Plan"); and
- (7) to transact such other business as may properly come before the meeting or any adjournments or

postponements of the meeting.

The matters listed in this notice of meeting are described in detail in the accompanying proxy statement. Our Board of Directors has fixed the close of business on May 8, 2017 as the record date for determining those stockholders who are entitled to notice of and to vote at the meeting or any adjournment or postponement of our 2017 Annual Meeting. The list of the stockholders of record as of the close of business on May 8, 2017 will be made available for inspection at the meeting.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 29, 2017**

On or about May 11, 2017, we will begin mailing a notice, called the Notice of Internet Availability of Proxy Materials, to our stockholders advising them that this Proxy Statement, our Annual Report on Form 10-K for the year ended December 31, 2016 and voting instructions can be accessed over the internet at www.proxyvote.com. You may then access these materials over the internet or you may request that a printed copy of the proxy materials be sent to you. If you want to receive a paper or e-mail copy of these proxy materials, you must request one over the internet at www.proxyvote.com, by calling toll free 1-800-579-1639, or by sending an e-mail to sendmaterial@proxyvote.com. There is no charge to you for requesting a copy. Please make your request for a copy on or before June 15, 2017 to facilitate timely delivery. If you previously elected to receive our proxy materials electronically, these materials will continue to be sent via e-mail unless you change your election. In accordance with SEC rules, www.proxyvote.com does not use cookies, to track the identity of anyone accessing the website to view the proxy materials, or gather any personal information.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, PLEASE VOTE AS PROMPTLY AS POSSIBLE BY USING THE INTERNET OR THE DESIGNATED TOLL-FREE TELEPHONE NUMBER, OR BY REQUESTING A PRINTED COPY OF THE PROXY MATERIALS AND SIGNING, DATING AND RETURNING BY MAIL THE PROXY CARD YOU WILL RECEIVE IN RESPONSE TO YOUR REQUEST.

By order of the Board of Directors,

Jeffrey Wolf

Chairman, Chief Executive Officer and President

801 Capitola Drive, Suite 12
Durham, North Carolina 27713

PROXY STATEMENT

For the Annual Meeting of Stockholders to be held on June 29, 2017

GENERAL INFORMATION

We are providing these proxy materials to holders of shares of common stock, \$0.0002 par value per share (the Common Stock), of Heat Biologics, Inc., a Delaware corporation (referred to as Heat, the Company, we, or us) in connection with the solicitation by the Board of Directors of Heat of proxies to be voted at our 2017 Annual Meeting of Stockholders to be held on June 29, 2017, beginning at 9:00 a.m., local time at our offices located at 801 Capitola Drive, Suite 12, Durham, North Carolina 27713, and at any adjournment or postponement of our 2017 Annual Meeting.

The purpose of the 2017 Annual Meeting and the matters to be acted on are stated in the accompanying notice of Annual Meeting of stockholders. The Board of Directors knows of no other business that will come before the 2017 Annual Meeting.

Our Board of Directors is soliciting votes (i) **FOR** each of the four nominees named herein for election to our Board of Directors; (ii) **FOR** the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for our fiscal year ending on December 31, 2017; (iii) **FOR** the approval (in the event it is deemed advisable by our Board of Directors) of an amendment to our third amended and restated certificate of incorporation, as amended (the Restated Certificate of Incorporation), to effect a reverse stock split of our issued and outstanding shares of common stock, \$0.0002 par value per share (the Common Stock), at a ratio to be determined in the discretion of our Board of Directors within a range of one (1) share of Common Stock for every two (2) to ten (10) shares of Common Stock (the Reverse Stock Split); (iv) **FOR** the approval of an amendment to our Restated

Certificate of Incorporation to increase the number of authorized shares of Common Stock from 50,000,000 to 100,000,000 (the Increase); (v) **FOR** approval to adjourn the Annual Meeting, if necessary, if a quorum is present, to solicit additional proxies if there are not sufficient votes in favor of the Reverse Stock Split or the Increase (the Adjournment); and (vi) **FOR** approval of our 2017 Stock Incentive Plan (the 2017 Plan).

This year, we are once again taking advantage of the Securities and Exchange Commission (the SEC) rule that allows companies to provide their stockholders with access to proxy materials over the internet. On or about May 11, 2017, we will begin mailing a Notice of Internet Availability of Proxy Materials (the Notice) to our stockholders informing them that our Proxy Statement, our Annual Report on Form 10-K for the year ended December 31, 2016 (such annual report, which includes our audited financial statements, is not to be regarded as proxy solicitation material) and voting instructions are available online. As more fully described in the Notice, our stockholders may choose to access our proxy materials on the internet or may request to receive paper copies of the proxy materials. This allows us to conserve natural resources and reduces the costs of printing and distributing the proxy materials, while providing our stockholders with access to the proxy materials in a fast and efficient manner.

ANNUAL MEETING ADMISSION

All stockholders as of the record date are welcome to attend the 2017 Annual Meeting. If you attend, please note that you will be asked to present government-issued identification (such as a driver's license or passport) and evidence of your share ownership of our Common Stock on the record date. This can be the Notice or your proxy card. If your shares are held beneficially in the name of a bank, broker or other holder of record and you plan to attend the 2017 Annual Meeting, you will be required to present proof of your ownership of our Common Stock on the record date, such as a bank or brokerage account statement or voting instruction card, to be admitted to the 2017 Annual Meeting.

No cameras, recording equipment or electronic devices will be permitted in the 2017 Annual Meeting.

Information on how to obtain directions to attend the 2017 Annual Meeting is available at: www.heatbio.com.

HOW TO VOTE

Stockholders of Record

If your shares are registered directly in your name with Heat's transfer agent, Continental Stock Transfer & Trust Company, you are considered the stockholder of record of those shares and the Notice is being sent directly to you by Heat. If you are a stockholder of record, you can vote your shares in one of two ways: either by proxy or in person at the 2017 Annual Meeting. If you choose to vote by proxy, you may do so by using the internet (please visit www.proxyvote.com and follow the instructions), or by requesting a printed copy of our proxy materials and completing and returning by mail the proxy card you will receive in response to your request. Whichever method you use, each valid proxy received in time will be voted at the 2017 Annual Meeting in accordance with your instructions.

Beneficial Owners of Shares Held in Street Name

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and the Notice is being forwarded to you by your broker, bank or nominee, who is considered the stockholder of record of those shares. As a beneficial owner, you have the right to direct your broker, bank or nominee on how to vote the shares held in your account. However, since you are not a stockholder of record, you may not vote these shares in person at the 2017 Annual Meeting unless you bring with you a legal proxy from the stockholder of record. A legal proxy may be obtained from your broker, bank or nominee. If you do not wish to vote in person or you will not be attending the 2017 Annual Meeting, you may vote using the Internet, by telephone or by mail. Please visit www.proxyvote.com, or call 1-800-454-8683 and follow the instructions, or if you request printed proxy materials, you will receive voting instructions from your broker, bank or nominee describing the available processes for voting your stock.

Vote by Mail

If you choose to vote by mail, simply mark, date and sign your proxy card and return it in the postage-paid envelope provided.

Vote by Internet

If you choose to vote by internet, go to www.proxyvote.com to complete an electronic proxy card. Have your Notice, proxy card or voting instruction card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form. Your internet vote must be received by 11:59 p.m. Eastern Daylight Time on June 28, 2017 to be counted.

Voting at the Annual Meeting

Voting by mail or internet will not limit your right to vote at the 2017 Annual Meeting if you decide to attend in person.

ADDITIONAL INFORMATION ABOUT VOTING

Q: *Why did I receive a Notice in the mail regarding the internet availability of the proxy materials instead of a paper copy of the proxy materials?*

A: The Notice that we mail to our stockholders directs you to a website where you can access our proxy materials and view instructions on how to vote. By providing access to this proxy statement and our Annual Report on Form 10-K for the year ended December 31, 2016 to our stockholders on the internet rather than mailing printed copies, we save natural resources and reduce the cost to print and distribute the proxy materials, while providing a convenient way to access the materials and vote. If you would prefer to receive a paper copy of these materials, please follow the instructions included in the Notice.

Q: *What information is contained in the proxy statement?*

A: The information included in this proxy statement relates to the proposals to be voted on at the 2017 Annual Meeting, the voting process, the compensation of our directors and executive officers, and other required information.

Q: *How do I get electronic access to the proxy materials?*

A: The Notice provides instructions on how to view the proxy materials for the 2017 Annual Meeting on the internet. In addition, this Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2016 are available at www.heatbio.com.

Q: *What items of business will be voted on at the 2017 Annual Meeting?*

A: The six (6) items of business scheduled to be voted on at the 2017 Annual Meeting are: (1) the election of our directors; (2) the ratification of BDO USA, LLP as our independent registered public accounting firm; (3) the Reverse Stock Split at a ratio to be determined in the discretion of our Board of Directors (in the event the Reverse Stock Split is deemed advisable by our Board of Directors) within a range of one (1) share of Common Stock for every two (2) to ten (10) shares of Common Stock; (4) the Increase of the number of authorized shares of Common Stock from 50,000,000 to 100,000,000; (5) the Adjournment of the 2017 Annual Meeting, if necessary, to solicit additional proxies if there are insufficient votes in favor of the Reverse Stock Split or Increase; and (6) our 2017 Plan. We will also consider any other business that properly comes before the 2017 Annual Meeting.

Q: *How does the Board of Directors recommend that I vote?*

A: The Board of Directors recommends that you vote your shares (1) **FOR** each of the nominees named herein for election to our Board of Directors; (2) **FOR** the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for our fiscal year ending on December 31, 2017; (3) **FOR** the Reverse Stock Split at a ratio to be determined in the discretion of our Board of Directors (in the event the Reverse Stock Split is deemed advisable by our Board of Directors) within a range of one (1) share of Common Stock for every two (2) to ten (10) shares of Common Stock; (4) **FOR** the Increase of the number of authorized shares of Common Stock from 50,000,000 to 100,000,000; (5) **FOR** the Adjournment of the 2017 Annual

Meeting, if necessary, to solicit additional proxies if there are insufficient votes in favor of the Reverse Stock Split or Increase; and (6) **FOR** our 2017 Plan.

Q: *What shares can I vote?*

A: You may vote or cause to be voted all shares owned by you as of the close of business on May 8, 2017, the record date. These shares include: (1) shares held directly in your name as a stockholder of record; and (2) shares held for you, as the beneficial owner, through a broker or other nominee, such as a bank.

Q: *What is the difference between holding shares as a stockholder of record and as a beneficial owner?*

A: Most of our stockholders hold their shares through a broker or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Record Holder. If your shares are registered directly in your name on the books of Heat maintained with Heat's transfer agent, Continental Stock Transfer & Trust Company, you are considered the record holder of those shares, and the Notice is sent directly to you by Heat. As the stockholder of record, you have the right to grant your voting proxy directly or to vote in person at the meeting.

Beneficial Owner of Shares Held in Street Name. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name (also called a street name holder), and the Notice is forwarded to you by your broker, bank or other nominee. As a beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote the shares held in your account. However, since you are not a stockholder of record, you may not vote these shares in person at the 2017 Annual Meeting unless you bring with you a legal proxy from the stockholder of record. A legal proxy may be obtained from your broker, bank or nominee. If you do not wish to vote in person or you will not be attending the 2017 Annual Meeting, you may vote using the internet, by telephone or by mail. Please visit www.proxyvote.com, or call 1-800-454-8683 and follow the instructions, or if you request printed proxy materials, you will receive voting instructions from your broker, bank or nominee describing the available processes for voting your stock.

If you hold your shares through a broker and you do not give instructions to the record holder on how to vote, the record holder will be entitled to vote your shares in its discretion on certain matters considered routine, such as the ratification of the appointment of independent auditors, the Reverse Stock Split, the Increase, and the Adjournment. The uncontested election of directors, and the 2017 Plan are not considered routine matters. Therefore, brokers do not have the discretion to vote on the election of directors or the 2017 Plan. If you hold your shares in street name and you do not instruct your broker how to vote in these matters not considered routine, no votes will be cast on your behalf. These broker non-votes will be treated as shares that are present and entitled to vote for purposes of determining the presence of a quorum, but not as shares entitled to vote on a particular proposal.

Q: *Can I change my vote or revoke my proxy?*

A: You may change your vote or revoke your proxy at any time before the final vote at the 2017 Annual Meeting. To change your vote or revoke your proxy if you are the record holder, you may (1) notify our Corporate Secretary in writing at Heat Biologics, Inc. 801 Capitola Drive, Suite 12, Durham, North Carolina 27713; (2) submit a later-dated proxy (either by mail or internet), subject to the voting deadlines that are described on the proxy card or voting instruction form, as applicable; (3) deliver to our Corporate Secretary another duly executed proxy bearing a later date; or (4) by appearing at the 2017 Annual Meeting in person and voting your shares. Attendance at the meeting will not, by itself, revoke a proxy unless you specifically so request.

For shares you hold beneficially, you may change your vote by submitting new voting instructions to your broker or nominee or, if you have obtained a valid proxy from your broker or nominee giving you the right to vote your shares, by attending the 2017 Annual Meeting and voting in person. You may also change your vote by sending a written notice of revocation to our Corporate Secretary in writing at Heat Biologics, Inc. 801 Capitola Drive, Suite 12, Durham, North Carolina 27713.

Q: *Who can help answer my questions?*

A: If you have any questions about the 2017 Annual Meeting or how to vote or revoke your proxy, or you need additional copies of this proxy statement or voting materials, you should contact the Corporate Secretary, Heat Biologics, Inc., 801 Capitola Drive, Suite 12, Durham, North Carolina 27713 or by phone at (919) 240-7133.

Q: *How are votes counted?*

A: In the election of directors, you may vote FOR all of the four (4) nominees named herein or you may direct your vote to be WITHHELD with respect to any one or more of the four nominees.

With respect to the other five (5) proposals, you may vote FOR, AGAINST, or ABSTAIN. On these proposals, if you ABSTAIN, it has the same effect as a vote AGAINST.

If you provide specific instructions, your shares will be voted as you instruct. If you sign your proxy card or voting instruction card with no further instructions, your shares will be voted in accordance with the recommendations of the Board of Directors, namely (1) **FOR** each of the four (4) nominees for election to our Board of Directors; (2) **FOR** the ratification of BDO USA, LLP as our independent registered public accounting firm for the year ending December 31, 2017; (3) **FOR** the Reverse Stock Split (in the event the Reverse Stock Split is deemed advisable by our Board of Directors) within a range of one (1) share of Common Stock for every two (2) to ten (10) shares of Common Stock; (4) **FOR** the Increase of the number of authorized shares of Common Stock from 50,000,000 to 100,000,000; (5) **FOR** the Adjournment of the 2017 Annual Meeting, if necessary, to solicit additional proxies if there are insufficient votes in favor of the Reverse Stock Split or the Increase; and (6) **FOR** our 2017 Plan. If any other matters properly arise at the meeting, your proxy, together with the other proxies received, will be voted at the discretion of the proxy holders.

Q: *What is a quorum and why is it necessary?*

A: Conducting business at the meeting requires a quorum. The presence, either in person or by proxy, of the holders of a majority of our shares of Common Stock outstanding on May 8, 2017 is necessary to constitute a quorum. Abstentions are treated as present for purposes of determining whether a quorum exists. Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the 2017 Annual Meeting. Broker non-votes (which result when your shares are held in street name and you do not tell the nominee how to vote your shares) are treated as present for purposes of determining whether a quorum is present at the meeting. If there is no quorum, the chairperson of the meeting or the stockholders entitled to vote at the meeting present at the meeting in person or represented by proxy may adjourn the meeting to another date.

Q: *What is the voting requirement to approve each of the proposals?*

A: For Proposal 1 (the election of directors), the four (4) persons named herein receiving the highest number of **FOR** votes (from the holders of votes of shares present in person or represented by proxy at the 2017 Annual Meeting and entitled to vote on the election of directors) will be elected. Only votes **FOR** or **WITHHELD** will affect the outcome. Abstentions and broker non-votes will have no effect on the outcome of the vote as long as each nominee receives at least one **FOR** vote. You do not have the right to cumulate your votes.

To be approved, Proposal 2 (ratification of the appointment of BDO USA, LLP, as our independent registered public accounting firm for the year ending December 31, 2017), Proposal 5 (the adjournment of the 2017 Annual Meeting, if necessary, to solicit additional proxies if there are insufficient votes in favor of the Reverse Stock Split or the Increase) and Proposal 6 (the approval of our 2017 Plan) must receive the affirmative vote from the holders of a majority of those shares present in person or represented by proxy and entitled to vote on that proposal at the 2017 Annual Meeting. Accordingly, abstentions on these proposals will have the same effect as a vote against the proposal. Broker non-votes (although none are expected to exist in connection with Proposal 2 or Proposal 5) will have no effect on these proposals. Proposal 2 is an advisory vote, and therefore is not binding on us, the Audit Committee of our Board of Directors (the Audit Committee) or our Board of Directors. If our stockholders fail to ratify the appointment, the Audit Committee will reconsider whether or not to retain that firm. Even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of

different independent auditors at any time during the year if they determine that such a change would be in the best interests of Heat and its stockholders.

To be approved, Proposal 3 (approval of the Reverse Stock Split (in the event the Reverse Stock Split is deemed advisable by our Board of Directors) within a range of one (1) share of Common Stock for every two (2) to ten (10) shares of Common Stock) and Proposal 4 of the number of authorized shares of Common Stock from 50,000,000 to 100,000,000) must receive **FOR** votes from the holders of a majority of the issued and outstanding shares of Common Stock as of the record date. Accordingly, abstentions and broker non-votes with respect to each of these proposals will have the same effect as voting **AGAINST** each of these proposals (although no broker non-votes are expected to exist in connection with Proposal 3 or Proposal 4).

If your shares are held in street name and you do not indicate how you wish to vote, your broker is permitted to exercise its discretion to vote your shares on certain routine matters. The only routine matters to be submitted to our stockholders at the 2017 Annual Meeting are Proposals 2, 3, 4 and 5. None of our other proposals are routine matters. Accordingly, if you do not direct your broker how to vote for a director in Proposal 1 or how to vote for Proposal 6, your broker may not exercise discretion and may not vote your shares on that proposal.

For purposes of Proposal 1 and Proposal 6, broker non-votes are not entitled to vote at the meeting unless otherwise instructed. As such, a broker non-vote will not be counted as a vote FOR or WITHHELD with respect to a director in Proposal 1, or a vote FOR or AGAINST with respect to Proposal 6; and, therefore, will have no effect on the outcome of the vote on any such proposal. A broker non-vote with respect to Proposal 3 or Proposal 4 (although none are expected to exist in connection with Proposal 3 or Proposal 4); however, will be counted as a vote AGAINST Proposal 3 or Proposal 4. Abstentions will be counted in determining the total number of votes cast and the total number of shares present in person or represented by proxy and entitled to vote on each of the proposals and will therefore have the effect of a vote AGAINST on each proposal, except for Proposal 1, where the abstention will have no effect on the outcome of the vote.

We encourage you to vote **FOR** all six (6) proposals.

Q: *What should I do if I receive more than one Notice?*

A: You may receive more than one Notice. For example, if you are a stockholder of record and your shares are registered in more than one name, you will receive more than one Notice. Please follow the voting instructions on all of the Notices to ensure that all of your shares are voted.

Q: *Where can I find the voting results of the 2017 Annual Meeting?*

A: We intend to announce preliminary voting results at the 2017 Annual Meeting and publish final results in a Current Report on Form 8-K, which will be filed within four (4) business days of the 2017 Annual Meeting. If final voting results are not available to us in time to file a Current Report on Form 8-K within four (4) business days after the 2017 Annual Meeting, we intend to file a Current Report on Form 8-K to publish preliminary results and, within four (4) business days after the final results are known to us, file an additional Current Report on Form 8-K to publish the final results.

Q: *What happens if additional matters are presented at the 2017 Annual Meeting?*

A: Other than the six (6) items of business described in this proxy statement, we are not aware of any other business to be acted upon at the 2017 Annual Meeting. If you grant a proxy, the persons named as proxy holders, Mr. Jeffrey Wolf, our Chief Executive Officer, and Ms. Ann Rosar, our Vice President of Finance, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If for any

unforeseen reason any of our nominees are not available as a candidate for director, the persons named as proxy holders will vote your proxy for any one or more other candidates nominated by the Board of Directors.

Q: *How many shares are outstanding and how many votes is each share entitled?*

A: Each share of our Common Stock that is issued and outstanding as of the close of business on May 8, 2017, the record date, is entitled to be voted on all items being voted on at the 2017 Annual Meeting, with each share being entitled to one vote on each matter. As of the record date, 35,619,846 shares of Common Stock were issued and outstanding.

Q: *Who will count the votes?*

A: One or more inspectors of election will tabulate the votes.

Q: *Is my vote confidential?*

A: Proxy instructions, ballots, and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed, either within Heat or to anyone else, except: (1) as necessary to meet applicable legal requirements; (2) to allow for the tabulation of votes and certification of the vote; or (3) to facilitate a successful proxy solicitation.

Q: *Who will bear the cost of soliciting votes for the 2017 Annual Meeting?*

A: The Board of Directors is making this solicitation on behalf of Heat, which will pay the entire cost of preparing, assembling, printing, mailing, and distributing these proxy materials. Certain of our directors, officers, and employees, without any additional compensation, may also solicit your vote in person, by telephone, or by electronic communication. On request, we will reimburse brokerage houses and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders. In addition to the use of the mail, proxies may be solicited by personal interview, telephone, telegram, facsimile and advertisement in periodicals and postings, in each case by our directors, officers and employees without additional compensation. In addition, we have retained D. F. King & Co., Inc. to aid in the solicitation of proxies for this year. We will pay D. F. King & Co., Inc. fees of not more than \$7,500 plus expense reimbursement for its services. Brokerage houses, nominees, fiduciaries and other custodians will be requested to forward solicitation materials to beneficial owners and will be reimbursed for their reasonable expenses incurred in so doing. We may request by telephone, facsimile, mail, electronic mail or other means of communication the return of the proxy cards. Please contact 866-796-7186 with any questions you may have regarding our proposals.

Q: *When are stockholder proposals and director nominations due for next year's Annual Meeting?*

A: To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing by January 11, 2018, to the attention of the Corporate Secretary of Heat Biologics, Inc. at 801 Capitola Drive, Suite 12, Durham, North Carolina 27713. If you wish to submit a proposal (including a director nomination) at the meeting that is to be included in next year's proxy materials, you must do so in accordance with Heat's amended and restated bylaws (the "Bylaws"), which contain additional requirements about advance notice of stockholder proposals and director nominations and you must comply with all applicable requirements of Rule 14a-8 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

PROPOSAL 1

ELECTION OF DIRECTORS

The Board of Directors, based on the recommendation of the Nominating and Corporate Governance Committee of the Board of Directors, has nominated for annual election as director each of the individuals identified below, all of whom are incumbent directors.

THE NOMINEES

Name	Age	Position	Served as a Director Since
Jeffrey Wolf	54	Chairman, Chief Executive Officer and President	2008
John Monahan, Ph.D.	70	Director	2009
Edward B. Smith, III	41	Director	2010
John K.A. Prendergast, Ph.D.	63	Director (Lead Director)	2016

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE YOUR SHARES FOR THE ELECTION

OF EACH OF THESE NOMINEES

Currently, the Board of Directors consists of four (4) members: Jeffrey Wolf (Chairman), John Monahan, Ph.D., Edward B. Smith, III and John K.A. Prendergast, Ph.D. (Lead Director). All of the current members have been nominated by the Board of Directors of Heat for the election as directors of Heat. The Board of Directors believes that it is in the best interests of Heat to elect the above-described nominees, each to serve as a director until the next Annual Meeting of stockholders and until his successor shall have been duly elected and qualified. All the nominees have consented to being named in this proxy statement and to serve as a director if elected. At the time of the 2017 Annual Meeting, if any of the nominees named above is not available to serve as director (an event that the Board of Directors does not currently have any reason to anticipate), all proxies may be voted for any one or more other persons that the Board of Directors designates in their place. It is the intention of the persons named as proxies to vote all shares of common stock for which they have been granted a proxy for the election of each of the nominees, each to serve as a director until the next annual meeting of stockholders and until his successor shall have been duly elected

and qualified.

The Board believes that each of the nominees is highly qualified to serve as a member of the Board and each has contributed to the mix of skills, core competencies and qualifications of the Board. When evaluating candidates for election to the Board, the Nominating and Governance Committee seeks candidates with certain qualities that it believes are important, including experience, skills, expertise, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, conflicts of interest, those criteria and qualifications described in each director's biography below and such other relevant factors that the Nominating and Governance Committee considers appropriate in the context of the needs of the Board of Directors.

DIRECTOR INDEPENDENCE

Our Common Stock is listed on the NASDAQ Capital Market (NASDAQ). Under the NASDAQ listing standards, independent directors must comprise a majority of a listed company's Board of Directors and all members of our Audit, Compensation and Nominating and Governance Committees must be independent. Audit Committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act and Compensation Committee members must also satisfy the independence criteria set forth in Rule 10C-1 under the Exchange Act. Under the NASDAQ listing standards, a director will only qualify as an independent director if, in the opinion of that company's Board of Directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

In order to be considered to be independent for purposes of Rule 10A-3, a member of an Audit Committee of a listed company may not, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other board committee: (1) accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries, or (2) be an affiliated person of the listed company or any of its subsidiaries.

Our Board undertook a review of its composition, the composition of its committees and the independence of each director. Based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships, our Board has determined that Dr. Monahan, Mr. Smith and Dr. Prendergast, representing three of our four directors, do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is independent as that term is defined under the listing standards of NASDAQ.

We currently have: (1) an Audit Committee comprised of Dr. Monahan, Dr. Prendergast and Mr. Smith, each of whom are deemed to be independent in accordance with the NASDAQ definition of independence, satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act as well as qualify as audit committee financial experts as that term is used in Item 407 of Regulation S-K; (2) a Compensation Committee comprised of Dr. Monahan, Dr. Prendergast, and Mr. Smith, each of whom is deemed to be independent in accordance with the NASDAQ definition of independence and satisfy the independence criteria set forth in Rule 10C-1 under the Exchange Act; and (3) a Nominating and Corporate Governance committee comprised of Dr. Monahan, Dr. Prendergast, and Mr. Smith, each of whom is deemed to be independent in accordance with the NASDAQ definition of independence. During the last quarter of the year ended December 31, 2016 and the quarter ended March 31, 2017 the Board of Directors also had a Strategic Planning Committee comprised of Dr. Monahan, Dr. Prendergast and Mr. Smith and a Science and Technology Committee comprised of Dr. Monahan and Dr. Prendergast. Subsequent to the end of the first quarter of 2017, the Board determined that we no longer required a Strategic Planning Committee or a Science and Technology Committee and each of those committees were terminated. We also formed a Special Committee comprised of Dr. Monahan and Dr. Prendergast in order to negotiate and consummate the acquisition of an eighty percent (80%) ownership interest in the equity of Pelican Therapeutics, Inc., which Committee terminated promptly upon the closing of the acquisition on April 28, 2017.

The Board annually determines the independence of directors based on a review by the directors and the Nominating and Governance Committee. No director is considered independent unless the Board of Directors has determined that he or she has no material relationship with us.

INFORMATION ABOUT THE NOMINEES

Set forth below are summaries of the background, business experience and descriptions of the principal occupation for at least the past five years of each of the Company's current nominees for election as directors:

Jeffrey Wolf, *Chairman and Chief Executive Officer*

Mr. Wolf founded Heat Biologics in August 2008. Mr. Wolf served from June 1997 to March 2011, as managing director at Seed-One Ventures, LLC a venture firm focused on launching and growing exceptional healthcare companies from the ground up. Since founding Seed-One, Mr. Wolf has founded and run several biomedical companies. Mr. Wolf's start-ups include Avigen, a gene therapy company where he was a co-founder and director; TyRx Pharma, a company focused on the development of bio-compatible polymers where he was a co-founder and Chairman; and EluSys Therapeutics, a company focused on the development of a novel technology to remove blood-borne pathogens where he was a co-founder, Chairman and Chief Executive Officer. Mr. Wolf received his M.B.A. from Stanford Business School, his J.D. from New York University School of Law and his B.A. from the University of Chicago, where he graduated with honors in Economics. Mr. Wolf serves as a director of several Seed-One portfolio companies and serves as a director of Synthetic Biologics, Inc., a biotechnology company focused on the development of novel anti-infective biologic and drug candidates targeting specific pathogens that cause serious infections and other diseases.

We selected Mr. Wolf to serve on our Board as our Chairman because he brings to the board extensive knowledge of the pharmaceutical and biotechnology industries. Having served in senior corporate positions in several biomedical companies, he has a vast knowledge of the industry and brings to the board significant executive leadership and operational experience. His business experience provides him with a broad understanding of the operational, financial and strategic issues facing public companies and his service on other public company boards provides him with extensive corporate governance knowledge.

John Monahan, Ph.D., *Director*

Dr. Monahan has served on our Board since November 2009 and is currently a consultant to Synthetic Biologics, Inc., a clinical stage company developing therapeutics to protect the gut microbiome while targeting pathogen-specific diseases focused on the development of synthetic DNA-based therapeutics and innovative disease-modifying medicines for serious illnesses (NYSE MKT: SYN). Dr. Monahan Co-Founded Avigen Inc. (NASDAQ: AVGN) in 1992, a company which has become a leader in its sector for the development of novel pharmaceutical products for the treatment of serious human diseases. Over a 12 year period as CEO of Avigen he raised over \$235M in several private and public financings including its IPO. From 1989-1992, he was VP of R&D at Somatix Therapy Corp., Alameda, CA and from 1985-1989 he was Director of Molecular & Cell Biology at Triton Biosciences Inc., Alameda, CA. Prior to that from 1982-1985, he was Research Group Chief, Department of Molecular Genetics, Hoffmann-LaRoche, Inc. Nutley, NJ, and from 1975 to 1977 he was an Instructor at Baylor College of Medicine, Houston TX. He received his Ph.D. in Biochemistry in 1974 from McMaster University, Canada and his B.Sc. from University College Dublin, Ireland in 1969. Dr. Monahan is a Scientific Advisory Board member of Agilis Biotherapeutics. He is also a board member of a number of Irish biotech companies including Genable, Cellix, Luxcel, and GK Technologies.

We selected Dr. Monahan to serve on our Board because he brings extensive knowledge of the pharmaceutical and biologics industry. Having served in senior corporate positions in many medical companies he has a vast knowledge of the industry.

John K. A. Prendergast, Ph.D., *Lead Director*

Dr. Prendergast has served on our Board since April 2016. Dr. Prendergast is co-founder of Palatin Technologies, Inc. (Palatin), a biopharmaceutical company developing targeted, receptor-specific peptide therapeutics for the treatment of diseases with significant unmet medical need and commercial potential (NYSE MKT: PTN). Dr. Prendergast has been Chairman of the Board of Palatin since June 14, 2000, and a director since August 1996. Dr. Prendergast has been president and sole stockholder of Summercloud Bay, Inc., an independent consulting firm providing services to the biotechnology industry, since 1993. Dr. Prendergast is a director and executive chairman of the board of directors of Antyra, Inc., a privately-held biopharmaceutical firm. He was previously a member of the board of the life science companies AVAX Technologies, Inc., Avigen, Inc. and MediciNova, Inc. From October 1991 through December 1997, Dr. Prendergast was a managing director of The Castle Group Ltd., a medical venture capital firm. Dr. Prendergast received his M.Sc. and Ph.D. from the University of New South Wales, Sydney, Australia and a C.S.S. in administration and management from Harvard University.

We selected Dr. Prendergast to serve on our Board because he brings extensive industry experience in corporate development and finance in the life sciences field. His prior service on other publicly traded company boards provides experience relevant to good corporate governance practices.

Edward B. Smith, III, *Director*

Mr. Smith has served on our Board since November 2010. Since January 1, 2015, Mr. Smith has also been Managing Member of Aristar Capital Management, LLC, a New York-based investment firm founded in 2015. Since April 14, 2017, Mr. Smith has served as the interim Chief Executive Officer and interim Chief Financial Officer Agritech Worldwide, Inc. (Agritech, formerly Z Trim Holdings, Inc.) (OTCPink: FBER), a manufacturer of environmentally friendly agricultural functional ingredients. From January 2015 until May 2016, Mr. Smith also served as the Chief Executive Officer of Agritech and has been a board member of Agritech since 2009. From April 2005 through December 2014, Mr. Smith served as the Managing Partner of Brightline Capital Management, LLC (BCM), a New York-based investment firm founded in 2005. Prior to founding BCM, Mr. Smith worked at Gracie Capital from 2004-2005, GTCR Golder Rauner from 1999-2001 and Credit Suisse First Boston from 1997-1999. Mr. Smith holds a Bachelor of Arts in Social Studies from Harvard College and a Masters in Business Administration from Harvard Business School.

We selected Mr. Smith to serve on our Board because he brings a strong business background to our company, and adds significant strategic, business and financial experience. Mr. Smith's business background provides him with a broad understanding of the issues facing us, the financial markets and the financing opportunities available to us. His service on other public company boards provides him with extensive corporate governance knowledge and insight into issues faced by companies similar to ours.

Vote Required

Provided that a quorum is present, the nominees for director receiving a plurality of the votes cast at the 2017 Annual Meeting in person or by proxy will be elected.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THESE NOMINEES AS DIRECTORS

Stockholder Communications with Directors

The Board has established a process to receive communications from stockholders. Stockholders may contact any member or all members of the Board, any Board committee, or any chair of any such committee by mail. To communicate with the Board of Directors, any individual director or any group or committee of directors, correspondence should be addressed to the Board of Directors or any such individual director or group or committee of directors by either name or title. All such correspondence should be sent c/o Corporate Secretary at Heat Biologics, Inc., 801 Capitola Drive, Suite 12, Durham, North Carolina 27713.

All communications received as set forth in the preceding paragraph will be opened by the office of our Secretary and the Corporate Secretary's office will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope or e-mail is addressed. The Board of Directors has instructed the Corporate Secretary to forward stockholder correspondence only to the intended recipients, and has also instructed the Corporate Secretary to review all stockholder correspondence and, in the Corporate Secretary's discretion, refrain from forwarding any items deemed to be of a commercial or frivolous nature or otherwise inappropriate for the Board of Directors' consideration. Any such items may be forwarded elsewhere in Heat for review and possible response.

Corporate Governance

Board Leadership Structure

We have a board leadership structure under which Mr. Wolf, our Chief Executive Officer, also serves as Chairman of the Board. Following the 2017 Annual Meeting, we will have three other directors, each of whom is independent. Our Board currently has three standing committees, each of which is comprised solely of independent directors with a committee chair. In addition, the Board appoints other committees as the Board considers necessary from time to time.

We currently have the same person serving as our Chairman of the Board and Chief Executive Officer and we do not have a formal policy on whether the same person should (or should not) serve as both the Chief Executive Officer and Chairman of the Board. Due to the size of Heat, we believe that this structure is appropriate. Mr. Wolf has served as the Chairman of the Board and Chief Executive Officer since our formation. In serving as Chairman of the Board, Mr. Wolf serves as a significant resource for other members of management and the Board of Directors.

We currently have a separate Lead Director. We do not have a formal policy regarding having a separate Lead Director, however, we do believe that when the Chairman of the Board is an employee of Heat or otherwise not independent, it is important to have a separate Lead Director, who is an independent director. Dr. Prendergast has served as the Lead Director since September 2016. In that role, he presides over the Board's executive sessions, during which our independent directors meet without management, and he serves as the principle liaison between management and the independent directors of the Board. The Lead Director also:

.
confers with the Chairman of the Board regarding Board meeting agenda;

.
chairs meetings of the independent directors including, where appropriate, setting the agenda and briefing the Chairman of the Board on issues discussed during the meeting;

.
oversees the annual performance evaluation of the CEO;

.
consults with the Nominating and Governance Committee and the Chairman of the Board regarding assignment of Board members to various committees; and

.
performs such other functions as the Board may require.

We believe the combination of Mr. Wolf as our Chairman of the Board and an independent director as our Lead Director is an effective structure for Heat. The division of duties and the additional avenues of communication

between the Board and our management associated with this structure provide the basis for the proper functioning of our Board and its oversight of management.

Risk Oversight

The Board has an active role, as a whole and also at the committee level, in overseeing management of Heat's risks. The Board regularly reviews information regarding Heat's strategy, finances and operations, as well as the risks associated with each. The Audit Committee is responsible for oversight of Heat risks relating to accounting matters, financial reporting, internal controls and legal and regulatory compliance. The Audit Committee undertakes, at least annually, a review to evaluate these risks. The members then meet separately with management responsible for such area, including Heat's Vice President of Finance, and report to the Audit Committee on any matters identified during such discussions with management. In addition, the Compensation Committee considers risks related to the attraction and retention of talent as well as risks relating to the design of compensation programs and arrangements. In addition, the Nominating and Governance Committee manages risks associated with the independence of the Board. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about such risks. The full Board considers strategic risks and opportunities and regularly receives detailed reports from the committees regarding risk oversight in their respective areas of responsibility.

Code of Ethics

The Board of Directors has adopted a Code of Conduct that applies to Heat's directors, executive officers (including its Chief Executive Officer and Vice President of Finance) and employees. The Code is posted on Heat's website at www.heatbio.com. We undertake to provide a printed copy of the Code free of charge to any person who requests. Any such request should be sent to our principal executive offices attention: Corporate Secretary.

Review and Approval of Transactions with Related Persons

The Board of Directors has adopted policies and procedures for review, approval and monitoring of transactions involving Heat and related persons (directors and executive officers or their immediate family members, or stockholders owning 5% or greater of the Company's outstanding stock). The policy covers any related person transaction that meets the minimum threshold for disclosure in the Proxy Statement under the relevant rules of the SEC. Pursuant to our charter, our Audit Committee reviews on an on-going basis for potential conflicts of interest, and approve if appropriate, all our Related Party Transactions. For purposes of the Audit Committee Charter, Related Party Transactions means those transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404.

A discussion of our current related person transactions appears in this Proxy Statement under Transactions with Related Persons, Promoters and Certain Control Persons.

INFORMATION REGARDING THE COMMITTEES OF THE BOARD OF DIRECTORS

Committees of the Board of Directors

The Board of Directors currently has a standing Audit Committee, Compensation Committee, and Nominating and Governance Committee. The table set forth below shows the directors who are currently members or Chairman of each of the Audit Committee, Compensation Committee, and Nominating and Governance Committee. From time to time, the Board of Directors may also establish *ad hoc* committees to address particular matters. During the last quarter of the year ended December 31, 2016 and the quarter ended March 31, 2017 the Board of Directors also had a Strategic Planning Committee comprised of Dr. Monahan, Dr. Prendergast and Mr. Smith and a Science and Technology Committee comprised of Dr. Monahan and Dr. Prendergast. Subsequent to the end of the first quarter of 2017, the Board determined that we no longer required a Strategic Planning Committee or a Science and Technology Committee and each of those committees were terminated. We also formed a Special Committee comprised of Dr. Monahan and Dr. Prendergast that was created in order to negotiate and consummate the acquisition of an eighty percent (80%) ownership interest in the equity of Pelican Therapeutics, Inc., which Committee shall terminate promptly after the closing of the acquisition.

Board Members	Audit Committee	Compensation Committee	Nominating and Governance Committee
Jeff Wolf			
John Monahan, Ph.D.	Member	Chairman	Member
Edward Smith	Chairman	Member	Chairman
John K.A. Prendergast, Ph.D.*	Member	Member	Member

* Dr. Prendergast serves as our independent Lead Director.

Audit Committee

Dr. Monahan, Dr. Prendergast and Mr. Smith, currently serve as members of the Audit Committee and subject to their election at the 2017 Annual Meeting, the Board of Directors currently expects to reappoint Dr. Monahan, Dr. Prendergast and Mr. Smith, as members of the Audit Committee, effective June 29, 2017, the date of the 2017 Annual Meeting. Between January 1, 2016 and December 31, 2016, the Audit Committee met six (6) times, not including periodic meetings held separately with management and the independent registered public accounting firm. Subject to his election at the 2017 Annual Meeting, the Board currently expects to appoint Mr. Smith as Chairman of the Audit

Committee. The Board has determined that Dr. Monahan, Dr. Prendergast and Mr. Smith and are each independent in accordance with the NASDAQ definition of independence and SEC rules and each is an audit committee financial expert, as defined by the SEC regulations, and each has the related financial management expertise within the meaning of the NASDAQ rules.

The primary purpose of the Audit Committee is to act on behalf of the Board of Directors in its oversight of all material aspects of our accounting and financial reporting processes, internal controls and audit functions, including our compliance with Section 404 of the Sarbanes-Oxley Act of 2002. Pursuant to its charter, our Audit Committee reviews on an on-going basis for potential conflicts of interest, and approves if appropriate, all our Related Party Transactions. For purposes of the Audit Committee Charter, Related Party Transactions shall mean those transactions required to be disclosed pursuant to SEC Regulation S-K, Item 404. In addition, the Audit Committee reviews, acts on and reports to the Board of Directors with respect to various auditing and accounting matters, including the selection of the Company's independent registered public accounting firm, the scope of the annual audits, fees to be paid to the independent registered public accounting firm, the performance of Heat's independent registered public accounting firm and the accounting practices of Heat and Heat's internal controls and legal compliance functions. The Committee also reviews, prior to publication, our quarterly earnings releases and our reports to the SEC on Forms 10-K and 10-Q. The formal report of the Audit Committee for fiscal year 2016 is set forth below under Proposal 2 under the caption Audit Committee Report. The Audit Committee operates pursuant to a written charter adopted by the Board of Directors, which is available on Heat's website at www.heatbio.com. The charter describes the nature and scope of responsibilities of the Audit Committee.

Compensation Committee

Our Compensation Committee is comprised of Dr. Prendergast, Dr. Monahan and Mr. Smith, each of whom is deemed to be independent in accordance with the NASDAQ definition of independence and SEC rules. This Committee determines, approves, and reports to the Board of Directors on all elements of compensation of our executive officers. The Compensation Committee also has the power to prescribe, amend, and rescind rules relating to our stock incentive plans, to recommend the grant of options and other awards under the stock incentive plans, and to interpret the stock incentive plans.

The Compensation Committee operates under a formal charter that governs its duties and standards of performance. A copy of the charter is available on our website at www.heatbio.com.

Our Compensation Committee annually reviews the compensation program for our Chief Executive Officer and other members of senior management and then makes recommendations to the full board for determination. In each case, the Committee takes into account the results achieved by the executive, his or her future potential, and his or her scope of responsibilities and experience. During our fiscal year ended December 31, 2016, the Compensation Committee evaluated the performance of our executives and considered the compensation levels and equity programs at comparable companies and related industries and the analysis of its outside consultant before it made its compensation recommendations to the full board, including recommendations regarding salary increases, awards of cash bonuses and awards of stock options.

The Compensation Committee administers our stock plan, including review and recommendation of long-term incentive compensation for each executive, director and employee, including grants of stock options. The Compensation Committee believes that this long-term incentive compensation aligns the interests of our executives with those of our stockholders and furthers executive retention.

The Compensation Committee also reviews and recommends to the Board of Directors appropriate director compensation programs for service as directors, committee chairs and committee members.

Nominating and Corporate Governance Committee

The Nominating and Governance Committee is comprised of Dr. Prendergast, Dr. Monahan and Mr. Smith, each of whom is deemed to be independent in accordance with the NASDAQ definition of independence.

The functions performed by the Nominating and Governance Committee include:

- recommending to the Board of Directors, individuals for appointment or election as directors;
- recommending to the Board of Directors individuals for appointment to vacancies on any committee of the Board of Directors;
- recommending to the Board of Directors regarding any changes to the size of the Board of Directors or any committee;
- reporting to the Board of Directors on a regular basis; and
- performing any other duties or responsibilities expressly delegated to the committee by the Board of Directors relating to board or committee members.

Candidates for director should have certain minimum qualifications, including the ability to understand basic financial statements, being over 21 years of age, having relevant business experience (taking into account the business experience of the other directors), and having high moral character. The Nominating and Corporate Governance Committee retains the right to modify these minimum qualifications from time to time.

In evaluating an incumbent director whose term of office is set to expire, the Nominating and Governance Committee reviews such director's overall service to Heat during such director's term, including the number of meetings attended, level of participation, quality of performance, and any transactions with Heat engaged in by such director during his term.

When selecting a new director nominee, the Nominating and Corporate Governance Committee first determines whether the nominee must be independent for NASDAQ purposes or whether the candidate must qualify as an Audit Committee financial expert. The Nominating and Corporate Governance Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm to assist in the identification of qualified director candidates. The Nominating and Corporate Governance Committee also will consider nominees recommended by our stockholders. The Nominating and Governance Committee does not distinguish between nominees recommended by our stockholders and those recommended by other parties. The Committee evaluates the suitability of potential nominees, taking into account the current board composition, including expertise, diversity and the balance of inside and independent directors. The Nominating and Governance Committee endeavors to establish a diversity of background and experience in a number of areas of core competency, including business judgment, management, accounting, finance, knowledge of our industry, strategic vision, research and development and other areas relevant to our business.

Stockholders wishing to directly recommend candidates for election to the Board of Directors at our next Annual Meeting to be included in our proxy statement must do so by giving written notice to the Chairman of the Nominating and Governance Committee no later than January 11, 2018, 801 Capitola Drive, Suite 12, Durham, North Carolina 27713. The notice must state: (1) the name and address of the stockholder making the recommendations; (2) the name, age, business address, and residential address of each person recommended; (3) the principal occupation or employment of each person recommended; (4) the class and number of shares of Heat's stock that are beneficially owned by each person recommended and by the recommending stockholder; (5) any other information concerning the persons recommended that must be disclosed in nominee and proxy solicitations in accordance with Regulation 14A of the Exchange Act; and (6) a signed consent of each person recommended stating that he or she consents to serve as a director of Heat if elected.

In considering any person recommended by one of our stockholders, the Nominating and Corporate Governance Committee will look for the same qualifications that it looks for in any other person that it is considering for a position on the Board of Directors. Any stockholder nominee recommended by the Nominating and Corporate Governance Committee and proposed by the Board of Directors for election at the next Annual Meeting of stockholders will be included in the Company's proxy statement for that Annual Meeting.

The Nominating and Governance Committee operates under a formal charter that governs its duties and standards of performance. A copy of the charter is available on our website at www.heatbio.com.

Science and Technology Committee

The Science and Technology Committee was established in September 2016 in light of the data read outs anticipated at the end of 2016. The Science and Technology Committee was established to examine management's direction in Heat's research and development as well as its technology initiatives. The Science and Technology Committee was comprised of Dr. Prendergast and Dr. Monahan. The Science and Technology Committee operated under a formal charter that governed its duties and standards of performance. In April 2017, the Board determined that it no longer required such a committee and the Science and Technology Committee was terminated.

Strategic Planning Committee

The Strategic Planning Committee was established in September 2016 to oversee our strategic planning process, including overseeing the implementation of strategic plans and initiatives, identifying and evaluating corporate opportunities and assessing potential mergers and acquisitions. The Strategic Planning Committee was comprised of Dr. Prendergast, Dr. Monahan and Mr. Smith. Our Strategic Planning Committee oversaw our strategic planning process, which included the acquisition of new technology. The Strategic Planning Committee operated under a formal charter that governed its duties and standards of performance. The Committee term expired in February 2017 and in April 2017, the Board determined that it no longer required such a committee.

BOARD AND COMMITTEE MEETINGS

During our fiscal year ended December 31, 2016, our Board of Directors held 15 meetings. During our fiscal year ended December 31, 2016, our audit, compensation and nominating committees met six times, four, and two times, respectively. Our Science and Technology Committee and Strategic Planning Committee met five and six times, respectively, during our fiscal year ended December 31, 2016. Each of our incumbent directors that were directors during our fiscal year ended December 31, 2016 attended no less than 75% of the meetings of the Board of Directors and Board committees on which such director served during 2016.

DIRECTOR ATTENDANCE AT ANNUAL MEETINGS

Our directors are encouraged, but not required, to attend the Annual Meeting of Stockholders. All of our directors attended our 2016 Annual Meeting.

2016 Director Compensation

Compensation of Directors

The following table sets forth information for the fiscal year ended December 31, 2016 regarding the compensation of our directors who at December 31, 2016 were not also named executive officers.

Name and Principal Position	Fees Earned or Paid in Cash	Option Awards	Other Compensation	Totals
John Monahan, Ph.D. (1)	\$ 60,583	\$37,286		\$ 97,869
John K.A. Prendergast, Ph.D. (2)	\$117,671	\$17,072		\$134,743
Edward Smith (1)	\$ 66,375	\$37,286		\$103,661
Paul Belsky, MD (3)	\$ 14,162			\$ 14,162
Louis Bock (4)	\$ 13,875			\$ 13,875
Michael Kharitonov, Ph.D. (4)	\$ 13,000			\$ 13,000

(1)

The stock options are computed in accordance with FASB ASC 718 and reflect the value of an option to purchase 23,810 shares of common stock granted on January 17, 2016 to each individual board member with 100% vesting of the grant on the vesting commencement date of the following year, subject to remaining on the Board of Directors. The fair value of the options was calculated in accordance with FASB ASC 718, and the assumptions used are described in Note 9 to the Company's audited consolidated financial statements for the years ended December 31, 2016 and 2015.

(2)

Dr. Prendergast joined the board on April 21, 2016. Dr. Prendergast was granted a ten year option exercisable for 40,000 shares of the Company's common stock at an exercise price of \$0.65 per share. The fair value of the options was calculated in accordance with FASB ASC 718, and the assumptions used are described in Note 9 to the Company's audited consolidated financial statements for the years ended December 31, 2016 and 2015.

(3)

Dr. Belsky resigned from the Board April 21, 2016.

(4)

Mr. Bock and Dr. Kharitonov resigned from the Board April 4, 2016.

As of December 31, 2016, the following table sets forth the number of aggregate outstanding option awards held by each of our directors who were not also named executive officers:

	Aggregate
	Number of
Name	Option Awards
John Monahan, Ph.D.	64,860
John K. A. Prendergast, Ph.D.	40,000
Edward Smith	57,251

Our Compensation Committee conducted an evaluation of the compensation of the members of our board of directors. In order to aid its decision-making, the Compensation Committee considered the compensation practices and the competitive market for directors at companies with which we compete for personnel and an independent compensation advisor was retained to conduct a study of our peer group compensation. Based substantially upon the results of the study, on January 2, 2017, each director who is not an employee received an option grant to purchase 90,000 shares of Common Stock (having a value of \$43,200) vesting on the one year anniversary of the grant date and for his services as Lead Director Dr. Prendergast received an additional option grant to purchase 90,000 shares of Common Stock.

During the year ended January 2016, and anticipated to remain the same for the current year, directors who are not employees receive an annual cash fee of \$35,000 as well as a cash fee of \$8,000 for service on the Audit Committee and \$5,000 for service on each of the Compensation and Nominating Committees. In addition, the Chairman of each of the Audit, Compensation and Nominating Committees receives an additional \$12,500, \$8,500 and \$7,000, respectively. The Chairman of the Strategic Planning Committee received a monthly fee of \$7,500 and each member of the Strategic Planning Committee received a fee of \$1,000 per committee meeting attended. The Chairman of the Science and Technology Committee received an annual fee of \$10,000 and the other member of the Science and Technology Committee receive an annual fee of \$1,000 for services on that committee. Each of the members of the Special Committee established to negotiate and consummate the acquisition of an ownership interest in the equity of Pelican Therapeutics, Inc. received a one-time \$20,000 fee. The Lead Director receives a monthly fee of \$6,250 for his services as Lead Director, which amount was increased to \$14,000 a month effective March 2017. In addition, on January 11, 2016, each director who is not an employee was granted an option exercisable for shares of common stock (having a value of \$45,000) vesting on the one-year anniversary of the date of grant.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who beneficially own more than 10% of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our Common Stock. Such officers, directors and persons are required by SEC regulation to furnish us with copies of all Section 16(a) forms that they file with the SEC. Based solely on a review of the copies of such forms that were received by us, or written representations from certain reporting persons that no Forms 5 were required for those persons, we are not aware of any failures to file reports or report transactions in a timely manner during the year ended December 31, 2016.

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected BDO USA, LLP, an independent registered accounting firm, to audit the books and financial records of the Company for the year ending December 31, 2017. Heat is asking its stockholders to ratify the appointment of BDO USA, LLP as Heat's independent registered public accounting firm for fiscal 2017.

A representative of BDO USA, LLP is expected to be present either in person or via teleconference at the 2017 Annual Meeting and available to respond to appropriate questions, and will have the opportunity to make a statement if he or she desires to do so.

Vote Required

The affirmative vote of a majority of the issued and outstanding shares entitled to vote and represented at the 2017 Annual Meeting in person or by proxy will be required to approve the ratification of the appointment of Heat's independent registered public accounting firm. Abstentions will be counted and will have the same effect as a vote against the proposal. Ratification of the appointment of BDO USA, LLP by our stockholders is not required by law, our bylaws or other governing documents. As a matter of policy, however, the appointment is being submitted to our stockholders for ratification at the 2017 Annual Meeting of Stockholders. If our stockholders fail to ratify the appointment, the Audit Committee will reconsider whether or not to retain that firm. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in our best interest and the best interests of our stockholders.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR
RATIFICATION OF THE SELECTION OF BDO USA, LLP AS OUR INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM FOR OUR FISCAL YEAR ENDING ON DECEMBER 31, 2017.**

AUDIT COMMITTEE REPORT¹

The Audit Committee has reviewed and discussed Heat's audited consolidated financial statements as of and for the year ended December 31, 2016 with the management of Heat and BDO USA, LLP, Heat's independent registered public accounting firm. Further, the Audit Committee has discussed with BDO USA, LLP the matters required to be discussed under auditing standards generally accepted in the United States, including those matters set forth in the Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 1301, *Communications with Audit Committees*, as amended and as adopted by the Public Company Accounting oversight Board in Rule 3200T, other standards of the Public Company Accounting Oversight Board (United States), rules of the SEC, and other applicable regulations, relating to the firm's judgment about the quality, not just the acceptability, of Heat's accounting principles, the reasonableness of significant judgments and estimates, and the clarity of disclosures in the consolidated financial statements.

The Audit Committee also has received the written disclosures and the letter from BDO USA, LLP required by PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, which relate to BDO USA, LLP's independence from Heat, and has discussed with BDO USA, LLP its independence from Heat. The Audit Committee has also considered whether the independent registered public accounting firm's provision of non-audit services to Heat is compatible with maintaining the firm's independence. The Audit Committee has concluded that the independent registered public accounting firm is independent from Heat and its management. The Audit Committee also considered whether, and determined that, the independent registered public accounting firm's provision of other non-audit services to us was compatible with maintaining BDO USA, LLP's independence. The Committee also reviewed management's report on its assessment of the effectiveness of Heat's internal control over financial reporting. In addition, the Audit Committee reviewed key initiatives and programs aimed at strengthening the effectiveness of Heat's internal and disclosure control structure. The members of the Audit Committee are not our employees and are not performing the functions of auditors or accountants. Accordingly, it is not the duty or responsibility of the Audit Committee or its members to conduct field work or other types of auditing or accounting reviews or procedures or to set auditor independence standards. Members of the Audit Committee necessarily rely on the information provided to them by management and the independent auditors. Accordingly, the Audit Committee's considerations and discussions referred to above do not constitute assurance that the audit of our consolidated financial statements has been carried out in accordance with generally accepted accounting principles or that our auditors are in fact independent.

Based on the reviews, reports and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board approved, that Heat's audited consolidated financial statements for the year ended December 31, 2016 and management's assessment of the effectiveness of Heat's internal control over financial reporting be included in Heat's Annual Report on Form 10-K for the year ended December 31, 2016, for filing with the SEC. The Audit Committee has recommended, and the Board of Directors has approved, subject to stockholder ratification, the selection of BDO USA, LLP as Heat's independent registered public accounting firm for the year ending December 31, 2017.

Submitted by the Audit Committee of Heat's Board of Directors.

Members of the Audit Committee:

John Monahan, Ph.D.

John K.A. Prendergast, Ph.D.

Edward B. Smith, III

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The material in this report is not soliciting material, is not deemed filed with the SEC and is not incorporated by reference in any filing of Heat under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Fees Paid to the Independent Registered Public Accounting Firm

BDO USA, LLP served as Heat's independent registered public accounting firm for the fiscal years ended December 31, 2016 and December 31, 2015. The following table summarizes the aggregate fees for services provided by BDO USA, LLP during fiscal years 2016 and 2015:

	December 31, 2016	December 31, 2015
Audit Fees and Expenses (1)	\$ 169,500	\$ 128,100

(1)

Audit fees and expenses were for professional services rendered for the audit and reviews of the consolidated financial statements of Heat, professional services rendered for issuance of consents and assistance with review of documents filed with the SEC.

Audit-Related Fees; Tax Fees and All Other Fees. There were no audit-related fees, tax fees or other fees paid to BDO USA, LLP during fiscal years 2016 and 2015.

In considering the nature of the services provided by BDO USA, LLP, the Audit Committee determined that such services are compatible with the provision of independent audit services. The Audit Committee discussed these services with BDO USA, LLP and Heat's management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002, as well as the American Institute of Certified Public Accountants.

Pre-Approval Policy

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm.

Prior to the engagement of the independent registered public accounting firm for the next year's audit, management will submit a list of services and related fees expected to be rendered during that year for audit services, audit-related services, tax services and other fees to the Audit Committee for approval.

The Audit Committee pre-approves the independent registered public accounting firm's services within each category. The fees are budgeted and the Audit Committee requires the independent registered public accounting firm and management to report actual fees versus budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval categories. In those instances, the Audit Committee requires specific pre-approval before engaging the independent registered public accounting firm. The Audit Committee has adopted procedures for pre-approving all audit and non-audit services provided by the independent registered public accounting firm, including the fees and terms of such services. These procedures include reviewing detailed back-up documentation for audit and permitted non-audit services. The documentation includes a description of, and a budgeted amount for, particular categories of non-audit services that are recurring in nature and therefore anticipated at the time that the budget is submitted. Audit Committee approval is required to exceed the pre-approved amount for a particular category of non-audit services and to engage the independent registered public accounting firm for any non-audit services not included in those pre-approved amounts. For both types of pre-approval, the Audit Committee considers whether such services are consistent with the rules on auditor independence promulgated by the SEC and the PCAOB. The Audit Committee also considers whether the independent registered public accounting firm is best positioned to provide the most effective and efficient service, based on such reasons as the auditor's familiarity with our business, people, culture, accounting systems, risk profile, and whether the services enhance our ability to manage or control risks and improve audit quality. The Audit Committee may form and delegate pre-approval authority to subcommittees consisting of one or more members of the Audit Committee, and such subcommittees must report any pre-approval decisions to the Audit Committee at its next scheduled meeting. All of the services provided by the independent registered public accounting firm were pre-approved by the Audit Committee.

PROPOSAL 3

APPROVAL OF AN AMENDMENT (IN THE EVENT IT IS DEEMED BY THE BOARD TO BE ADVISABLE) TO OUR RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF OUR ISSUED AND OUTSTANDING SHARES OF COMMON STOCK AT A RATIO TO BE DETERMINED IN THE DISCRETION OF OUR BOARD OF DIRECTORS WITHIN A RANGE OF ONE (1) SHARE OF COMMON STOCK FOR EVERY TWO (2) TO TEN (10) SHARES OF COMMON STOCK

General

Our Board of Directors has adopted and is recommending that our stockholders approve a proposed certificate of amendment (in the event it is deemed by the Board to be advisable) to our Restated Certificate of Incorporation to effect a Reverse Stock Split of our issued and outstanding shares of Common Stock. Holders of our Common Stock are being asked to approve the proposal that Article IV of our Restated Certificate of Incorporation be amended to effect a Reverse Stock Split of our Common Stock at a ratio to be determined in the discretion of our Board of Directors and publicly announced prior to the effectiveness of any Reverse Stock Split within the range of one (1) share of our Common Stock for every two (2) to ten (10) shares of our Common Stock and also to decide whether or not to proceed to effect a Reverse Stock Split or instead to abandon the proposed certificate of amendment altogether. Pursuant to the laws of the State of Delaware, our state of incorporation, the Board must adopt any amendment to our Restated Certificate of Incorporation and submit the amendment to stockholders for their approval. The form of proposed certificate of amendment to our Restated Certificate of Incorporation to effect the Reverse Stock Split is attached as Appendix A-1 to this proxy statement. If a certificate of amendment is filed with the Secretary of State of the State of Delaware, the certificate of amendment to the Restated Certificate of Incorporation will effect the Reverse Stock Split by reducing the outstanding number of shares of our Common Stock by the ratio to be determined by the Board and publicly announced prior to the effectiveness of any Reverse Stock Split. If the Board does not implement an approved Reverse Stock Split prior to the one-year anniversary of this meeting, the Board will seek stockholder approval before implementing any Reverse Stock Split after that time.

By approving this proposal, stockholders will approve the certificate of amendment to our Restated Certificate of Incorporation pursuant to which any whole number of outstanding shares, between and including two and ten, would be combined into one share of Common Stock, and authorize the Board to file such certificate of amendment, as determined by the Board in the manner described herein. If approved, the Board may also elect not to effect any Reverse Stock Split and consequently not to file any certificate of amendment to the Restated Certificate of Incorporation. Our Board of Directors believes that stockholder approval of an amendment granting our Board of Directors this discretion, rather than approval of a specified exchange ratio, provides our Board of Directors with maximum flexibility to react to then-current market conditions and, therefore, is in the best interests of Heat and its stockholders. The Board may also elect not to do any reverse stock split. The Board's decision as to whether and when to effect the Reverse Stock Split will be based on a number of factors, including market conditions, existing and

expected trading prices for our Common Stock, and the continued listing requirements of the Nasdaq Capital Market (NASDAQ). Although our stockholders may approve the Reverse Stock Split, we will not effect the Reverse Stock Split if the Board of Directors does not deem it to be in the best interests of Heat and its stockholders. The Reverse Stock Split, if authorized pursuant to this resolution and if deemed by the Board of Directors to be in the best interests of Heat and its stockholders, will be effected, if at all, at a time that is not later than one year from the date of the 2017 Annual Meeting. The Board will publicly announce the ratio selected for the Reverse Stock Split prior to the effectiveness of any such Reverse Stock Split.

This Proposal 3, the proposed approval of the certificate of amendment to our Restated Certificate of Incorporation to effect the Reverse Stock Split, will not change the number of authorized shares of Common Stock or Preferred Stock, or the par value of Common Stock or Preferred Stock. However, if Proposal 4 (the Increase), is approved the authorized number of shares of Common Stock will be increased. As of the date of this proxy statement, we do not have any current plans, arrangements or understandings relating to the issuance of any additional shares of authorized Common Stock that will become available following the Reverse Stock Split other than upon issuance of our currently outstanding options and warrants.

Purpose and Background of the Reverse Stock Split

On March 15, 2017, NASDAQ notified us that the bid price of our Common Stock had closed below the required \$1.00 per share for 30 consecutive trading days, and, accordingly, that we did not comply with the applicable NASDAQ minimum bid price requirement. In accordance with NASDAQ's Listing Rule 5810(c)(3)(A), we were given a period of 180 calendar days, or until September 11, 2017, to regain compliance with the requirement. We may be eligible for an additional 180 day extension from NASDAQ.

On April 28, 2017, the Board of Directors approved the proposal authorizing the Reverse Stock Split for the following reasons:

- the Board of Directors believes that effecting the Reverse Stock Split could, in some circumstances, be an effective means of regaining compliance with the bid price requirement for continued listing of our Common Stock on the NASDAQ;
- the Board of Directors believes that continued listing on the NASDAQ provides overall credibility to an investment in our stock, given the stringent listing and disclosure requirements of the NASDAQ. Notably, some trading firms discourage investors from investing in lower priced stocks that are traded in the over-the-counter market because they are not held to the same stringent standards. Increasing visibility of our stock among a larger pool of potential investors could result in higher trading volumes after positive news flow. Such increases in visibility and liquidity could also help facilitate future financings; and
- the Board of Directors believes that a higher stock price, which may be achieved through a Reverse Stock Split, could help generate investor interest in Heat and help attract, retain, and motivate employees.

The Board has considered the potential harm to us of a delisting of Heat's Common Stock and has determined that, if Heat's Common Stock continues to trade below \$1.00 per share, the consummation of the Reverse Stock Split is the best way to maintain liquidity by achieving compliance with the NASDAQ requirements. Approval of Proposal No. 3 will permit us to file a certificate of amendment to the Restated Certificate of Incorporation and the Board will publicly announce the selected ratio of the Reverse Stock Split prior to the effectiveness of the Reverse Stock Split within the limits set forth in Proposal No. 3.

The Board also believes that the current low per share market price of Heat's Common Stock has a negative effect on the marketability of Heat's existing shares. The Board believes there are several reasons for this effect. First, certain institutional investors have internal policies preventing the purchase of low-priced stocks. Second, a variety of policies and practices of broker-dealers discourage individual brokers within those firms from dealing in low-priced stocks. Third, because the brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher priced stocks, the current share price of Heat's Common Stock can result in individual stockholders paying transaction costs (commissions, markups or markdowns) that are a higher percentage of their total share value than would be the case if the share price of the Common Stock were substantially higher.

This factor is also believed to limit the willingness of some institutions to purchase the Common Stock. The Board anticipates that a Reverse Stock Split will result in a higher bid price for Heat's Common Stock, which may help to alleviate some of these problems. The Board of Directors further believes that some potential employees are less likely to work for Heat if we have a low stock price or are no longer NASDAQ listed, regardless of size of our overall market capitalization.

We believe that maintaining listing on the NASDAQ will provide us with a market for the Common Stock that is more accessible than if Heat's Common Stock were traded on the OTC Bulletin Board or in the pink sheets maintained by the OTC Markets Group, Inc. Such alternative markets are generally considered to be less efficient than, and not as broad as, the NASDAQ. Among other factors, trading on the NASDAQ increases liquidity and may potentially minimize the spread between the bid and asked prices quoted by market makers. Further, a NASDAQ listing may enhance our access to capital, increase our flexibility in responding to anticipated capital requirements and facilitate the use of our Common Stock in any strategic or financing transactions that it may undertake. We believe that prospective investors will view an investment in the Company more favorably if our shares qualify for listing on the NASDAQ as compared with the OTC markets.

We expect that a Reverse Stock Split of our Common Stock will increase the market price of the Common Stock so that we are able to maintain compliance with the NASDAQ minimum bid price listing standard. However, the effect of a Reverse Stock Split on the market price of the Common Stock cannot be predicted with any certainty, and the history of similar stock split combinations for companies in like circumstances is varied. It is possible that the per share price of the Common Stock after the Reverse Stock Split will not rise in proportion to the reduction in the number of shares of the Common Stock outstanding resulting from the Reverse Stock Split, effectively reducing our market capitalization, and there can be no assurance that the market price per post-reverse split share will either exceed or remain in excess of the \$1.00 minimum bid price for a sustained period of time. The market price of Heat's Common Stock may vary based on other factors that are unrelated to the number of shares outstanding, including Heat's future performance.

If the Reverse Stock Split successfully increases the per share price of our Common Stock, as to which no assurance can be given, the Board of Directors believes this increase will enable Heat to maintain its NASDAQ listing and may facilitate future financings and enhance our ability to attract, retain, and motivate employees and other service providers.

PLEASE NOTE THAT UNLESS SPECIFICALLY INDICATED TO THE CONTRARY, THE DATA CONTAINED IN THIS PROXY STATEMENT, INCLUDING BUT NOT LIMITED TO SHARE NUMBERS, CONVERSION PRICES AND EXERCISE PRICES OF OPTIONS AND WARRANTS, DOES NOT REFLECT THE IMPACT OF THE REVERSE STOCK SPLIT THAT MAY BE EFFECTUATED

Board Discretion to Implement the Reverse Stock Split

If Proposal No. 3 is approved by the stockholders and the Board determines to effect the Reverse Stock Split, it will consider certain factors in selecting the specific stock split ratio, including prevailing market conditions, the trading price of the Common Stock and the steps that we will need to take in order to achieve compliance with the bid price requirement and other listing regulations of the NASDAQ. Based in part on the price of the Common Stock on the days leading up to the filing of the certificate of amendment to the Certificate of Incorporation effecting the Reverse Stock Split, the Board will determine the ratio of the Reverse Stock Split, in the range of 1:2 to 1:10, that, in the judgment of the Board, is the reverse split ratio most likely to allow us to achieve and maintain compliance with the minimum \$1.00 per share requirement for listing on the NASDAQ for the longest period of time, while retaining a sufficient number of outstanding, tradeable shares to facilitate an adequate market. The Board will publicly announce the ratio selected for the Reverse Stock Split prior to the effectiveness of the Reverse Stock Split within the limits set forth in Proposal No. 3.

Notwithstanding approval of the Reverse Stock Split by the stockholders, the Board may, in its sole discretion, abandon the proposed certificate of amendment and determine prior to the effectiveness of any filing with the

Secretary of State of the State of Delaware not to effect the Reverse Stock Split prior to the one year anniversary of the 2017 Annual Meeting of stockholders, as permitted under Section 242(c) of the DGCL. If the Board fails to implement the certificate of amendment prior to the one-year anniversary of this meeting of stockholders, stockholder approval would again be required prior to implementing any Reverse Stock Split.

Consequences if Stockholder Approval for Proposal Is Not Obtained

If stockholder approval for Proposal No. 3 is not obtained, we will not be able to file a certificate of amendment to the Certificate of Incorporation to effect the Reverse Stock Split. Unless the bid price for the Common Stock increases to greater than \$1.00 for ten consecutive business days prior to September 11, 2017, then we will not meet the listing requirements for the NASDAQ. If compliance is not achieved by September 11, 2017, and NASDAQ does not grant Heat an additional 180-day extension, then our stock would be delisted from the NASDAQ. If we were unable to qualify for the additional compliance period, or if we were unable to regain compliance during any such period, the Common Stock would likely be transferred to the OTC Bulletin Board or OTC Market.

If we fail to meet all applicable NASDAQ requirements and NASDAQ determines to delist the Common Stock, the delisting could adversely affect the market liquidity of the Common Stock and the market price of the Common Stock could decrease. Delisting could also adversely affect our ability to obtain financing for the continuation of our operations and/or result in the loss of confidence by investors, suppliers, commercial partners and employees. In addition, the limited number of authorized shares of the Common Stock that are neither outstanding nor reserved for issuance could adversely affect our ability to raise capital through equity financings.

Principal Effects of the Reverse Stock Split

If the stockholders approve the proposal to authorize the Board of Directors to implement the Reverse Stock Split and the Board of Directors determines to implement the Reverse Stock Split, we will publicly announce the selected ratio for the Reverse Stock Split and file the certificate of amendment to amend the existing provision of our Restated Certificate of Incorporation to effect the Reverse Stock Split. The text of the form of proposed certificate of amendment to the Certificate of Incorporation is annexed to this proxy statement as Appendix A-1.

The Reverse Stock Split will be effected simultaneously for all issued and outstanding shares of Common Stock and the stock split ratio will be the same for all issued and outstanding shares of Common Stock. The Reverse Stock Split will affect all of our stockholders uniformly and will not affect any stockholder's percentage ownership interests in Heat, except that stockholders who would have otherwise received fractional shares will receive cash in lieu of such fractional shares. After the Reverse Stock Split, the shares of our Common Stock will have the same voting rights and rights to dividends and distributions and will be identical in all other respects to our Common Stock now authorized. Common Stock issued pursuant to the Reverse Stock Split will remain fully paid and non-assessable. The Reverse Stock Split will not affect Heat continuing to be subject to the periodic reporting requirements of the Exchange Act. The Reverse Stock Split is not intended to be, and will not have the effect of, a going private transaction covered by Rule 13e-3 under the Exchange Act.

The Reverse Stock Split may result in some stockholders owning odd-lots of less than 100 shares of our Common Stock. Brokerage commissions and other costs of transactions in odd-lots are generally higher than the costs of transactions in round-lots of even multiples of 100 shares. In addition, we will not issue fractional shares in connection with the Reverse Stock Split, and stockholders who would have otherwise been entitled to receive such fractional shares will receive an amount in cash determined in the manner set forth below under the heading Fractional Shares.

Following the effectiveness of any Reverse Stock Split approved by the stockholders and implementation by the Board of Directors, current stockholders will hold fewer shares of Common Stock, with such number of shares dependent on the specific ratio for the Reverse Stock Split. For example, if the Board approves of a 1-for-5 Reverse Stock Split, a stockholder owning a round-lot of 100 shares of Common Stock prior to the Reverse Stock Split would hold 20 shares of Common Stock following the Reverse Stock Split. THE HIGHER THE REVERSE RATIO (1-FOR-5 BEING HIGHER THAN 1-FOR-2, FOR EXAMPLE), THE GREATER THE REDUCTION OF RELATED SHARES EACH EXISTING STOCKHOLDER, POST REVERSE STOCK SPLIT, WILL EXPERIENCE.

In deciding whether to implement the Reverse Stock Split and the specific Reverse Stock Split ratio to be used, the Board of Directors will consider primarily the satisfaction of the NASDAQ continuing listing requirements, as

described above under the heading Purpose and Background of the Reverse Stock Split. It may also consider, among other things: (i) the market price of the Common Stock at the time of the Reverse Stock Split; (ii) the number of shares that will be outstanding after the split; (iii) the stockholders' equity at such time; (iv) the shares of Common Stock available for issuance in the future; (v) the liquidity of the Common Stock in the market and the improved liquidity that may result; and (vi) the nature of Heat's operations. The Board of Directors maintains the right to elect not to proceed with the Reverse Stock Split if it determines, in its sole discretion, that Heat will be able to satisfy the listing requirements of NASDAQ without implementing the Reverse Stock Split or if this proposal is otherwise no longer in the best interests of the Company. The Board will publicly announce the ratio selected for the Reverse Stock Split prior to the effectiveness of the Reverse Stock Split.

IF THIS PROPOSAL IS NOT APPROVED, WE MAY BE UNABLE TO MAINTAIN THE LISTING OF OUR COMMON STOCK ON THE NASDAQ, WHICH COULD ADVERSELY AFFECT THE LIQUIDITY AND MARKETABILITY OF OUR COMMON STOCK.

Risks Associated with the Reverse Stock Split

There are risks associated with the Reverse Stock Split, including that the Reverse Stock Split may not result in a sustained increase in the per share price of our common stock. There is no assurance that:

- the market price per share of our common stock after the Reverse Stock Split will rise in proportion to the reduction in the number of shares of our common stock outstanding before the Reverse Stock Split;
- the Reverse Stock Split will result in a per share price that will attract brokers and investors who do not trade in lower priced stocks;
- the Reverse Stock Split will result in a per share price that will increase our ability to attract and retain employees and other service providers; and
- the market price per share will either exceed or remain in excess of the \$1.00 minimum bid price as required by NASDAQ, or that we will otherwise meet the requirements of NASDAQ for continued inclusion for trading on the NASDAQ.

Stockholders should note that the effect of the Reverse Stock Split, if any, upon the market price for our Common Stock cannot be accurately predicted. In particular, we cannot assure you that prices for shares of our Common Stock after the Reverse Stock Split will be two (2) to ten (10) times, as applicable, the prices for shares of our Common Stock immediately prior to the Reverse Stock Split. Furthermore, even if the market price of our common stock does rise following the Reverse Stock Split, we cannot assure you that the market price of our Common Stock immediately after the proposed Reverse Stock Split will be maintained for any period of time. Even if an increased per-share price can be maintained, the Reverse Stock Split may not achieve the desired results that have been outlined above. Moreover, because some investors may view the Reverse Stock Split negatively, we cannot assure you that the Reverse Stock Split will not adversely impact the market price of our Common Stock.

The market price of our Common Stock will also be based on our performance and other factors, some of which are unrelated to the Reverse Stock Split or the number of shares outstanding. If the Reverse Stock Split is effected and the market price of our Common Stock declines, the percentage decline as an absolute number and as a percentage of our overall market capitalization may be greater than would occur in the absence of a Reverse Stock Split. The total market capitalization of our Common Stock after implementation of the Reverse Stock Split when and if implemented may also be lower than the total market capitalization before the Reverse Stock Split. Furthermore, the liquidity of our Common Stock could be adversely affected by the reduced number of shares that would be outstanding after the Reverse Stock Split.

While we aim that the Reverse Stock Split will be sufficient to maintain our listing on NASDAQ, it is possible that, even if the Reverse Stock Split results in a bid price for our Common Stock that exceeds \$1.00 per share another reverse split may be necessary in the future and we may not be able to continue to satisfy the other criteria for continued listing of our Common Stock on NASDAQ.

To continue to have our Common Stock eligible for continued listing on NASDAQ, we would also need to satisfy additional criteria under at least one of three standards. Under the Equity Standard Listing Rules, these criteria require, in addition to the minimum bid price, that:

- we have stockholders' equity of at least \$2.5 million;
- our public float must consist of at least 500,000 shares with a market value of at least \$1 million (public float defined under NASDAQ's rules as the shares held by persons other than officers, directors and beneficial owners of greater than 10% of our total outstanding shares);
- there be at least 300 stockholders;
- there be at least two market makers for our Common Stock; and
- we comply with certain corporate governance requirements.

We believe that we will satisfy all of these listing criteria; however, we cannot assure you that we will be successful in continuing to meet all requisite continued listing criteria.

We believe that the Reverse Stock Split may result in greater liquidity for our stockholders. However, it is also possible that such liquidity could be adversely affected by the reduced number of shares outstanding after the Reverse Stock Split, particularly if the share price does not increase as a result of the Reverse Stock Split.

Potential Anti-takeover Effects of a Reverse Stock Split

Release No. 34-15230 of the staff of the SEC requires disclosure and discussion of the effects of any action, including the proposals discussed herein, that may be used as an anti-takeover mechanism. The Reverse Stock Split, if effected, will also result in a relative increase in the number of authorized but unissued shares of our Common Stock vis-à-vis the outstanding shares of our Common Stock and, could, under certain circumstances, have an anti-takeover effect, although this is not the purpose or intent of our Board of Directors. A relative increase in the number of authorized shares of Common Stock could have other effects on our stockholders, depending upon the exact nature and circumstances of any actual issuances of authorized but unissued shares. A relative increase in our authorized shares could potentially deter takeovers, including takeovers that our Board of Directors has determined are not in the best interest of our stockholders, in that additional shares could be issued (within the limits imposed by applicable law) in one or more transactions that could make a change in control or takeover more difficult. For example, we could issue additional shares so as to dilute the stock ownership or voting rights of persons seeking to obtain control without our agreement. Similarly, the issuance of additional shares to certain persons allied with our management could have the effect of making it more difficult to remove our current management by diluting the stock ownership or voting rights of persons seeking to cause such removal. The Reverse Stock Split therefore may have the effect of discouraging unsolicited takeover attempts. By potentially discouraging initiation of any such unsolicited takeover attempts, the Reverse Stock Split may limit the opportunity for our stockholders to dispose of their shares at the higher price generally available in takeover attempts or that may be available under a merger proposal.

Although the Reverse Stock Split has been prompted by business and financial considerations and not by the threat of any known or threatened hostile takeover attempt, stockholders should be aware that the effect of the Reverse Stock Split could facilitate future attempts by Heat to oppose changes in control of Heat and perpetuate our management, including transactions in which the stockholders might otherwise receive a premium for their shares over then current market prices. We cannot provide assurances that any such transactions will be consummated on favorable terms or at all, that they will enhance stockholder value, or that they will not adversely affect our business or the trading price of the Common Stock.

Common Stock

After the effective date of the Reverse Stock Split, each stockholder will own fewer shares of our Common Stock.

Accordingly, a Reverse Stock Split would result in a significant increase in the number of authorized and unissued shares of Common Stock. Because our stockholders have no preemptive rights to purchase or subscribe for any of our unissued Common Stock, the future issuance of additional shares of Common Stock will reduce our current stockholders' percentage ownership interest in the total outstanding shares of Common Stock. In the absence of a proportionate increase in our future earnings and book value, an increase in the number of our outstanding shares of

Common Stock would dilute our projected future earnings per share, if any, and book value per share of all our outstanding shares of the Common Stock. If these factors were reflected in the price per share of our Common Stock, the potential realizable value of a stockholder's investment could be adversely affected. An issuance of additional shares could therefore have an adverse effect on the potential realizable value of a stockholder's investment. As of the date of this filing, Heat does not have any definitive plans, proposals or arrangements to issue any of the newly available authorized shares for any purpose.

This proposal has been prompted solely by the business considerations discussed in the preceding paragraphs. Any additional shares of Common Stock that would become available for issuance following the Reverse Stock Split could also be used by the Company's management to delay or prevent a change in control. The Board is not aware of any pending takeover or other transactions that would result in a change in control of the Company, and the proposal was not adopted in response to any such proposals.

All outstanding options and warrants to purchase shares of our Common Stock, including any held by our officers and directors, would be adjusted as a result of the Reverse Stock Split. In particular, the number of shares issuable upon the exercise of each instrument would be reduced, and the exercise price per share, if applicable, would be increased, in accordance with the terms of each instrument and based on the ratio of the Reverse Stock Split.

The following table sets forth the approximate number of shares of the Company's Common Stock that would be outstanding immediately after the Reverse Stock Split at various exchange ratios, based on 35,619,846 shares of Common Stock actually outstanding as of May 1, 2017. The table does not account for fractional shares that will be paid in cash.

Ratio of Reverse Stock Split	Approximate Shares of Common Stock Outstanding After Reverse Stock Split Based on Current Authorized Number of Shares
None	35,619,846
1:2	17,809,923
1:3	11,873,282
1:4	8,904,961
1:5	7,123,969
1:6	5,936,641
1:7	5,088,549
1:8	4,452,480
1:9	3,957,760
1:10	3,561,984

Procedure for Effecting Reverse Stock Split and Exchange of Stock Certificates, if Applicable

If the certificate of amendment is approved by the Company's stockholders, and if at such time the Board of Directors still believes that a Reverse Stock Split is in the best interests of the Company and its stockholders, the Board will determine the ratio, within the range approved by Heat's stockholders, of the Reverse Stock Split to be implemented and will publicly announce the selected ratio for the Reverse Stock Split prior to the effectiveness of the Reverse Stock Split. Heat will file the certificate of amendment with the Secretary of State of the State of Delaware at such time as the Board of Directors has determined the appropriate effective time for the Reverse Stock Split. The Board of Directors may delay effecting the Reverse Stock Split without re-soliciting stockholder approval. The Reverse Stock Split will become effective on the effective date set forth in the certificate of amendment. Beginning on the effective date of the split, each certificate representing pre-split shares will be deemed for all corporate purposes to evidence ownership of post-split shares.

As soon as practicable after the effective date of the split, stockholders will be notified that the Reverse Stock Split has been effected. If you hold shares of Common Stock in a book-entry form, you will receive a transmittal letter from Heat's transfer agent as soon as practicable after the effective time of the Reverse Stock Split with instructions on how to exchange your shares. After you submit your completed transmittal letter, if you are entitled to post-split shares of our Common Stock, a transaction statement will be sent to your address of record as soon as practicable after the effective date of the split indicating the number of shares of Common Stock you hold.

Some stockholders hold their shares of Common Stock in certificate form or a combination of certificate and book-entry form. We expect that our transfer agent will act as exchange agent for purposes of implementing the exchange of stock certificates, if applicable. If you are a stockholder holding pre-split shares in certificate form, you will receive a transmittal letter from the Company's transfer agent as soon as practicable after the effective time of the Reverse Stock Split. The transmittal letter will be accompanied by instructions specifying how you can exchange your certificate representing the pre-split shares of our Common Stock for a statement of holding. When you submit your certificate representing the pre-split shares of our Common Stock, your post-split shares of our Common Stock will be held electronically in book-entry form in the Direct Registration System. This means that, instead of receiving a new stock certificate, you will receive a statement of holding that indicates the number of post-split shares you own in book-entry form. We will no longer issue physical stock certificates unless you make a specific request for a share certificate representing your post-split ownership interest.

STOCKHOLDERS SHOULD NOT DESTROY ANY STOCK CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY CERTIFICATE(S) UNTIL REQUESTED TO DO SO.

Beginning on the effective time of the Reverse Stock Split, each certificate representing pre-split shares will be deemed for all corporate purposes to evidence ownership of post-split shares.

Fractional Shares

No fractional shares will be issued in connection with the Reverse Stock Split. Instead, stockholders who otherwise would be entitled to receive fractional shares will, upon surrender to the exchange agent of certificates representing their fractional shares, be entitled to receive cash in an amount equal to the product obtained by multiplying (i) the closing sales price of Heat's Common Stock as reported on the NASDAQ on the effective date of the certificate of amendment to the Certificate of Incorporation by (ii) the number of shares of Heat's Common Stock held by such stockholder before the Reverse Stock Split that would otherwise have been exchanged for such fractional share interest. Holders of as many as 9 shares (if we were to implement a 1:10 Reverse Stock Split) of Heat's Common Stock would be eliminated as a result of the cash payment in lieu of any issuance of fractional shares or interests in connection with the Reverse Stock Split. The exact number by which the number of holders of Heat's Common Stock would be reduced will depend on the Reverse Stock Split ratio adopted and the number of stockholders that hold less than the Reverse Stock Split ratio as of the effective date of the Reverse Stock Split.

Effect on Outstanding Stock Options and Warrants

Heat has equity incentive plans designed primarily to provide stock-based incentives to employees pursuant to which we have issued stock options to purchase shares of our Common Stock. In addition, we have issued to third party investors and others warrants to purchase shares of our Common Stock. As of May 1, 2017, we had issued and outstanding warrants to purchase up to 3,103,963 shares and had 2,416,689 outstanding options under our equity incentive plans. In the event of a Reverse Stock Split, our Board of Directors has the discretion to determine the appropriate adjustment to awards granted under the equity incentive plans. Further, the terms of our outstanding warrants all provide for appropriate adjustments in the event of a stock split. Accordingly, if the Reverse Stock Split is approved by our stockholders and our Board of Directors decides to implement the Reverse Stock Split, as of the effective date the number of all outstanding warrants and option grants, the number of shares issuable and the exercise price, as applicable, relating to options under our equity incentive plans and warrants, will be proportionately adjusted using the Reverse Stock Split ratio selected by our Board of Directors. Our Board of Directors has also authorized Heat to effect any other changes necessary, desirable or appropriate to give effect to the Reverse Stock Split, including any applicable technical, conforming changes.

For example, if a 1-for-5 Reverse Stock Split is effected, the aggregate number of shares of our Common Stock issuable under our outstanding warrants and stock options would be approximately 620,793 and 483,338, respectively, representing a 5-fold decrease in the number of shares issuable under those warrants and stock options. The terms of our outstanding warrants and stock options do not permit exercise for fractional shares. As such, the number of shares

issuable under any individual outstanding warrant or stock option shall either be rounded up or down as provided for under the specific terms of our equity incentive plans and warrants, or in the case of certain of our warrants, upon exercise of those warrants Heat has the option to pay cash amounts for fractional shares that otherwise would be issued or round up. Commensurately, the exercise price under each outstanding warrant and stock option would be increased by 5 times such that upon exercise, the aggregate exercise price payable by the warrant holder or optionee to Heat would remain the same. Furthermore, the aggregate number of shares currently available under our equity incentive plans for future stock option and other equity-based grants will be proportionally reduced to reflect the Reverse Stock Split ratio. For example, in the event of a 1-for-5 Reverse Stock Split, 1,020,419 shares that currently remain available for issuance under our equity incentive plans would be adjusted to equal approximately 204,084 shares, subject to future potential increases pursuant to the terms of those plans.

Accounting Matters

The Reverse Stock Split will not affect the Common Stock capital account on our balance sheet. However, because the par value of our Common Stock will remain unchanged on the effective date of the split, the components that make up the Common Stock capital account will change by offsetting amounts. Depending on the size of the Reverse Stock Split the Board of Directors decides to implement, the stated capital component will be reduced to an amount between one-half (1/2) and one-tenth (1/10) of its present amount, and the additional paid-in capital component will be increased with the amount by which the stated capital is reduced. The per share net income or loss and net book value of our Common Stock will be increased because there will be fewer shares of Common Stock outstanding. Prior periods' per share amounts will be restated to reflect the Reverse Stock Split.

Material United States Federal Income Tax Consequences of the Reverse Stock Split

The following discussion describes the anticipated material United States Federal income tax consequences to U.S. holders (as defined below) of Company capital stock relating to the Reverse Stock Split. This discussion is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, judicial authorities, published positions of the Internal Revenue Service ("IRS"), and other applicable authorities, all as currently in effect and all of which are subject to change or differing interpretations (possibly with retroactive effect). We have not obtained a ruling from the IRS or an opinion of legal or tax counsel with respect to the tax consequences of the Reverse Stock Split. The following discussion is for information purposes only and is not intended as tax or legal advice. Each holder should seek advice based on the holder's particular circumstances from an independent tax advisor.

For purposes of this discussion, the term "U.S. holder" means a beneficial owner of Heat capital stock that is for United States Federal income tax purposes:

- (i) an individual citizen or resident of the United States;
- (ii) a corporation (or other entity treated as a corporation for U.S. Federal income tax purposes) organized under the laws of the United States, any state, or the District of Columbia;
- (iii) an estate with income subject to United States Federal income tax regardless of its source; or
- (iv) a trust that (a) is subject to primary supervision by a United States court and for which United States persons control all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

This discussion assumes that a U.S. holder holds Heat capital stock as a capital asset within the meaning of Code Section 1221. This discussion does not address all of the tax consequences that may be relevant to a particular Heat stockholder or to Heat stockholders that are subject to special treatment under United States Federal income tax laws

including, but not limited to, financial institutions, tax-exempt organizations, insurance companies, regulated investment companies, real estate investment trusts, entities disregarded from their owners for tax purposes, persons that are broker-dealers, traders in securities who elect the mark-to-market method of accounting for their securities, or Heat stockholders holding their shares of Heat capital stock as part of a straddle, hedge, conversion transaction, or other integrated transaction, or persons who hold their Heat capital stock through individual retirement or other tax-deferred accounts. This discussion also does not address the tax consequences to Heat, or to Heat stockholders that own 5% or more of Heat's capital stock, are affiliates of Heat, or are not U.S. holders. In addition, this discussion does not address other United States Federal taxes (such as gift or estate taxes or alternative minimum taxes), the tax consequences of the Reverse Stock Split under state, local, or foreign tax laws or certain tax reporting requirements that may be applicable with respect to the Reverse Stock Split. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

If a partnership (or other entity treated as a partnership for United States Federal income tax purposes) is a Heat stockholder, the tax treatment of a partner in the partnership, or any equity owner of such other entity will generally depend upon the status of the person and the activities of the partnership or other entity treated as a partnership for United States Federal income tax purposes.

Tax Consequences of the Reverse Stock Split Generally

We believe that the Reverse Stock Split will qualify as a reorganization under Section 368(a)(1)(E) of the Code. Accordingly, provided that the fair market value of the post-Reverse Stock Split shares is equal to the fair market value of the pre-Reverse Stock Split shares surrendered in the Reverse Stock Split:

- A U.S. holder will not recognize any gain or loss as a result of the Reverse Stock Split other than cash payments if any, received by a stockholder in lieu of fractional shares as discussed below.
- A U.S. holder's aggregate tax basis in his, her, or its post-Reverse Stock Split shares will be equal to the aggregate tax basis in the pre-Reverse Stock Split shares exchanged therefor, less any basis attributable to fractional share interests.
- A U.S. holder's holding period for the post-Reverse Stock Split shares will include the period during which such stockholder held the pre-Reverse Stock Split shares surrendered in the Reverse Stock Split.
- For purposes of the above discussion of the basis and holding periods for shares of Heat capital stock, and except as provided therein, holders who acquired different blocks of Heat capital stock at different times for different prices must calculate their basis and holding periods separately for each identifiable block of such stock exchanged, converted, canceled or received in the Reverse Stock Split.

Stockholders who receive cash in lieu of fractional share interests as a result of the Reverse Stock Split will be treated as having received the fractional shares pursuant to the Reverse Stock Split and then as having exchanged the fractional shares for cash in a redemption by Heat, and will generally recognize gain or loss equal to the difference between the amount of cash received in lieu of a fractional share and their adjusted basis allocable to the fractional share interests redeemed. Such gain or loss will be long term capital gain or loss if the shares held prior to the Reverse Stock Split were held for more than one year. The stockholder's holding period for the shares issued after the Reverse Stock Split will include the period during which the stockholder held the shares surrendered in the Reverse Stock Split.

Information Reporting and Backup Withholding

Cash payments received by a U.S. holder of Heat capital stock pursuant to the Reverse Stock Split are subject to information reporting, and may be subject to backup withholding at the applicable rate specified by the U.S. Internal Revenue Service (currently 28%) if the holder fails to provide a valid taxpayer identification number and comply with certain certification procedures or otherwise establish an exemption from backup withholding. Backup withholding is not an additional United States Federal income tax. Rather, the U.S. Federal income tax liability of the person subject to backup withholding will be reduced by the amount of the tax withheld. If backup withholding results in an overpayment of taxes, a refund may be obtained provided that the required information is timely furnished to the IRS.

Vote Required to Approve Amendment of our Restated Certificate of Incorporation

Approval of the certificate of amendment to our Restated Certificate of Incorporation included as Appendix A-1, and to authorize our Board of Directors, if in their judgment it is necessary, to effect the Reverse Stock Split requires an affirmative vote of a majority of the Common Stock outstanding and entitled to vote at the 2017 Annual Meeting as of the record date. Abstentions and broker non-votes will be counted towards the vote total for this proposal and will have the same effect as against votes. Approval by our stockholders of the Reverse Stock Split is not conditioned upon approval by our stockholders of the Increase; conversely, approval by our stockholder of the Increase is not conditioned upon approval by our stockholders of the Reverse Stock Split.

Recommendation

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE AMENDMENT TO OUR RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF OUR COMMON STOCK AT A RATIO TO BE DETERMINED IN THE DISCRETION OF THE BOARD OF DIRECTORS IN THE RANGE OF ONE (1) SHARE OF COMMON STOCK FOR EVERY TWO (2) TO TEN (10) SHARES OF COMMON STOCK, AND PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE VOTED IN FAVOR OF THE AMENDMENT UNLESS A STOCKHOLDER INDICATES OTHERWISE ON THE PROXY.

PROPOSAL 4

APPROVAL OF AMENDMENT TO OUR RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 50,000,000 to 100,000,000

The Board of Directors has adopted a resolution approving and recommending to our stockholders for their approval, a proposed certificate of amendment to Heat's Certificate of Incorporation (as amended, the "Certificate of Incorporation") to effect an increase in the number of shares of our authorized Common Stock from the 50,000,000 shares that are currently authorized for issuance pursuant to our Certificate of Incorporation to a total of 100,000,000 shares of Common Stock.

The text of the form of the proposed certificate of amendment to the Certificate of Incorporation is annexed to this proxy statement as Appendix A-2. Assuming the stockholders approve the proposal, the Increase will be effected upon the filing of the certificate of amendment to the Restated Certificate of Incorporation with the Secretary of State of the State of Delaware.

The Board of Directors proposes and recommends increasing the number of shares of our authorized Common Stock from the 50,000,000 shares that are currently authorized for issuance pursuant to our Certificate of Incorporation to a total of 100,000,000 shares of Common Stock. Of the Company's 50,000,000 shares of currently authorized Common Stock, 35,619,846 shares were outstanding as of May 1, 2017, and after taking into account (i) shares underlying outstanding warrants and options, (ii) the reservation of shares for issuance under the Company's stock incentive plans, assuming the 2017 Plan is adopted, and (iii) the 1,331,056 shares issued in the Pelican acquisition, approximately 4,434,519 of the 50,000,000 shares authorized in our Restated Certificate of Incorporation would be available for issuance.

The chart below illustrates the number of shares of Common Stock that will be available for issuance if both the Increase and the Reverse Stock Split are effected based on a 1-for-5 and 1-for-10 reverse stock split. The number of shares disclosed in the column "Estimated Number of shares of Common Stock before Reverse Stock Split and before Increase" reflects the approximate number of shares as of May 1, 2017. The number of shares disclosed in the column "Estimated number of shares of Common Stock after the Increase and before the Reverse Stock Split" gives further effect to the Increase in the number of authorized shares of Common Stock from 50,000,000 to 100,000,000. The number of shares disclosed in the column "Estimated number of shares of Common Stock after Reverse Stock Split and after the Increase" gives further effect to the Reverse Stock Split based on a 1-for-5 and 1-for-10 reverse stock split and also gives effect to the Increase described in this Proposal 4, but does not take into account any fractional shares.

	Estimated	Estimated	Estimated number of shares of Common Stock	
	number of shares of	number of shares	after Reverse Stock Split and after the Increase	
	Common Stock	of Common Stock	(4)	
	before Reverse	after the Increase	Ratio of Reverse Stock Split:	
	Stock Split and	and before the	1:5	1:10
	before Increase	Reverse Stock		
		Split		
Authorized	50,000,000	100,000,000	100,000,000	100,000,000
Issued and				
Outstanding ⁽¹⁾	35,619,846	35,619,846	7,123,969	3,561,989
Issuable under				
Outstanding				
Warrants	3,103,963	3,103,963	620,793	310,397
Issuable under				
Outstanding				
Stock Options	821,253	821,253	164,261	82,126
Reserved for				
Issuance ⁽²⁾	6,020,419	6,020,419	1,204,083	602,041
Authorized but				
Unissued ⁽³⁾	4,434,519	54,434,519	90,886,894	95,443,453

(1) Includes the 1,331,056 shares of Common Stock issued in the Pelican acquisition.

(2) Shares reserved for future issuance under Heat's existing equity incentive plans and the 2017 Plan (assumes approval of the 2017 Plan), excluding shares issuable under outstanding stock options.

(3) Shares authorized but unissued represent Common Stock available for future issuance beyond shares currently outstanding, shares issuable under outstanding warrants and stock options, shares issuable upon consummation of the Pelican acquisition and shares reserved for issuance under equity incentive plans (assuming approval of the 2017 Plan).

(4) The shares presented are an estimate as we do not know the number of fractional share roundings that will be required to effectuate the Reverse Stock Split for individual accounts.

The Board of Directors believes that the Increase is advisable and in the best interests of Heat and our stockholders. The Increase will provide us with flexibility in completing financing and capital raising transactions, which may be necessary for us to execute our future business plans. Other possible business and financial uses for the additional shares of Common Stock include, without limitation, attracting and retaining employees by the issuance of additional securities, and other transactions and corporate purposes that the Board of Directors may deem are in Heat's best interest. We could also use the additional shares of Common Stock for potential strategic transactions, including, among other things, acquisitions, strategic partnerships, joint ventures, restructurings, business combinations and investments. We believe that the additional authorized shares would enable us to act quickly in response to opportunities that may arise for these types of transactions, in most cases without the necessity of obtaining further stockholder approval and holding a special stockholders' meeting before such issuance(s) could proceed, except as provided under Delaware law, as applicable, or under applicable NASDAQ rules. As of the date of, and other than upon issuance of currently outstanding securities exercisable into or convertible into the Common Stock, we have no arrangements or understandings regarding the additional shares that would be authorized or immediate plans to consummate any such transactions. However, we review and evaluate potential capital raising activities, transactions and other corporate actions on an ongoing basis to determine if such actions would be in the best interests of Heat and our stockholders. We cannot provide assurances that any such transactions will be consummated on favorable terms or at all, that they will enhance stockholder value, or that they will not adversely affect our business or the trading price of the Common Stock.

The Increase would not have any immediate dilutive effect on the proportionate voting power or other rights of existing stockholders.

As is true for shares presently authorized but unissued, the future issuance of Common Stock authorized by the Increase may, among other things, decrease existing stockholders' percentage equity ownership, could be dilutive to 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 Common Stock. In addition, an increase in the number of shares of our authorized Common Stock could result in an increase in the franchise tax that we would owe to the State of Delaware.

Potential Anti-takeover Effects of the Increase

Release No. 34-15230 of the staff of the SEC requires disclosure and discussion of the effects of any action, including the proposals discussed herein, that may be used as an anti-takeover mechanism. Since the amendment to our Restated Certificate of Incorporation will provide that the number of authorized shares of Common Stock will be 100,000,000, the Increase, if effected, will result in a relative increase in the number of authorized but unissued shares of our Common Stock vis-à-vis the outstanding shares of our Common Stock and, could, under certain circumstances, have an anti-takeover effect, although this is not the purpose or intent of our Board of Directors. A relative increase in the number of authorized shares of Common Stock could have other effects on our stockholders, depending upon the exact nature and circumstances of any actual issuances of authorized but unissued shares. A relative increase in our authorized shares could potentially deter takeovers, including takeovers that our Board of Directors has determined are

not in the best interest of our stockholders, in that additional shares could be issued (within the limits imposed by applicable law) in one or more transactions that could make a change in control or takeover more difficult. For example, we could issue additional shares so as to dilute the stock ownership or voting rights of persons seeking to obtain control without our agreement. Similarly, the issuance of additional shares to certain persons allied with our management could have the effect of making it more difficult to remove our current management by diluting the stock ownership or voting rights of persons seeking to cause such removal. The Increase therefore may have the effect of discouraging unsolicited takeover attempts. By potentially discouraging initiation of any such unsolicited takeover attempts, the Increase may limit the opportunity for our stockholders to dispose of their shares at the higher price generally available in takeover attempts or that may be available under a merger proposal.

We have not proposed the increase in the number of authorized shares of Common Stock with the intention of using the additional authorized shares for anti-takeover purposes, but Heat would be able to use the additional shares to oppose a hostile takeover attempt or delay or prevent changes in control or management of the Company. For example, without further stockholder approval, the Board of Directors could authorize the sale of shares of Common Stock in a private transaction to purchasers who would oppose a takeover or favor our current Board of Directors. Although the Increase has been prompted by business and financial considerations and not by the threat of any known or threatened hostile takeover attempt, stockholders should be aware that the effect of the Increase could facilitate future attempts by the Company to oppose changes in control of the Company and perpetuate our management, including transactions in which the stockholders might otherwise receive a premium for their shares over then current market prices. We cannot provide assurances that any such transactions will be consummated on favorable terms or at all, that they will enhance stockholder value, or that they will not adversely affect our business or the trading price of the Common Stock.

Vote Required to Approve Amendment of our Restated Certificate of Incorporation

Approval of the certificate of amendment to our Restated Certificate of Incorporation included as Appendix A-2, and to authorize our Board of Directors to effect the Increase requires an affirmative vote of a majority of the Common Stock outstanding and entitled to vote at the 2017 Annual Meeting as of the record date. Abstentions and broker non-votes (to the extent a broker does not exercise its authority to vote) will be counted towards the vote total for this proposal and will have the same effect as against votes. Approval by our stockholders of the Reverse Stock Split is not conditioned upon approval by our stockholders of the Increase; conversely, approval by our stockholder of the Increase is not conditioned upon approval by our stockholders of the Reverse Stock Split.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR APPROVAL
OF THE AUTHORIZED SHARE INCREASE.**

PROPOSAL 5

**ADJOURNMENT OF THE ANNUAL MEETING OF STOCKHOLDERS, IF NECESSARY,
TO SOLICIT ADDITIONAL PROXIES IF THERE ARE INSUFFICIENT
VOTES IN FAVOR OF PROPOSAL 3 AND PROPOSAL 4**

Adjournment to Solicit Additional Proxies

If we fail to receive a sufficient number of votes to approve Proposal 3 (an amendment to the Restated Certificate of Incorporation to effect the Reverse Stock Split) or Proposal 4 (an amendment to the Restated Certificate of Incorporation to effect the Increase), we may propose to adjourn the 2017 Annual Meeting, for the purpose of soliciting additional proxies to approve Proposal 3 or Proposal 4. We currently do not intend to propose adjournment of the 2017 Annual Meeting, if there are sufficient votes in favor of both Proposal 3 or Proposal 4.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS

**VOTE FOR PROPOSAL 5 TO ADJOURN THE 2017 ANNUAL MEETING, IF NECESSARY, TO SOLICIT
ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF PROPOSAL 3 OR
PROPOSAL 4.**

PROPOSAL 6

APPROVAL OF OUR 2017 STOCK INCENTIVE PLAN

In April 2017, the Board adopted, subject to approval of our stockholders, the 2017 Stock Incentive Plan (the "2017 Plan"). In January 2014, the Board adopted, and on June 11, 2014 at our 2014 Annual Meeting of Stockholders our stockholders approved our 2014 Stock Incentive Plan (the "2014 Plan") under which we were authorized to grant 500,000 awards in the form of options, restricted stock, restricted stock units and other stock based awards. On July 23, 2015 at our 2015 Annual Meeting of Stockholders our stockholders approved and adopted an amendment to the 2014 Plan to increase by 600,000 shares the aggregate number of shares of Common Stock that may be delivered pursuant to awards granted during the life of the 2014 Plan, which would allow the Company to grant up to 1,100,000 awards under the 2014 Plan, as amended. On July 23, 2015 at our 2016 Annual Meeting of Stockholders our stockholders approved and adopted an amendment to the 2014 Plan to increase by 1,900,000 shares the aggregate number of shares of Common Stock that may be delivered pursuant to awards granted during the life of the 2014 Plan, which would allow the Company to grant up to 3,000,000 awards under the 2014 Plan, as amended.

In 2009, our Board adopted and our stockholders approved our 2009 Stock Incentive Plan (the "2009 Plan") under which we are authorized to grant 869,565 awards in the form of options, restricted stock, restricted stock units and other stock based awards. As stated above, in 2016 and 2015 we increased the number of shares of Common Stock that we have authority to grant under the 2014 Plan to a total of 3,000,000 shares. As of May 1, 2017: (1) 2,930,336 awards had been granted under the 2014 Plan, of which 3,750 options were exercised, 140,082 shares of restricted stock lapsed, and 619,582 were canceled and there were 689,246 shares of Common Stock available for grant under the 2014 Plan, and (2) 960,176 awards had been granted under the 2009 Plan, of which 188,719 were exercised, 99,906 shares of restricted stock lapsed, and 421,784 were canceled and there were 331,173 shares of common stock available for grant under the 2009 Plan.

Under our current forecasts, our 2009 Plan and 2014 Plan will run out of shares available for grant within the next twelve months and we will not be able to continue to issue equity to our employees, directors and consultants unless our stockholders approve the 2017 Plan. This assumes that we continue to grant awards consistent with our historical usage and current practices, as reflected in our burn rate discussed below, and noting that future circumstances may require us to change our current equity grant practices.

In an effort to preserve cash and to attract, retain and motivate persons who make important contributions to our business, we desire to have the ability to issue securities to our officers, directors and consultants and those of our subsidiaries under our new 2017 Plan. Since the 2009 Plan and 2014 Plan currently only has a limited number of shares of Common Stock reserved for issuance, management believes that the number of shares of Common Stock currently available for issuance under the 2009 Plan and 2014 Plan is insufficient to meet its needs to provide for awards to our officers, directors and consultants and those of our subsidiaries and insufficient in order to allow us the ability to compete successfully for talented employees and consultants as does the individuals who are eligible to

receive awards under our plans. In addition, the principal reason for the proposed 2017 Plan is to increase the number of shares of our Common Stock approved for issuance to provide our Board of Directors, Compensation Committee and management with greater flexibility to provide grants of stock-based awards under the 2017 Plan.

The principal provisions of the 2017 Plan are summarized below and the 2017 Plan, which incorporates the amendment to the Plan discussed above, is attached hereto as Appendix B. The following discussion is qualified in its entirety by reference to the Plan.

Purpose of the 2017 Plan

The Board of Directors believes that the 2017 Plan is necessary for us to attract, retain and motivate our employees, directors and consultants through the grant of stock options, stock appreciation rights, restricted stock and restricted stock units. We believe the 2017 Plan is best designed to provide the proper incentives for our employees, directors and consultants, ensures our ability to make performance-based awards, and meets the requirements of applicable law. There are currently twenty-four (24) individuals that would be eligible to participate in the 2017 Plan, of which six (6) are directors or executive officers and fourteen (14) are employees of Heat or its subsidiaries.

Significant Historical Award Information

Common measures of a stock plan's cost include dilution and overhang. Dilution measures the degree to which our stockholders' ownership has been diluted by stock-based compensation awarded under our various equity plans and also includes shares that may be awarded under our various equity plans in the future, which is commonly referred to as overhang.

Key Equity Metrics	2016	2015	2014
Overhang ⁽¹⁾	14%	20%	26%
Dilution ⁽²⁾	5%	14%	16%

(1)

Overhang is calculated by dividing (a) the sum of (x) the number of shares subject to equity awards outstanding at the end of the year and (y) the number of shares available for future grants, by (b) the number of shares outstanding at the end of the year.

(2)

Dilution is calculated by dividing the number of shares subject to equity awards outstanding at the end of the fiscal year by the number of shares outstanding at the end of the fiscal year.

Administration

The 2017 Plan generally is to be administered by our Compensation Committee which has been appointed by the Board of Directors to administer the 2017 Plan. The Compensation Committee has full authority to establish rules and regulations for the proper administration of the 2017 Plan, to select the employees, directors and consultants to whom awards are granted, and to set the date of grant, the type of award and the other terms and conditions of the awards, consistent with the terms of the 2017 Plan.

Limitation on Awards and Shares Available

As of May 1, 2017, there were 689,246 shares of our Common Stock available for grants under the 2014 Plan and 331,173 shares of our Common Stock available for grants under the 2009 Plan. Due to the limited number of shares of Common Stock reserved for issuance under the 2014 Plan and 2009 Plan, we are seeking the approval of our stockholders to approve the 2017 Plan, which will provide for an additional 5,000,000 shares of our common stock that may be delivered pursuant to awards granted during the life of the 2017 Plan.

Eligibility

Persons eligible to participate in the 2017 Plan include all of our and our subsidiaries' employees, directors and consultants.

Awards

The 2017 Plan provides for the grant of: (i) incentive stock options; (ii) nonqualified stock options; (iii) stock appreciation rights; (iv) restricted stock; and (v) other stock-based and cash-based awards to eligible individuals. The terms of the awards will be set forth in an award agreement, consistent with the terms of the 2017 Plan. No stock option will be exercisable later than ten years after the date it is granted.

The 2017 Plan Compensation Committee is authorized to grant awards intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended.

Stock Options. The Compensation Committee may grant incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended, and nonqualified stock options. Options shall be exercisable for such prices, shall expire at such times, and shall have such other terms and conditions as the Compensation Committee may determine at the time of grant and as set forth in the award agreement; however, the exercise price must be at least equal to 100% of the fair market value at the date of grant. The option price is payable in cash or other consideration acceptable to us.

Stock Appreciation Rights. The Compensation Committee may grant stock appreciation rights with such terms and conditions as the Compensation Committee may determine at the time of grant and as set forth in the award agreement. The grant price of a stock appreciation right shall be determined by the Compensation Committee and shall be specified in the award agreement; however, the grant price must be at least equal to 100% of the fair market value of a share on the date of grant. Stock appreciation rights may be exercised upon such terms and conditions as are imposed by the Compensation Committee and as set forth in the stock appreciation right award agreement.

Restricted Stock. Restricted stock may be granted in such amounts and subject to the terms and conditions as determined by the Compensation Committee at the time of grant and as set forth in the award agreement. The Compensation Committee may impose performance goals for restricted stock. The Compensation Committee may authorize the payment of dividends on the restricted stock during the restricted period.

Other Awards. The Compensation Committee may grant other types of equity-based or equity-related awards not otherwise described by the terms of the Plan, in such amounts and subject to such terms and conditions, as the Compensation Committee shall determine. Such awards may be based upon attainment of performance goals established by the Compensation Committee and may involve the transfer of actual shares to participants, or payment in cash or otherwise of amounts based on the value of shares.

Amendment and Termination

Our Board of Directors may amend the 2017 Plan at any time, subject to stockholder approval to the extent required by applicable law or regulation or the listing standards of the NASDAQ or any other market or stock exchange on which the Common Stock is at the time primarily traded. Additionally, stockholder approval will be specifically required to (i) increase the number of shares available for issuance under the 2017 Plan, or (ii) decrease the exercise price of any outstanding option or stock appreciation right granted under the 2017 Plan.

Our Board of Directors may terminate the 2017 Plan at any time. Unless sooner terminated by the Board, the Plan will terminate on the close of business on April 28, 2027.

Adjustment for Change in Capitalization

In the event that the Compensation Committee shall determine that any dividend or other distribution (whether in the form of cash, Common Stock, or other property), recapitalization, Common Stock split, reverse Common Stock

split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event has occurred, then the Compensation Committee shall make such equitable changes or adjustments as it deems necessary or appropriate to any or all of (1) the number and kind of shares of Common Stock that may thereafter be issued in connection with awards, (2) the number and kind of shares of Common Stock, securities or other property (including cash) issued or issuable in respect of outstanding awards, (3) the exercise price, grant price or purchase price relating to any award, and (4) the maximum number of shares subject to awards which may be awarded to any employee during any tax year of the Company; provided that, with respect to incentive stock options, any such adjustment shall be made in accordance with Section 424 of the Code; and provided further that, no such adjustment shall cause any award hereunder that is or could be subject to Section 409A of the Code to fail to comply with the requirements of such section.

Effect of Change in Control

Unless otherwise determined in an award agreement, in the event of a Change in Control:

(a) With respect to each outstanding award that is assumed or substituted in connection with a Change in Control, in the event of a termination of a participant's employment or service by Heat without Cause during the 24-month period following such Change in Control, on the date of such termination (i) such award shall become fully vested and, if applicable, exercisable, (ii) the restrictions, payment conditions, and forfeiture conditions applicable to any such award granted shall lapse, and (iii) any performance conditions imposed with respect to awards shall be deemed to be fully achieved at target levels.

(b) With respect to each outstanding award that is not assumed or substituted in connection with a Change in Control, immediately upon the occurrence of the Change in Control, (i) such award shall become fully vested and, if applicable, exercisable, (ii) the restrictions, payment conditions, and forfeiture conditions applicable to any such award granted shall lapse, and (iii) any performance conditions imposed with respect to awards shall be deemed to be fully achieved at target levels.

(c) An award shall be considered assumed or substituted for if, following the Change in Control, the award remains subject to the same terms and conditions that were applicable to the award immediately prior to the Change in Control except that, if the award related to shares of Common Stock, the award instead confers the right to receive Common Stock of the acquiring entity.

Under the Plan, Change in Control shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(i) any Person (as defined in the Plan) is or becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Heat (not including in the securities Beneficially Owned (as defined in the Plan) by such Person any securities acquired directly from Heat) representing 30% or more of Heat's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) of paragraph (iii) below; or

(ii) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the Effective Date (as defined in the Plan), constitute the Board of Directors and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Heat) whose appointment or election by the Board of Directors or nomination for election by Heat stockholders was approved or recommended by a vote of at least a two-thirds of the directors then still in office who either were directors on the Effective Date or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of Heat with any other corporation other than (A) a merger or consolidation which would result in the voting securities of Heat outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) at least 50% of the combined voting power of the voting securities of Heat or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, or (B) a merger or consolidation effected to implement a re-capitalization of Heat (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of Heat (not including in the securities Beneficially Owned by such Person any securities acquired directly from Heat) representing 30% or more of the combined voting power of Heat's then outstanding securities; or

(iv) the stockholders of Heat approve a plan of complete liquidation or dissolution of Heat or there is consummated an agreement for the sale or disposition by Heat of all or substantially all of Heat's assets, other than a sale or disposition by Heat of all or substantially all of Heat's assets to an entity at least 75% of the combined voting power of the voting securities of which are owned by Persons in substantially the same proportions as their ownership of Heat immediately prior to such sale.

Miscellaneous

The 2017 Plan also contains provisions with respect to payment of exercise prices, vesting and expiration of awards, treatment of awards upon the sale of Heat, transferability of awards, and tax withholding requirements. Various other terms, conditions, and limitations apply, as further described in the 2017 Plan.

Federal Income Tax Consequences

The following is a brief description of the principal federal income tax consequences, as of the date of this proxy statement, associated with the grant of awards under the 2009 Plan, 2014 Plan and 2017 Plan. This summary is based on our understanding of present United States federal income tax law and regulations. The summary does not purport to be complete or applicable to every specific situation. Furthermore, the following discussion does not address state or local tax consequences.

Options

Grant. There is no federal income tax consequence to the participant solely by reason of the grant of incentive stock options or nonqualified stock options under the 2009 Plan, 2014 Plan and 2017 Plan.

Exercise. The exercise of an incentive stock option is not a taxable event for regular federal income tax purposes if certain requirements are satisfied, including the requirement that the participant generally must exercise the incentive stock option no later than ninety days following the termination of the participant's employment with us. However, such exercise may give rise to alternative minimum tax liability (see Alternative Minimum Tax below).

Upon the exercise of a nonqualified stock option, the participant will generally recognize ordinary income in an amount equal to the excess of the fair market value of the shares at the time of exercise over the amount paid by the participant as the exercise price. The ordinary income recognized in connection with the exercise by a participant of a nonqualified stock option will be subject to both wage and employment tax withholding.

The participant's tax basis in the shares acquired pursuant to the exercise of an option will be the amount paid upon exercise plus, in the case of a nonqualified stock option, the amount of ordinary income, if any, recognized by the participant upon exercise thereof.

Qualifying Disposition. If a participant disposes of shares of our Common Stock acquired upon exercise of an incentive stock option in a taxable transaction, and such disposition occurs more than two years from the date on which the option was granted and more than one year after the date on which the shares were transferred to the participant pursuant to the exercise of the incentive stock option, the participant will realize long-term capital gain or loss equal to the difference between the amount realized upon such disposition and the participant's adjusted basis in such shares (generally the option exercise price).

Disqualifying Disposition. If the participant disposes of shares of our Common Stock acquired upon the exercise of an incentive stock option (other than in certain tax free transactions) within two years from the date on which the incentive stock option was granted or within one year after the transfer of shares to the participant pursuant to the exercise of the incentive stock option, at the time of disposition the participant will generally recognize ordinary income equal to the lesser of (i) the excess of each such share's fair market value on the date of exercise over the exercise price paid by the participant, or (ii) the participant's actual gain. If the total amount realized on a taxable disposition (including return on capital and capital gain) exceeds the fair market value on the date of exercise of the shares of our Common Stock purchased by the participant under the option, the participant will recognize a capital gain in the amount of the excess. If the participant incurs a loss on the disposition (the total amount realized is less than the exercise price paid by the participant), the loss will be a capital loss.

Other Disposition. If a participant disposes of shares of our Common Stock acquired upon exercise of a nonqualified stock option in a taxable transaction, the participant will recognize capital gain or loss in an amount equal to the difference between the participant's basis (as discussed above) in the shares sold and the total amount realized upon disposition. Any such capital gain or loss (and any capital gain or loss recognized on a disqualifying disposition of shares of our Common Stock acquired upon exercise of incentive stock options as discussed above) will be short-term

or long-term depending on whether the shares of our Common Stock were held for more than one year from the date such shares were transferred to the participant.

Alternative Minimum Tax. Alternative minimum tax is payable if and to the extent the amount thereof exceeds the amount of the taxpayer's regular tax liability, and any alternative minimum tax paid generally may be credited against future regular tax liability (but not future alternative minimum tax liability). Alternative minimum tax applies to alternative minimum taxable income. Generally, regular taxable income as adjusted for tax preferences and other items is treated differently under the alternative minimum tax.

For alternative minimum tax purposes, the spread upon exercise of an incentive stock option (but not a nonqualified stock option) will be included in alternative minimum taxable income, and the taxpayer will receive a tax basis equal to the fair market value of the shares of our Common Stock at such time for subsequent alternative minimum tax purposes. However, if the participant disposes of the incentive stock option shares in the year of exercise, the alternative minimum tax income cannot exceed the gain recognized for regular tax purposes, provided that the disposition meets certain third party requirements for limiting the gain on a disqualifying disposition. If there is a disqualifying disposition in a year other than the year of exercise, the income on the disqualifying disposition is not considered alternative minimum taxable income.

There are no federal income tax consequences to us by reason of the grant of incentive stock options or nonqualified stock options or the exercise of an incentive stock option (other than disqualifying dispositions). At the time the participant recognizes ordinary income from the exercise of a nonqualified stock option, we will be entitled to a federal income tax deduction in the amount of the ordinary income so recognized (as described above), provided that we satisfy our reporting obligations described below. To the extent the participant recognizes ordinary income by reason of a disqualifying disposition of the stock acquired upon exercise of an incentive stock option, and subject to the requirement of reasonableness, the provisions of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the satisfaction of a tax reporting obligation, we generally will be entitled to a corresponding deduction in the year in which the disposition occurs. We are required to report to the Internal Revenue Service any ordinary income recognized by any participant by reason of the exercise of a nonqualified stock option. We are required to withhold income and employment taxes (and pay the employer's share of the employment taxes) with respect to ordinary income recognized by the participant upon exercise of nonqualified stock options.

Stock Appreciation Rights

There are no tax consequences to the participant or us by reason of the grant of stock appreciation rights. In general, upon exercise of a stock appreciation rights award, the participant will recognize taxable ordinary income equal to the excess of the stock's fair market value on the date of exercise over the stock appreciation rights' base price, or the amount payable. Generally, with respect to employees, Heat is required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the satisfaction of a tax reporting obligation, the Company generally will be entitled to a business expense deduction equal to the taxable ordinary income realized by the participant.

Restricted Stock

Unless a participant makes a Section 83(b) election, as described below, with respect to restricted stock granted under the 2009 Plan, 2014 Plan and 2017 Plan, a participant receiving such an award will not recognize income and we will not be allowed a deduction at the time such award is granted. While an award remains unvested or otherwise subject to a substantial risk of forfeiture, a participant will recognize compensation income equal to the amount of any dividends received and we will be allowed a deduction in a like amount. When an award vests or otherwise ceases to be subject to a substantial risk of forfeiture, the excess of the fair market value of the award on the date of vesting or the cessation of the substantial risk of forfeiture over the amount paid, if any, by the participant for the award will be ordinary income to the participant and will be claimed as a deduction for federal income tax purposes by us. Upon disposition of the shares received, the gain or loss recognized by the participant will be treated as capital gain or loss, and the capital gain or loss will be short-term or long-term depending upon whether the participant held the shares for more than one year following the vesting or cessation of the substantial risk of forfeiture.

However, by filing a Section 83(b) election with the Internal Revenue Service within 30 days after the date of grant, a participant's ordinary income and commencement of holding period and the deduction will be determined as of the date of grant. In such a case, the amount of ordinary income recognized by such a participant and deductible by us will be equal to the excess of the fair market value of the award as of the date of grant over the amount paid, if any, by the participant for the award. If such election is made and a participant thereafter forfeits his or her award, no refund or deduction will be allowed for the amount previously included in such participant's income.

Generally, with respect to employees, we are required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the satisfaction of a tax reporting obligation and any tax withholding condition, we generally will be entitled to a business expense deduction equal to the taxable ordinary income realized by the recipient. Upon disposition of stock, the recipient will recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for such stock, if any, plus any amount recognized as ordinary income upon acquisition (or vesting) of the stock. Such gain or loss will be long- or short-term depending on whether the stock was held for more than one year from the date ordinary income is measured.

EQUITY COMPENSATION PLAN INFORMATION

New Plan Benefits Under the 2014 Plan

As of May 1, 2017, we have granted 2,416,689 options with a weighted average exercise price of \$2.15 under the 2009 Plan and 2014 Plan. Of these options, 522,111 were granted to members of the Board of Directors and 1,894,578 were granted to employees and consultants. During the year ended December 31, 2016, we have granted 531,339 options with a weighted average exercise price of \$1.99 under the 2014 Plan and 80,000 restricted stock awards. Of these options, 135,240 were granted to members of the Board of Directors and 396,099 were granted to employees and consultants. During 2017, we granted 1,032,000 options and 303,500 restricted stock awards. At this time the benefits and amounts that will be received by or allocated to our executive officers, non-executive directors and employees and consultants under the Plan are not determinable. We have not approved any awards that are conditioned upon stockholder approval of the amendment to the Plan.

The following table sets forth information about the securities authorized for issuance under our equity compensation plans for the fiscal year ended December 31, 2016. The following table contains information about our equity compensation plans as of December 31, 2016.

Equity Compensation Plan Information

The following table contains information about our equity compensation plans as of December 31, 2016.

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
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Equity compensation plans approved by security holders

2009 Equity Incentive Plan	249,767	\$2.68	222,477
2014 Equity Incentive Plan	886,986	\$4.28	2,020,057
Equity compensation plans not approved by security holders			
Total	1,136,753	\$3.93	2,242,534

Subsequent to December 31, 2016, we issued Ann Rosar and Jeff Wolf options exercisable for 70,000 and 125,000 shares of common stock, respectively, vesting pro rata on a monthly basis over four (4) years as part of their 2016 bonus. We also issued Ann Rosar and Jeff Wolf 70,000 and 125,000 Restricted Stock Units, respectively, which vest 25% on grant date, and 25% on each anniversary of grant date, thereafter. As part of his employment agreement, we issued Jeff Hutchins 200,000 stock options, vesting pro rata on a monthly basis over four (4) years at an exercise price of \$0.88 per share.

**OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE
APPROVAL
OF OUR 2017 STOCK INCENTIVE PLAN.**

OTHER MATTERS

The Board knows of no other business that will be presented to the Annual Meeting. If any other business is properly brought before the Annual Meeting, proxies will be voted in accordance with the judgment of the persons named therein.

EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

Below is certain information regarding our executive officers who are not Directors.

Name	Age	Position	Served as an Officer Since
Jeff T. Hutchins, Ph. D.	58	Chief Scientific Officer /Senior Vice President Pre-Clinical Development	2017
Ann A. Rosar	65	Vice President of Finance	2016

Jeff T. Hutchins, Ph.D., *Chief Scientific Officer and Senior Vice President Pre-Clinical Development*

Dr. Hutchins joined our company on January 1, 2017 and oversees our research efforts, bringing over 24 years of research and clinical development experience from both large pharmaceutical and biotechnology companies. Most recently and since 2012, Dr. Hutchins served as Vice President of Preclinical Research for Peregrine Pharmaceuticals, Inc., a biopharmaceutical company developing therapeutics to fight cancer and infectious diseases. Dr. Hutchins was responsible for building out the research program for Peregrine's lead product candidate, bavituximab, a chimeric monoclonal antibody designed to target phosphatidylserine. Prior to joining Peregrine in 2012, from 2001 until 2012, Dr. Hutchins served as Vice President, Preclinical Development at Inhibitex Inc, which was acquired by Bristol-Myers Squibb. From 1991 to 2000, Dr. Hutchins held several senior scientist positions in Discovery Research at Burroughs Wellcome and Glaxo Wellcome, with a visiting professor appointment at Rush Medical College.

Dr. Hutchins earned a B.S. in Biology from Oral Roberts University, a Ph.D. in Biomedical Sciences from the University of Texas, Health Science Center at the M.D. Anderson Cancer Center and conducted postdoctoral training in the University of Southern California's Department of Microbiology at the Norris Cancer Center. Dr. Hutchins' publications and patents span the fields of oncology, infectious disease, osteoarthritis and immunology.

Ann A. Rosar, M.B.A., *Vice President of Finance, Controller and Secretary*

Ms. Rosar joined our company as Controller in January 2015 and has over twenty years of experience in finance with publicly held companies and more than fifteen years of experience regarding regulatory reporting requirements. Prior to serving as Heat's Controller, Ms. Rosar served as Manager of Financial Reporting and Accounting for LipoScience, Inc. (acquired by LabCorp), a provider of specialized cardiovascular diagnostic tests, from 2013 to 2015. From 2007 until 2013 she served in various roles at DARA Biosciences, Inc. (now Midatech Pharma US), an oncology supportive

care pharmaceutical company, including the Vice President of Finance, Chief Accounting Officer and Controller. Ms. Rosar was the Manager of Financial Reporting and Accounting with Cicero, Inc. (formerly Level 8 Systems), a provider of business integration software, from June 2000 until November 2007, where she was responsible for Securities and Exchange Commission reporting, audits and budget analysis. Prior to that position, she served as Senior Financial Analyst-Business Operations for Nextel Communications.

Ms. Rosar received a M.B.A. in Finance from the University of Houston and received her undergraduate degrees from North Carolina State University.

EXECUTIVE COMPENSATION

NARRATIVE DISCLOSURE TO SUMMARY COMPENSATION TABLE

Overview of Our Compensation Program

A. Philosophy and Objectives

Heat's primary objective with respect to executive compensation is to design compensation programs that will align executives' compensation with Heat's overall business strategies for the creation of stockholder value and attract, motivate and retain highly qualified executives.

Our executive compensation program is based on the following philosophies and objectives:

.

Compensation Should Align with Stockholders' Interests — The Compensation Committee believes that executives' interests should be aligned with those of the stockholders. Executives are granted stock options so that their total compensation is tied directly to the same value realized by our stockholders. Executive bonuses are tied directly to the value that we gain from an executive's contribution to our success as a whole.

.

Compensation is Competitive — The Compensation Committee seeks to provide a total compensation package that attracts, motivates and retains the executive talent that we need in order to maximize its return to stockholders. To accomplish this objective, executive compensation is reviewed annually to ensure that compensation levels are competitive and reasonable given our level of performance and other comparable companies with which we compete for talent.

.

Compensation Motivates and Rewards the Achievement of Goals — Our executive compensation program is designed to appropriately reward both individual and collective performance that meets and exceeds our annual, long-term and strategic goals. To accomplish this objective, a substantial percentage of total compensation is variable, at risk, both through annual incentive compensation and the granting of long-term incentive awards.

Heat seeks to achieve these objectives through three key compensation elements:

- .
- a base salary;
- .
- a performance-based annual cash incentive (i.e., annual cash incentive compensation (IC)); and
- .
- equity awards.

In order to enhance the Compensation Committee's ability to carry out its responsibilities effectively, as well as maintain strong links between executive pay and performance, the Compensation Committee reviews compensation information for each named executive officer which includes the following information:

- .
- the annual compensation and benefit values that are being offered to each executive;
- .
- the value of all outstanding equity awards; and
- .

the Compensation Committee also meets with our Chairman, Chief Executive Officer and other senior management in connection with compensation matters, and may retain and meet in executive session with, compensation and other advisors from time to time.

B. Compensation Administration

Roles and Responsibilities of Compensation Committee

The primary purpose of the Compensation Committee is to conduct reviews of Heat's general executive compensation policies and strategies and oversee and evaluate Heat's overall compensation structure and programs. The Compensation Committee seeks to confirm that total compensation paid to the Chief Executive Officer, Principal Financial Officer and those other individuals included in the Summary Compensation Table is reasonable and competitive. All of these Named Executive Officers are referred to as the NEOs. Responsibilities of the Compensation Committee include, but are not limited to:

.

Establishing on an annual basis performance goals and objectives for purposes of determining the compensation of Heat's Chief Executive Officer and other senior executive officers, evaluating the performance of such officers in light of those goals and objectives, and setting the compensation level for those officers based on this evaluation.

.

Recommending to the Board the compensation for Board members (including retainer, committee and committee chair's fees, stock options and other similar items as appropriate).

.

Reviewing the competitive position of, and making recommendations to the Board with respect to, the cash-based and equity-based compensation plans and other programs of Heat relating to compensation and benefits.

.

Reviewing the financial performance and the operations of Heat's major benefit plans.

.

Overseeing the administration of Heat's stock option and other executive compensation plans, including recommending to the Board of Directors the granting of options and awards under the plans, and the approval or disapproval of the participation of individual employees in those plans.

Reviewing and approving for Heat's Chief Executive Officer and other senior executive officers: (a) employment agreements; (b) severance agreements; (c) change in control agreements/provisions; (d) any other material perquisites or other in-kind benefits.

Additional information regarding the Compensation Committee's responsibilities is set forth in its charter, which is posted on our website at www.heatbio.com.

Outside Consultants

In October 2016, the Compensation Committee retained Korn Ferry/Hay Group for matters related to the compensation for our Chief Executive Officer and Vice President of Research and Development, as well as matters related to our other employees and non-employee director compensation. Korn Ferry/Hay Group is a global human resources consulting firm and does not provide any other services to the Company. Our Compensation Committee determined that Korn Ferry/ Hay Group was independent and lacked any conflict of interest. Korn Ferry /Hay Group was asked to provide independent, third-party advice and expertise on executive compensation issues and reported to the Compensation Committee. Korn Ferry/ Hay Group provided the Compensation Committee with comparative market data and alternatives to consider when making compensation decisions and reviewed the recommendations being made by the Compensation Committee and senior management.

Competitive Considerations

In making compensation decisions with respect to each element of compensation, the Compensation Committee considers the competitive market for executives and compensation levels provided by comparable companies. The Compensation Committee regularly reviews the compensation practices at companies with which it competes for talent, including businesses engaged in activities similar to those of Heat, including specialty pharmaceuticals.

The Compensation Committee generally targets total executive compensation at below the median of compensation packages for executives in similar positions and with similar responsibilities and experience at similar companies of comparable size with the opportunity for top quartile compensation based upon individual and company performance. The Compensation Committee's choice of this target percentile reflects Heat's consideration for our shareholders' interests in paying what is competitive, but not more than that which is competitive, to achieve our corporate goals, while conserving cash and equity as much as practicable.

We believe that, given the industry in which we operate and our compensation philosophy and objectives, our compensation targets are generally sufficient to retain our current executive officers and to hire new executive officers when and as required. In setting compensation for the NEOs, the Compensation Committee considered comparative market data requested from Hay Group. In gathering relevant competitive market compensation data, the Compensation Committee approved the use of a sample of a peer group of similarly situated specialty pharmaceutical and biotechnology companies, including high-growth industry companies with similar operations as Heat.

Role of the Chief Executive Officer

Our Chief Executive Officer, Mr. Wolf, makes recommendations to the Compensation Committee regarding the compensation of our other Named Executive Officers. Mr. Wolf does not participate in any discussions or processes concerning his own compensation, and participates in a non-voting capacity in discussions or processes concerning the compensation of our Principal Financial Officer and other members of management.

COMPENSATION OF EXECUTIVE OFFICERS

Set forth below is the compensation paid or accrued to our executive officers during the years ended December 31, 2016 and December 31, 2015 that exceeded \$100,000.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Stock Awards (9)	Other Compensation
Jeffrey Wolf <i>Chairman and CEO</i>	2016	\$ 404,583	\$ 202,500(2)	\$ 64,500	\$
	2015	\$ 395,000	\$ 177,750(3)	\$	\$
Taylor Schreiber <i>Former Chief Scientific Officer (4)*</i>	2016	\$ 300,000	\$	\$	\$
	2015	\$ 272,005	\$ 95,202(3)	\$	\$
Ann A. Rosar <i>Vice President of Finance (5)</i>	2016	\$ 152,386	\$ 40,000(2)	\$	\$
Timothy Creech <i>Former Chief Financial Officer (6)</i>	2016	\$ 55,548	\$	\$	\$
	2015	\$ 24,542	\$	\$	\$

A COPY OF BANCORP'S CORPORATE GOVERNANCE GUIDELINES, CODE OF BUSINESS CONDUCT AND ETHICS, CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS, THE CHARTERS OF ITS AUDIT, COMPENSATION AND NOMINATING AND GOVERNANCE COMMITTEES AND ITS ANNUAL REPORT ON FORM 10-K AS FILED WITH THE SEC FOR THE YEAR ENDED DECEMBER 31, 2005 WILL BE FURNISHED WITHOUT CHARGE TO ANY SHAREHOLDER UPON WRITTEN OR ORAL REQUEST TO C. EDWARD JORDAN, JR., EXECUTIVE VICE PRESIDENT, COMMERCE BANCORP, INC., COMMERCE ATRIUM, 1701 ROUTE 70 EAST, CHERRY HILL, NEW JERSEY, 08034-5400, 856-751-9000.

By Order of the Board of
Directors

ALEXANDER D.
BONO,
Secretary

PROXY

**Commerce Bancorp, Inc.
ANNUAL MEETING OF SHAREHOLDERS
Tuesday, May 16, 2006
5:30 p.m.**

**This proxy is solicited on behalf of the Board of Directors of
Commerce Bancorp, Inc.**

The undersigned hereby appoints Morton N. Kerr and Daniel J. Ragone and each of them, as proxies of the undersigned, each with power to act without the other and with power of substitution, and hereby authorizes each of them to represent and vote, as designated on the other side, all the shares of stock of Commerce Bancorp, Inc. (the "Company") which the undersigned is entitled to vote, standing in the name of the undersigned with all powers which the undersigned would possess if present, at the Annual Meeting of Shareholders of the Company to be held on May 16, 2006, or any postponement or adjournment thereof. The undersigned hereby directs this proxy to be voted as indicated on the reverse side.

**UNLESS YOU SPECIFY OTHERWISE, THIS PROXY WILL
BE VOTED "FOR" THE ELECTION OF THE NOMINEES AS
DIRECTED, AND "FOR" THE RATIFICATION OF
APPOINTMENT OF THE INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM.**

DISCRETIONARY AUTHORITY IS CONFERRED BY THIS
PROXY AS TO CERTAIN MATTERS DESCRIBED IN THE
COMPANY'S PROXY STATEMENT.

**PLEASE COMPLETE, DATE, SIGN, AND MAIL THIS
INSTRUCTION CARD PROMPTLY IN THE ENCLOSED
POSTAGE-PAID ENVELOPE OR PROVIDE YOUR
INSTRUCTIONS TO VOTE VIA THE INTERNET OR BY
TELEPHONE.**

(Continued, and to be marked, dated and signed, on the other side)

FOLD AND DETACH HERE

YOUR VOTE IS IMPORTANT!

**COMMERCE BANCORP, INC. — ANNUAL MEETING, MAY
16, 2006 — 5:30 p.m.**

COMMERCE UNIVERSITY BUILDING

**17000 HORIZON WAY
MT. LAUREL, NEW JERSEY
856-751-9000**

You can vote in one of three ways:

1. Call **toll free 1-866-818-9353** on a Touch-Tone Phone. There is **NO CHARGE** to you for this call.
or
2. Via the Internet at **<https://www.proxyvotenow.com/cbh>** and follow the instructions.
or
3. Mark, sign and date your proxy card and return it promptly in the enclosed envelope.

**PLEASE SEE REVERSE SIDE FOR VOTING
INSTRUCTIONS**

Annual Meeting Shareholders MAY 16, 2006 **Revocable Proxy Commerce Bancorp, Inc.** **Please mark as indicated in this example** **[X]**

1. For the election of the following nominees to the Board of Directors for the ensuing year:	For	Withhold	All	Except	2. For the ratification of the appointment of the Independent Registered Public Accounting Firm, as more fully described in the accompanying proxy statement.
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> For <input type="checkbox"/> Against <input type="checkbox"/> Abstain

(01) Vernon W. Hill, II	(02) Jack R Bershad	3. In their discretion, upon other matters as may properly come before the meeting or any adjournments thereof.
(03) DiFrancesco	(04) Donald T.	
(06) Steven M. Joseph E. Lewis Buckelew	(08) George E. Norcross, III	
(05) Morton N. Kerr	(10) William A. Schwartz, Jr.	
(07) John K. Lloyd	(12) Joseph S. Vassalluzzo	
(09) Daniel J. Ragone		
(11) Joseph T. Tarquini, Jr.		

INSTRUCTION: To withhold authority to vote for any nominee(s), mark “For All Except” and write that nominee(s’) name(s) or number(s) in the space provided below.

☐

**Mark here for address
change and note
change**

Please be
sure to date
and sign
this proxy
card in the Date
box below.

NOTE: Signature(s) should
correspond with name appearing on
stock certificate(s). When signing
in a fiduciary or representative
capacity, sign full title as such.
When more than one owner, each
should sign.

Sign above

***** IF YOU WISH TO PROVIDE YOUR INSTRUCTIONS TO
VOTE BY TELEPHONE OR INTERNET, PLEASE READ
THE INSTRUCTIONS BELOW *****

**FOLD AND DETACH HERE IF YOU ARE VOTING BY
MAIL**

PROXY VOTING INSTRUCTIONS

Shareholders of record have three ways to vote:

1. By Mail; or
2. By Telephone (using a Touch-Tone Phone); or
3. By Internet.

A telephone or Internet vote authorizes the named proxies to vote
your shares in the same manner as if you marked, signed, dated and
returned this proxy. Please note telephone and Internet votes must be
cast prior to 3 a.m., May 16, 2006. It is not necessary to return this
proxy if you vote by telephone or Internet.

Vote by Telephone

Call Toll-Free on a
Touch-Tone Phone
anytime prior to
3 a.m., May 16, 2006
1-866-818-9353

Vote by Internet

anytime prior to
3 a.m., May 16, 2006 go to
<https://www.proxyvotenow.com/cbh>

Please note that the last vote received, whether by telephone,
Internet or by mail, will be the vote counted.

Your vote is important!

