

HESKA CORP
Form PRE 14A
March 23, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240 Rule 14a-12

HESKA CORPORATION

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

(1)	Title of each class of securities to which transaction applies:
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(4) Proposed maximum aggregate value of transaction:
(5) Total fee paid:

Fee paid previously with preliminary materials:

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

(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:
(4)	Date Filed:

March 30, 2015

Dear Heska Corporation Stockholder:

I am pleased to invite you to attend the Annual Meeting of Stockholders of Heska Corporation to be held on Tuesday, May 5, 2015 at 9:00 a.m., local time, at the Hilton Hotel, 425 West Prospect Road, Fort Collins, CO 80526.

Details regarding the meeting and the business to be conducted are more fully described in the accompanying Notice of 2015 Annual Meeting and Proxy Statement. This notice and all proxy materials in connection with this Annual Meeting are also available on <http://www.heska.com/>_____.

Your vote is important. Whether or not you plan to attend the 2015 Annual Meeting, I hope you will vote as soon as possible. You may vote by proxy or in person at the annual meeting. Please review the instructions in the proxy statement and on the proxy card regarding your voting options.

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

Sincerely,

Robert B. Grieve

Executive Chair,

Heska Corporation

Loveland, Colorado

YOUR VOTE IS IMPORTANT

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

NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS

TIME 9:00 a.m., local time, on Tuesday, May 5, 2015
Hilton Hotel

PLACE 425 West Prospect Road

Fort Collins, Colorado 80526

ITEMS OF BUSINESS

1. To elect two Directors to a three-year term.

To approve an amendment to Article 8 of our amended and restated bylaws, as amended, allowing us to issue our employees the option to purchase our shares at a discount to fair market value in an employee stock purchase plan intended to qualify under section 423 of the Internal Revenue Code of 1986, as amended.

2. To amend and restate our 1997 Employee Stock Purchase Plan to increase the authorized number of shares by 75,000, as well as to change the manner of calculating an offering period base price and offer an additional payroll withholding alternative, among other changes.

3. To ratify the appointment of EKS&H LLLP as Heska Corporation's independent registered public accountant.

4. To offer approval of our executive compensation in a non-binding advisory vote.

5. To consider such other business as may properly come before the 2015 Annual Meeting, including such other business properly comes before the 2015 Annual Meeting.

RECORD DATE

You can vote if you were a stockholder of record at the close of business on March 16, 2015.

FORM 10-K

Our corporate 2014 annual report on Form 10-K for the year ended December 31, 2014, which is not a part of the proxy soliciting material, is enclosed.

VOTING BY PROXY

If you will not attend the meeting, please submit a proxy as soon as possible so that your shares can be voted at the 2015 Annual Meeting in accordance with your preferences. For specific instructions on voting, please refer to the instructions on any enclosed proxy card

March 30, 2015 By Order of the Board of Directors

Jason A. Napolitano

Executive Vice President, Chief Financial Officer

And Secretary, Heska Corporation

This proxy statement and accompanying proxy card are being distributed on or about March 30, 2015.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 5, 2015

The Proxy Statement, the Proxy Card and our annual report on Form 10-K for the year ended December 31, 2014 are available at <http://www.heska.com/>_____.

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QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS

AND THE 2015 ANNUAL MEETING

Q: *Why am I receiving these materials?*

A: The Board of Directors (the "Board") of Heska Corporation, a Delaware corporation ("Heska" or the "Company"), is providing these proxy materials for you in connection with Heska's Annual Meeting of Stockholders (the "Annual Meeting"). The 2015 Annual Meeting will take place on Tuesday, May 5, 2015. As a stockholder, you are invited to attend the 2015 Annual Meeting and are entitled to and requested to vote on the items of business described in this proxy statement.

What information is contained in these materials?

The information included in this proxy statement relates to the proposals to be voted on at the 2015 Annual Meeting, the voting process, the compensation of our Directors and most highly paid Executive Officers, and certain other required information. Our annual report on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission (the "SEC"), is also enclosed.

Q: *What items of business will be voted on at the 2015 Annual Meeting?*

The items of business scheduled to be voted on at the 2015 Annual Meeting are:

- (1) The election of two nominees to serve on our Board of Directors for a three-year term;
- (2) To approve an amendment to Article 8 of our amended and restated Bylaws, as amended (the "Bylaws"), allowing us to issue our employees the option to purchase our shares at a discount to fair market value in an employee stock purchase plan intended to qualify under section 423 of the Internal Revenue Code of 1986, as amended;

increase the authorized number of shares by 75,000, as well as to change the manner of calculating an offering period base price and offer an additional payroll withholding alternative, among other changes;

(4) To ratify the appointment of our independent registered public accountant for fiscal 2015;

(5) To offer approval of our executive compensation in a non-binding advisory vote;

We will also consider other business that properly comes before the 2015 Annual Meeting, including if possible conducting an advisory vote with respect to discretionary voting by proxyholders, if, and only if, such other business properly comes before the 2015 Annual Meeting.

How does the Board recommend I vote on the proposals?

The Board recommends a vote FOR the election of each of the Director nominees, FOR approval of the amendment to the Bylaws, FOR the approval of the amendment and restatement of the 1997 Employee Stock Purchase Plan, FOR the ratification of EKS&H LLLP as the Company's independent registered public accountant, FOR the offering of approval of the Company's executive compensation policies, and FOR your preference being that the proxyholders exercise their voting discretion in a manner they determine to be in the best interest of the Company's stockholders, if other business properly comes before the 2015 Annual Meeting and you are

Q: voting by proxy.

Who is entitled to vote?

A: Stockholders as of the close of business on March 16, 2015 (the "Record Date") are entitled to vote at the 2015 Annual Meeting. As of the Record Date, 6,388,698 shares of our common stock were issued and

(3) To amend and restate our 1997 Employee
Stock Purchase Plan to

Q:

A:

Q:

A:

outstanding. Each stockholder is entitled to one vote for each share of common stock held on the Record Date. A list of stockholders entitled to vote at the 2015 Annual Meeting will be available at the 2015 Annual Meeting and for ten days prior to the meeting during normal business hours at our offices at 3760 Rocky Mountain Avenue, Loveland, Colorado 80538, by contacting our Secretary as outlined under "Who can help answer my questions?" below.

Will you be able to confirm I am a stockholder entitled to vote if I attend the 2015 Annual Meeting in person?

Probably not as we expect to be able to confirm you as such only under certain limited circumstances. A list of stockholders is maintained and provided to us by Computershare Trust Company, Inc. ("Computershare"), our registrar and transfer agent. This list forms the basis for tracking votes from given shares. We, through Computershare, should be able to confirm you are a stockholder entitled to vote if you hold shares registered in your name with Computershare ("Registered" shares). However, a large portion of our shares are held by Cede & Co., a nominee of Depository Trust Company ("DTC shares") – as we believe is typical for publicly traded companies. We believe DTC shares are more conveniently publicly traded than other Registered shares and thus represent most of our daily trading

Q: volume. If a broker buys a position in DTC shares from another broker, we believe the identity of the parties is typically not reported to Computershare or us. We believe Depository Trust Company maintains records of the DTC shares allocated to different entities, such as brokers and banks, and in the case of a broker buying a position in DTC shares from another broker will record an increase in the number of DTC shares allocated to the first broker
A: equal to the number of shares involved as well as a corresponding decrease in the number of shares allocated to the second broker. DTC shares allocated to a given broker in this

way may represent many client accounts for which the broker or the broker's agent maintains internal records, which we do not believe are generally shared with Depository Trust Company or Computershare.

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

How can I tell if my shares are held in Street Name?

If these proxy materials were mailed to you by an entity other than Computershare, your shares

Q: are probably held in Street Name. We believe over 90% of our shares are held in Street Name.

A: How do I vote?

There are two ways you can vote Registered shares:

(1) Vote by proxy for which you may (a) sign, date and indicate your voting preferences by

Q: following the corresponding instructions on each proxy card

A: you receive and return each such proxy card in the postage prepaid envelope; (b) indicate your voting preferences via the telephone by

following the corresponding instructions, or (c) indicate your voting preferences via the internet by following the corresponding instructions; and

(2) Vote in-person at the 2015 Annual Meeting.

If you have shares held in Street Name, you should vote the shares via any procedure(s) adopted by your broker, bank or other nominee. These may include proxy voting communicated by mail, telephone or the

internet. If you wish to vote these shares at the 2015 Annual Meeting, you must contact your broker, bank or other nominee to obtain the proper documentation - which at a minimum should be documentation entitling you to vote a certain number of Registered shares at the Annual Meeting which we can verify as legitimate - and bring it with you to the 2015 Annual Meeting.

How can I change my vote or revoke my proxy?

For Registered shares, you have the right to revoke your proxy and change your vote at any time before the meeting by notifying our Secretary, or returning a later-dated proxy card, updating your vote via the telephone by

Q: following the corresponding instructions or updating your vote via the internet by following the corresponding instructions. You may also revoke your proxy and change your **A:** vote by voting in person at the meeting.

For shares held in Street Name, you should follow any corresponding procedure(s) adopted by your broker, bank or other nominee. These may include procedures as simple as a later vote via telephone or the internet to change your vote.

Who can help answer my questions?

If you have any questions about the 2015 Annual Meeting or how to vote or revoke your proxy, you should contact:

Heska Corporation

Attn: Secretary

3760 Rocky Mountain Avenue

Loveland, Colorado 80538

(970) 493-7272

A: The inspector of elections is to be a representative of Computershare.

How do you expect votes will be counted for quorum and

Q: *other purposes?*

We intend to count shares underlying proxies containing a "for", "withhold", "against", or "abstain" vote, as well as any

A: signed and returned proxies without any voting instructions as "present" for purposes of determining a quorum.

We intend to consider an abstention or a non-vote on a given matter to be a forfeiture of the right to vote on that matter and a forfeiture of the voting power present at the 2015 Annual Meeting underlying the forfeited votes regarding that matter. Accordingly, if you abstain or do not vote on a given matter, your shares will not be voted "for" or "against" that matter and will not be considered as present and entitled to vote on that matter. An abstention or a non-vote on any matter will not affect your ability to vote on any other matter.

The underlying broker, bank or other nominee of shares held in Street Name generally report consolidated proxy vote totals to Computershare and may not treat votes such as non-votes in the same manner we intend to. For example, if you do not vote on a given matter the underlying broker may be permitted by law, rule and policy to exercise voting discretion on this matter and may vote the corresponding shares accordingly. Similarly, if you do not vote on a given matter the underlying broker may be permitted by law, rule and policy not to vote the underlying shares on this or any other matter and may not vote the corresponding shares at all.

If you hold shares in Street Name through a broker, bank or other nominee, your broker, bank or nominee may not be permitted by law, rule or policy to exercise voting discretion with respect to certain matters to be acted upon. If you do not give your broker, bank or nominee specific instructions, your underlying shares may not be voted on those matters and, if so, will not

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

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

Q:

It probably means that you hold shares in more

A: than one account. Sign and return all proxies to ensure that all of your shares are voted.

Who will serve as inspector of elections?

Q:

A:

Q:

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be considered as present and entitled to vote with respect to those matters. In some cases, your broker, bank or other nominee may not be permitted by law, rule or policy to exercise voting discretion with respect to any matters to be acted upon and, in the absence of specific instructions from you, may not vote or submit a proxy card to anyone at all regarding these matters. In such a circumstance, your underlying shares will not be considered present at the Annual Meeting in person or by proxy and will not be voted on any matters to be acted upon therein.

What are the quorum and voting requirements for the 2015 Annual Meeting?

The quorum requirement for holding the 2015 Annual Meeting and transacting business is that holders of a majority of the outstanding shares of our common stock entitled to vote must be present in person or represented by proxy at the meeting. Based on shares outstanding as of the Record Date, this requires 3,194,350 shares.

Election of Directors is to be determined by a plurality of the votes of the shares having voting power present in person or by proxy, and entitled to vote, on the subject matter (a "Plurality Vote").

Q:

The amendment to our Bylaws is to be approved by a majority of our shares outstanding (an "Absolute Majority").

A:

The amendment and restatement of our 1997 Employee Stock Purchase Plan is to be approved by both (1) the vote of the majority of the shares having voting power present in person or by proxy, and entitled to vote on the subject matter and (2) a minimum affirmative vote of a majority of our quorum requirement (with a vote meeting both criteria (1) and criteria (2) defined as a "Quorum Majority"), if the amendment to our Bylaws is approved. Based on shares outstanding as of the Record Date, the affirmative vote of a minimum of 1,597,176 shares will be required to achieve a Quorum Majority. The

amendment and restatement of our 1997 Employee Stock Purchase Plan is to be approved by an Absolute Majority if the amendment to our Bylaws is not approved.

The ratification of our independent registered public accountant for 2015 is to be approved by the vote of a majority of the shares having voting power present in person or by proxy, and entitled to vote, on the subject matter (a "Voting Majority").

An offer of approval of our executive compensation in a non-binding advisory vote is to be obtained by a Voting Majority.

Any other business which may properly come before the 2015 Annual Meeting is to be determined by a Voting Majority, provided that enough votes to constitute a majority of a quorum shall be cast in favor of the business to be determined, unless the matter is one upon which by express provision of law, of our Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), or of our Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such matter.

Who can attend the 2015 Annual Meeting?

All holders of Registered Shares as of the Record Date can attend. If you wish to vote your shares at the 2015 Annual Meeting and your shares are held in Street Name by a broker, bank or other nominee, you must contact your broker, bank or other nominee to obtain the proper documentation - which at a minimum should be documentation entitling you to vote a certain number of Registered shares at the Annual Meeting which we can verify as legitimate - and bring it with you to the 2015 Annual Meeting.

What happens if additional matters are presented at the 2015 Annual Meeting?

Other than the five specific items of business described in this proxy statement, we are not aware of any other business to be acted upon at the 2015 Annual Meeting. If

Q:

A:

Q:

A:

other business properly comes before the 2015 Annual Meeting, we will intend to try to conduct an advisory vote of stockholders who have granted the persons named below as proxyholders a proxy regarding the preference of these stockholders' regarding the manner in which the below persons named as proxyholders exercise their voting discretion or otherwise communicate any related information in this regard to such proxyholders, and then proceed to consideration of the other business which has properly come before the 2015 Annual Meeting. If you grant a proxy, the persons named as proxyholders - Robert B. Grieve, Ph.D., our Executive Chair, Jason A. Napolitano, our Executive Vice President, Chief Financial Officer and Secretary, and Nancy Wisnewski, Ph.D., our Executive Vice President, Product Development and Customer Support - will have the discretion to vote your shares on any additional matters presented for a vote at the meeting. It is important to note that while the proxyholders may consider any advisory vote or related information in such a circumstance, the proxyholders retain full discretion to vote as they may determine regardless of outcome of any advisory vote or related information.

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

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

Is a corporate 2014 Annual Report available?

Yes. A corporate 2014 Annual Report was posted to the investor relations portion of our Corporate website on ,2015. We have not mailed physical copies of our corporate 2014 Annual Report with this

mailing in order to reduce the cost of conducting the 2015 Annual Meeting as compared to comparable costs in previous years. If you wish to obtain a hardcopy of our corporate 2014 Annual Report, please contact our Secretary as follows:

Heska Corporation

Attn: Secretary

3760 Rocky Mountain Avenue

Loveland, Colorado 80538

(970) 493-7272

Where can I find the voting results of the meeting?

We intend to announce preliminary voting results at the 2015 Annual Meeting, and publish final voting results in a Form 8-K filing with the SEC within 4 business days of the 2015 Annual Meeting. If final voting results are not available within 4 business days of the 2015 Annual Meeting, we intend to publish preliminary voting results in a Form 8-K filing with the SEC on the fourth business day following the 2015 Annual Meeting and then publish final voting results in an amended Form 8-K filing with the SEC within 4 business days of the final voting results becoming known.

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

Yes. You may submit proposals, including Director nominations, for consideration at future stockholder meetings. All proposals or nominations should be addressed to: Secretary, Heska Corporation, 3760 Rocky

Q: Mountain Avenue, Loveland, Colorado
80538.

Q:

Stockholder Proposals: For a stockholder proposal to be considered for inclusion in our proxy statement for

A: the annual meeting next year, the written proposal must be received by our Secretary at our principal executive offices under either (1) Rule 14a-8 under the Securities Exchange Act of 1934, as amended (a "Rule 14 Proposal") or (2) the Bylaws of Heska (a "Bylaws Proposal"). A Rule 14 Proposal must be received by our Secretary at our

A:

Q:

A:

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principal executive offices no later than December 1, 2015. If the date of next year's annual meeting is moved more than 30 days before or after the anniversary date of this year's annual meeting, the deadline for inclusion of proposals in our proxy statement is instead a reasonable period of time before we begin to print and mail our proxy materials. Such proposals also will need to comply with Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), regarding the inclusion of stockholder proposals in company-sponsored proxy materials. For a Bylaws Proposal, the stockholder must deliver a written notice of intent to propose such action in accordance with our Bylaws, which in general require that the notice be received by us not less than 60 days nor more than 90 days prior to the first anniversary of the date on which notice of the prior year's annual meeting was mailed to stockholders. These proxy materials for the 2015 Annual Meeting are to be mailed on or about March 30, 2015. This means that for the 2016 Annual Meeting, any such proposal must be received no earlier than December 31, 2015 and no later than January 30, 2016.

Director Nominees: You may propose Director candidates for consideration by the Board's Corporate Governance Committee. Any such recommendations should be directed to our Secretary at our principal executive offices. In addition, you may nominate a Director for consideration by Heska's stockholders if you give timely and adequate notice to our Secretary of your intention to make such nomination in accordance with our Bylaws, which require that the notice be received by the Secretary within the time periods described above under "Stockholder Proposals" and with the detail regarding your nomination as is required by our Bylaws.

Copy of Bylaw Provisions: You may contact our Secretary at our principal executive offices for a copy of the relevant Bylaw provisions regarding the

requirements for making stockholder proposals and nominating Director candidates. A copy of our current Bylaws has also been filed with the SEC with our Annual Report on Form 10-K for the year ended December 31, 2014. A copy of our Bylaws, assuming the proposed amendment to the Bylaws is approved by our Stockholders, is attached as Appendix A. This document is accessible at the website of the SEC at www.sec.gov.

Who bears the costs of soliciting votes for the 2015 Annual Meeting?

Heska is making this solicitation and will pay the entire cost of preparing, printing, assembling and mailing these proxy materials. In addition to the mailing of these proxy materials, certain of our Directors and employees may solicit proxies on our behalf in person, by telephone, electronic transmission or facsimile. No additional compensation will be paid to these people for such solicitation. We have engaged Morrow & Co., LLC, 470 West Ave., Stamford, CT 06902 ("Morrow") to solicit proxies on our behalf for a fee of \$12 thousand, which may increase based on Morrow's solicitation activities with non-objecting beneficial owners of our stock, plus reimbursement of certain disbursements. We believe our engagement with Morrow is consistent with customary terms and conditions for soliciting proxies. Charges under the engagement may increase if we direct Morrow to engage in activities not currently contemplated. We may enlist the assistance of brokerage firms, fiduciaries, custodians and other third party solicitation firms in soliciting proxies. If we elect to engage any such assistance, we expect our arrangements with the solicitation firm(s) will be on customary terms and conditions, the cost of which is not anticipated to be material to us. Upon request, we will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to stockholders.

BOARD STRUCTURE AND COMMITTEES

Our Board is divided into three classes serving staggered three-year terms. Our Board has three standing Committees, each of which is chaired by an independent Director: (1) Audit (the "Audit Committee"), (2) Compensation (the "Compensation Committee") and (3) Corporate Governance (the "Corporate Governance Committee"). The membership during 2014 and the function of each Committee are described below. Our Board held five meetings during 2014. Our Board currently has eight (8) Directors, arranging into three classes with overlapping three-year terms of service: Robert B. Grieve, Ph.D., Executive Chair (Class II), William A. Aylesworth (Class III), G. Irwin Gordon (Class I), Sharon L. Riley, Lead Director (Class III), David E. Sveen, PH.D. (Class II), Bonnie J. Trowbridge (Class III), Kevin S. Wilson (Class II) and Carol A. Wrenn (Class I). Our Board is to consist of seven (7) Directors beginning at our 2015 Annual Meeting. We encourage our Directors to attend each Annual Meeting and all of our Directors attended our last annual meeting of stockholders in May 2014. Ms. Trowbridge accepted appointment to our Board on January 28, 2015. All Board members have attended at least 75% of all Board and applicable Committee meetings. Our Board has nominated two Directors for election as Class III Directors at our 2015 Annual Meeting: Sharon L. Riley and Bonnie J. Trowbridge, CPA.

Board Leadership Structure

We currently have separated the role of Chair of the Board and Chief Executive Officer with Dr. Grieve serving as Executive Chair of our Board and Kevin S. Wilson serving as our Chief Executive Officer. In considering the separation of the Chair and Chief Executive Officer roles, the Board considered corporate governance, potential conflict of interest and time management questions. See "Transition of Chief Executive Officer Role" below for more detail. From May 2000 to March 31, 2014, Dr. Grieve served as both the Chair of our Board and our Chief Executive Officer and we believe the Company benefited from the efficiencies inherent in combining these roles during that time period. In 2010, we amended our bylaws to allow our Board to formally choose a Lead Director. The Lead Director is expected to chair sessions involving only the independent Directors, among other responsibilities as the Board may provide. Mr. Aylesworth served as our Lead Director from our 2010 Annual Meeting on May 4, 2010 until our 2014 Annual Meeting on May 6, 2014. Ms. Riley has served as our Lead Director since our 2014 Annual Meeting on May 6, 2014. We believe our Lead Director function serves to simplify communications between management and the independent Directors, enhance our Board's operations, in particular in situations where it is appropriate for the independent Directors to act without management involvement, and increase the credibility of the Company's independent Director oversight function.

Board Risk Oversight

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

Board Independence

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

Audit Committee

Our Audit Committee has the following responsibilities:

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

During 2014, our Audit Committee met five times. Our Audit Committee consisted of Mr. Aylesworth, as Chair, Ms. Riley and Ms. Wrenn from our 2013 Annual Meeting until a Board vote on February 6, 2015 and Mr. Aylesworth, as Chair, Ms. Riley, Ms. Trowbridge and Ms. Wrenn thereafter. Beginning at our 2015 Annual Meeting, our Audit Committee is to consist of Ms. Trowbridge, as Chair, Ms. Riley and Ms. Wrenn.

Our Board has determined that each of the current members of our Audit Committee meets the requirements of "independence" as set forth in Section 10A(m)(3) of the Securities Exchange Act of 1934, the rules and regulations promulgated by the SEC and the Nasdaq Listing Standards. Our Board has also determined that William A. Aylesworth and Bonnie J. Trowbridge, CPA are each an audit committee financial expert within the meaning of the rules and regulations promulgated by the SEC and they have accounting and related financial management expertise within the meaning of the Nasdaq Listing Standards.

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

Compensation Committee

Our Compensation Committee has the following responsibilities:

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

During 2014, our Compensation Committee met seven times. Our Compensation Committee consisted of Mr. Gordon, as Chair, Ms. Wrenn and a vacancy beginning at our 2013 Annual Meeting until a Board vote on February 20, 2014 and Mr. Gordon, as Chair, Dr. Sveen and Ms. Wrenn thereafter.

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

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

Corporate Governance Committee

Our Corporate Governance Committee has the following responsibilities:

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

During 2014, our Corporate Governance Committee met six times. Our Corporate Governance Committee consisted of Ms. Riley, as Chair, Mr. Gordon and a vacancy from March 15, 2013 until a Board vote on February 20, 2014, and Ms. Riley, as Chair, Mr. Gordon and Dr. Sveen from such Board vote until another Board vote on February 6, 2015 and Ms. Riley, as Chair, Mr. Gordon, Dr. Sveen and Ms. Trowbridge thereafter.

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

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

Director Qualification and Nomination

Service on our Board varies from several weeks to over 20 years. All of our Directors have gained Company and industry specific knowledge as a result. The experience, qualifications, attributes or skills that qualify our Directors to serve on our Board are discussed on a Director-by-Director basis in the "Election of Directors" section of this document as well as in this "Board Structure and Committees" section. None of our Directors is serving as a result of one specific qualification. It is the breadth of their individual experiences and the manner in which they complement each other as a group that make them individually and collectively attractive Directors.

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

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

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

Our Corporate Governance Committee will also consider nominees recommended by stockholders provided such recommendations are made in accordance with our bylaws and the procedures described in this proxy statement under "Questions and Answers About the Proxy Materials and the 2015 Annual Meeting." Although to date no stockholder has presented any candidate for Board membership to us, it is expected that recommendations from stockholders would generally be considered in the same manner as recommendations by a Director or an Officer of the Company.

Stockholder Communication with our Board

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

DIRECTOR COMPENSATION

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

In 2014, our two employee Directors did not receive any separate compensation for Board activities.

2014 Non-Employee Director Compensation

On each date of our Annual Meeting, each non-employee Director elected and each other continuing non-employee Director who was a Director immediately prior to the Annual Meeting is to automatically receive options to purchase shares of our common stock valued at \$50,000 (the "Director Value"), subject to a maximum grant of options to purchase 5,000 (the "Option Cap") shares of our common stock. These grants are to be immediately exercisable and to vest in full on the earlier of (i) the one year anniversary of the date of grant and (ii) the date immediately preceding the date of the Annual Meeting for the year following the year of grant for the award. Any new non-employee Director appointed or elected to our Board between Annual Meetings is to be automatically granted immediately exercisable options to purchase shares of our common stock with Director Value and Option Cap adjusted pro rata for the time until the next Annual Meeting and which vest at the same time as options issued to Directors at the last Annual Meeting. The value for options granted pursuant to this paragraph is to be determined pursuant to our option valuation policy at the time of issuance.

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

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

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

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

The following tables provide information for fiscal 2014 compensation for non-employee Directors who served during fiscal 2014.

Director Compensation (1)

Name	Fees Earned Or Paid in Stock			Option Awards (\$) (2)	Non-Equity Incentive Plan Compensation (\$) (3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation Total (\$) (4)
	Cash	Awards					
William A. Aylesworth	65,000	—	17,486	—	—	—	82,486
G. Irwin Gordon	55,000	—	17,486	—	—	—	72,486
Sharon L. Riley	62,500	—	23,666	—	—	—	86,166
David E. Sveen, Ph.D.	46,750	—	16,402	—	—	—	63,152
Carol A. Wrenn	56,000	—	17,486	—	—	—	73,486

2014 Equity Grants to Directors

Name	Grant Date	Number of Securities Underlying Options (4)	Exercise	Grant Date Fair Value of Option Award
			Price	(\$ (3))
William A. Aylesworth	5/6/14	5,000	11.47	18,906
G. Irwin Gordon	5/6/14	5,000	11.47	18,906
Sharon L. Riley	5/6/14	5,000	11.47	18,906
David E. Sveen, Ph.D..	5/6/14	5,000	11.47	18,906
Carol A. Wrenn	5/6/14	5,000	11.47	18,906

(1) Reimbursed travel expenses incurred in connection with Board and Board Committee meeting attendance are not included.

(2) Represents cost recognized in 2014 for financial reporting purposes.

Grant date fair value of option awards are based on valuation techniques required by current accounting guidance which we use in preparing our financial statements ("Option Accounting Rules"). Like any estimate prepared in good faith, the underlying assumptions we use under Option Accounting Rules may vary from our actual future results. The option valuations used for accounting and/or financial reporting purposes do not necessarily represent the value any individual recipient would place on an option award. In addition, Option Accounting Rules prohibit some valuation techniques which may be useful in certain circumstances. A more detailed description of our option valuation techniques and assumptions can be found in our Annual Report on Form 10-K for the year ended December 31, 2014 in our Note 7 of the Notes to Consolidated Financial Statements.

(3) At December 31, 2014, total shares of common stock issuable upon exercise of stock options outstanding, as well as options to purchase fractional shares resulting from Heska's December 2010 1-for-10 reverse stock split where noted, for each then current Director was as follows: Mr. Aylesworth, 33,587 shares plus 1.5 fractional shares; Mr. Gordon, 42,387 shares plus 1.5 fractional shares; Ms. Riley, 20,000 shares; Dr. Sveen, 7,224 shares; and Ms. Wrenn, 11,630 shares. Heska intends to issue whole shares only from option exercises. There were no stock grants outstanding for then current Directors on December 31, 2014 which did not relate to stock options.

PROPOSALS TO BE VOTED ON

PROPOSAL NO. 1

ELECTION OF DIRECTORS

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

We are to elect two (2) Class III Directors at our 2015 Annual Meeting. Ms. Riley and Ms. Trowbridge are continuing Class III Directors whose terms are scheduled to expire at our 2015 Annual Meeting. Directors elected at the 2015 Annual Meeting are to hold office for a three-year term expiring at our 2018 Annual Meeting (or until their respective successors are elected and qualified, or until their earlier death, resignation or removal).

Nominees for Three-Year Terms That Will Expire in 2018 (Class III)

Sharon L. Riley, age 54, has served us as a Director since July 2011 and our Lead Director since May 2014. Ms. Riley served as Chief Executive Officer UT Southwestern University Hospitals and Vice President for University Hospitals, UT Southwestern Medical Center from 2004 to 2010. From 2000 to 2004 she was the COO at Anne Arundel Health System in Annapolis, Maryland. She held various jobs (Associate Administrator, COO and Corporate Vice President) during her employment in the Nebraska Health System from 1995 to 2000. From 1990 to 1995 she was an Assistant Administrator in the Inova Health System in Virginia. Prior to 1990 she was with Brackenridge Hospital in Austin, Texas and the Good Samaritan Hospital and Health Center in Dayton, Ohio. Ms. Riley currently serves as an Advisor to DigiWorksCorp, and as a member of the Innovation Council of Anthello Healthcare Solutions, Inc. She has also served on various boards and been involved with several community projects. Ms. Riley holds BBA (Business Administration) and MA (Hospital and Health Administration) degrees from the University of Iowa.

Bonnie J. Trowbridge, age 68, has served us as a Director since January 2015. Ms. Trowbridge served as Vice President, Chief Audit Executive and Risk Officer of Apollo Education Group, a publicly traded company, from 2007 to 2014. She is a retired Pricewaterhouse Coopers Audit Partner, having served with Pricewaterhouse Coopers from 1985 to 2007. Ms. Trowbridge is Chairman of the Board of Directors and treasurer of Camelot Therapeutic Horsemanship. She is a Certified Public Accountant in Arizona and California and is a member of the American Institute of Certified Public Accountants, the Arizona Society of CPA's and the Institute of Internal Auditors. Ms. Trowbridge holds a Master of Science in Accountancy from Southern Oregon State University, a Master's Degree from San Jose State University and a Bachelor's degree from Washington State University.

If any nominee is unable or declines to serve as Director at the time of the 2015 Annual Meeting, the proxyholders intend to vote for such other candidate or candidates who may be nominated by the Board.

Vote Required; Recommendation of our Board of Directors

A Plurality Vote is required to elect each of the two Directors. If no such Plurality Vote is obtained for one or both Director positions, Ms. Riley and/or Ms. Trowbridge will continue to serve as

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Directors until their respective successors are elected and qualified, or until their earlier death, resignation or removal, based on the status of their election and length of service.

Our Board of Directors unanimously recommends a vote FOR the election of its nominees, Ms. Riley and Ms. Trowbridge, as our Directors.

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

Director Whose Term Will Expire in 2017 (Class II)

Robert B. Grieve, Ph.D., age 63, one of our founders, currently serves as Executive Chair of the Board of Directors. Dr. Grieve was our Chief Executive Officer from January 1999 to March 31, 2014. Dr. Grieve was named Vice Chairman effective March 1992 and Chairman of the Board effective May 2000. Dr. Grieve also served as Chief Scientific Officer from December 1994 to January 1999 and Vice President, Research and Development, from March 1992 to December 1994. He has been a member of our Board of Directors since 1990. He holds a Ph.D. degree from the University of Florida and M.S. and B.S. degrees from the University of Wyoming.

David E. Sveen, Ph.D., age 58, has served us as a Director since November 2013. He is the President of Cedarstone Partners, Inc., an accounting and consulting practice for nonprofit organizations, which he founded in 1993. His professional background includes 13 years in senior management with investment banking firm Griffin, Kubik, Stephens and Thompson, as well as an adjunct assistant professorship of Christian Formation and Ministry at Wheaton College from 1995 until 2013. Dr. Sveen holds a Ph.D. degree from Trinity Evangelical Divinity School in 2004, an MBA from DePaul University in 1986, an MA from Wheaton Graduate School in 2004, and a B.S. degree from Northern Illinois University in 1978.

Kevin S. Wilson, age 43, has been our Chief Executive Officer and President since March 31, 2014. He previously served as our President and Chief Operating Officer since February 2013. Mr. Wilson is a founder, member and officer of Cuattro, LLC. Since 2008, he has been involved in developing technologies for radiographic imaging with Cuattro, LLC and including as a founder of Cuattro Software, LLC, Cuattro Medical, LLC and Cuattro Veterinary, LLC. Mr. Wilson served on the board of various private, non-profit, and educational organizations from 2005 to 2011. He was a founder of Sound Technologies, Inc., a diagnostic imaging company, in 1996. After Sound Technologies, Inc. was sold to VCA Antech, Inc. in 2004, Mr. Wilson served as Chief Strategy Officer for VCA Antech, Inc. until 2006. Mr. Wilson attended Saddleback College.

Directors Whose Terms Will Expire in 2016 (Class I)

G. Irwin Gordon, *age 64*, has served us as a Director since May 2001. Mr. Gordon is the CEO of Landes Foods, LLC, a Dallas-based food manufacturer, a position he has held since September 2012. Mr. Gordon is also the Managing Partner of Trion LLC, a consulting firm he founded in 2000. From July 2000 until August 2001, Mr. Gordon served as President and Chief Executive Officer of Gruma Corporation, a food manufacturer. He also served as President and Chief Operating Officer of Suiza Foods Corporation, a food manufacturer and distributor, from February 1998 to October 1999. Mr. Gordon joined Suiza in August 1997 as its Executive Vice President and Chief Marketing Officer. Prior to joining Suiza, Mr. Gordon held various positions with subsidiaries of PepsiCo, Inc. ("PepsiCo"), including most recently as Senior Vice President Global Branding for Frito-Lay, Inc., from May 1996 to August 1997. From 1983 to 1992, Mr. Gordon served as President and General Manager of several international Frito-Lay companies before becoming Senior Vice President Marketing, Sales and

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Technology for Frito-Lay International from 1992 to 1996. Prior to joining PepsiCo in 1992, Mr. Gordon served in various capacities at the Kellogg Company. Mr. Gordon holds an Education degree from the University of British Columbia and a Management Certificate from Stanford University.

Carol A. Wrenn, age 54, has served us as a Director since January 2013. She founded Sky River Helicopters, LLC in 2010 and has served as President of that company since 2010. She served as an Executive Vice President and the President of the Animal Health Division at Alpharma Inc. from 2001 to 2009. Ms. Wrenn also held the position of Chairman of the Animal Health Institute from 2007 to 2009 and was a member of the board of directors of the International Federation of Animal Health from 2002 to 2009. Prior to joining Alpharma, Ms. Wrenn held various executive positions at Honeywell International Inc. (formerly, AlliedSignal Inc.) from 1984 to 2001. She served as Business Director of Honeywell's Refrigerants, Fluorine Products Division from 2000 to 2001 and was the Commercial Director and Managing Director of Honeywell's European Fluorochemical operations from 1997 to 2000. Ms. Wrenn also held a number of positions in sales, marketing, business development and finance during her tenure with AlliedSignal. Ms. Wrenn serves as a Director of Phibro Animal Health Corporation. She holds a Bachelor's Degree from Union College and an MBA from Lehigh University.

Directors Whose Term Will Expire at the 2015 Annual Meeting

William A. Aylesworth, age 72, has served us as a Director since June 2000 and our Lead Director from May 2010 to May 2014. Mr. Aylesworth served as Senior Vice President from 1988 to 2003 and Chief Financial Officer of Texas Instruments Incorporated ("Texas Instruments") from 1984 to 2003. He served as Treasurer of Texas Instruments from 1982 to 2002. From 1972 to 1982, he served in treasury services, and from 1967 to 1972, he held numerous assignments in control, manufacturing and marketing for Texas Instruments. Mr. Aylesworth retired from Texas Instruments in 2003. He holds an M.S. in industrial administration from Carnegie Mellon University and a B.E.E. in electrical engineering from Cornell University.

PROPOSAL NO. 2

AMENDMENT TO THE BYLAWS

We believe an employee stock purchase plan is an attractive benefit to employees which may serve to better align the interests of a company and its employees in a tax-advantaged manner. We have had recent success with our current employee stock purchase plan, where participation has increased from approximately 24% two years ago to 42% currently and we have utilized shares more rapidly than previously anticipated. Certain tax-advantages are available to employees of companies who comply with Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"). In order to obtain maximum benefit under Section 423 of the Code, including Section 423(c), an option to purchase company shares issued under an employee stock purchase plan must be at a discount to the fair market value of such shares at the time of issuance. Heska launched an employee stock purchase plan in 1997 which was designed to comply with Section 423 of the Code and offered a discount to the fair market value of stock when the option to purchase stock was issued under the plan. Heska has endeavored to comply with Section 423 of the Code as it has offered amendments to this employee stock purchase plan over the years and has always offered a discount to the fair market value of stock when the option to purchase stock was issued under the plan.

Section 8.1 of our Bylaws was adopted over 15 years ago in response to investor concerns that Heska would engage in abusive stock option practices or issue "toxic" securities where the Company could put itself at risk based on future changes in the Company's stock price. An amendment to Section 8.1 requires an Absolute Majority vote. One of the provisions of Section 8.1 is that a stock option cannot be issued with an exercise price that is less than the fair market value of the underlying stock on the date of grant. We don't believe this provision was intended to target an employee stock purchase plan, where the discount to the fair market value of the underlying stock is part of maximizing tax benefits to the employee. Nevertheless, whenever we have increased the shares in our employee stock purchase plan, we have complied with the Absolute Majority vote necessary to amend Section 8.1.

It is our understanding that in recent years brokers have been increasingly restrictive in declaring stockholder vote proposals to be "routine" and voting the underlying shares without instructions from the beneficial owners, which tends to lower voting participation compared to the past and make absolute majorities more difficult to obtain. We anticipate most brokers would consider an employee stock purchase plan share increase to be "non-routine" and would not vote the underlying shares without instructions from the beneficial holders. We had one matter in each of 2014, 2013 and 2012 for which only 51%, 59% and 49% voted "yes", "no" or "abstain", respectively. With participation rates at these levels, it is obviously difficult to obtain an Absolute Majority vote.

Amending the Bylaws as proposed would allow options to purchase shares under an employee stock purchase plan intended to qualify under Section 423 of the Code to comply with Section 8.1 of our Bylaws by removing the need for an Absolute Majority vote to approve such a plan. The amendment to the Bylaws is not intended to have any further effect. A copy of the proposed Bylaws following the amendment is enclosed as Appendix A to this proxy statement.

Vote Required; Recommendation of our Board of Directors

An Absolute Majority Vote is required to approve this proposal. Therefore, failure to vote or an abstention will have the same effect as a vote against the amendment and restatement. If approved by the stockholders, the proposed Bylaws, as amended, will become effective immediately. If an Absolute Majority vote FOR this proposal is not obtained, our Bylaws will continue in their current form.

Our Board of Directors unanimously recommends a vote FOR the proposal to amend our Bylaws.

PROPOSAL NO. 3

AMENDMENT AND RESTATEMENT OF 1997 EMPLOYEE STOCK PURCHASE PLAN

We are seeking your approval to amend and restate our 1997 Employee Stock Purchase Plan (the "ESPP"), including an increase in the number of shares of our common stock available for issuance under the ESPP by 75,000 shares - from 375,000 to 450,000 shares. The proposed 75,000 share increase represents approximately 1.2% of our current shares outstanding.

Our proposed plan changes the formula for the "base price", which is the price based on the fair market value of stock at the beginning of an offering period which may be used to purchase stock under the ESPP to the lesser of (i) a 15% discount to the fair market value at the beginning of an offering period and (ii) one cent. Our current ESPP uses a 5% discount to the fair market value at the beginning of an offering period to determine the base price. While it is theoretically possible the proposed base price will be less than the current base price for a given stock value, this has not been the case for any trade price reporting by NASDAQ since our IPO in July 1997.

Among the changes in our ESPP as opposed to our current ESPP are changes we hope will increase participation in the ESPP. Under both the current and proposed ESPP there are four scheduled offering periods commencing at the beginning of each calendar quarter. Our proposed ESPP also starts a new offering period when the fair market value of our stock achieves a new intraquarter low. We believe some employees may have desired to enroll in our current ESPP but did not complete the required form timely as they had several months to enroll and then other matters took precedence. We believe such employees would have an incentive to complete the form earlier under our proposed ESPP as a new offering period may occur at any time when a new intraquarter low is achieved. The effect of having offering periods begin at intraquarter lows will have the opposite effect on purchase prices under the ESPP as the change in base price formula described above. We believe future volatility in our stock will be a key factor in determining which effect is greater.

In addition, the proposed ESPP allows for participants to withhold a positive fixed amount in addition to a whole percentage from each compensation payment to be used to purchase shares under the ESPP. We believe giving certain employees the flexibility to withhold a specific amount, which may be less than the minimum threshold under the current plan, will make it more likely they will choose to participate under the ESPP. Under both our current and our proposed ESPP, the purchase price of stock can never be less than (i) a 15% discount to fair market value at the time of purchase and (ii) a 15% discount to fair market value at the beginning of an offering period, although the purchase price may be greater than both in certain circumstances, as discussed below.

Background – Purchase Price at the end of an Accumulation Period. Our ESPP is designed to make scheduled purchases at the end of every accumulation period. Accumulation periods are the three months corresponding with calendar year quarters, with an according four scheduled purchases per year, under both our current and proposed ESPP.

We believe that our ESPP can assist us in attracting and retaining skilled personnel and lower our cash outflows. Two years ago, the participation rate in our ESPP was only approximately 24%. We noted the participation in our ESPP had been higher in periods when the purchase price was the lower of (i) a 15% discount to fair market value at the beginning of an offering period and (ii) a 15% discount to fair market value at the time of purchase at the end of any accumulation period (a "Traditional Lookback Price"), as was the case from the adoption of our ESPP until our ESPP amendment and restatement effective on July 1, 2005. From our ESPP amendment and restatement with changes effective on July 1, 2005 until our ESPP amendment and restatement with changes effective July 1, 2013, all ESPP purchases

occurred at a 15% discount to the fair market value at the end of an accumulation period scheduled under our ESPP, without regard to the price at the beginning of the applicable offering period. In May 2013, our stockholders approved the current ESPP which incorporated the features described in the rest of this section. We believe this made the ESPP more attractive to our employees and increased participation in the ESPP.

We considered adding a Traditional Lookback Price to make our ESPP more attractive to employees and increase participation. We considered that a Traditional Lookback Price potentially gave employees an incentive to help increase the stock price, as employees would get the benefit of buying at a lower price for some time period. However, we were concerned with the potential expense and dilution of using a Traditional Lookback Price. For example, in December 2003 we had employees purchase stock at a discount in excess of 87% (the "Deep Discount Purchase") to the market price due to the Lookback Price in our ESPP and steep increase in the market value of our stock in a relatively short period of time, and, accordingly, shares approved under our ESPP were utilized more quickly than anticipated.

We considered features that could lower the cost and dilution of using a Traditional Lookback Price. In May 2013, our stockholders approved the current ESPP which incorporated the two features described in the rest of this section. We believe this made the ESPP more attractive to our employees. Employee participation in our ESPP has increased from approximately 24% two years ago to 42% today.

The first of two such features is to lower the maximum price discount at which shares may be purchased based on the beginning of an offering period. Our current ESPP uses a discount of 5% and our proposed ESPP uses a discount of the lower of (i) 15% and (ii) one cent. This is in contrast to a 15% maximum discount at the beginning of an offering period under a Traditional Lookback Price regardless of the underlying stock price.

The second of two features we installed to lower the cost and dilution of using a Traditional Lookback Price is to set a "cap", or maximum level, on the discount to fair market value at which shares could be purchased in situations where the discounted price available under the ESPP based on the fair market value at the beginning of the applicable offering period was less than the discounted price available under the ESPP based on the fair market value at the time of purchase. It was such a scenario that led to the Deep Discount Purchase. Such purchases may be made in compliance with Section 423 of the Code at discounts to fair market value at the time of purchase of 87% or more because the price is based on and compared to the purchase price at the beginning of the applicable offering period. Our current and proposed ESPP sets a maximum discount, or cap, of 35% of the fair market value at the time of purchase in such circumstances. So if the stock prices that led to the 87% under the Deep Discount Purchase were to recur, the shares would be purchased at a 35% discount under our current and proposed plans. This may lead to purchases under our ESPP that are at less than a 15% discount, equal to, or at a premium to fair market value at the beginning of the corresponding offering period. After our current ESPP became applicable for offering periods beginning after July 1, 2013, our stock price has increased significantly. The five scheduled purchases since an offering period that began on October 1, 2013 were at 35% rather than the discounts of 43%, 53%, 54%, 63% and 73%, respectively, that would have occurred if we utilized a Traditional Lookback Price, which has lowered dilution and extended the time before stockholder approved shares were fully utilized from what would have occurred if our ESPP utilized a Traditional Lookback Price.

Summary. Our proposed ESPP, and the right of participants to make purchases thereunder, is intended to qualify under the provisions of Sections 421 and 423 of the Code. We believe our proposed ESPP retains the economically attractive benefits of a plan utilizing a Traditional Lookback Price but will be less expensive and dilutive to stockholders. We believe our proposed ESPP will increase our

participation rate and correspondingly lower cash outflows for employee compensation from what they otherwise would have been.

In February 2015, our Board of Directors approved this amendment contingent on stockholder approval. The proposed ESPP is enclosed as Appendix B to this proxy statement. A summary of ESPP features is provided below.

Summary of proposed Employee Stock Purchase Plan

General. Our ESPP was originally approved by our Board of Directors and stockholders in April 1997, and provides our employees with the opportunity to increase their proprietary interest in the success of the Company by purchasing shares of common stock on favorable terms. The number of shares of common stock previously authorized for issuance by our stockholders under our ESPP was 375,000. 374,169 of these authorized shares have been used to purchase shares under our ESPP to date, leaving us with only 831 shares available for issuance under our ESPP. If an increase in shares is not approved, based on recent experience we believe we will make one partial purchase on March 31, 2015 where employees will receive significantly less shares than they have otherwise would have received and no purchases in future periods.

Administration. The Compensation Committee of our Board of Directors is responsible for the administration of our ESPP. Our ESPP, and the right of participants to make purchases thereunder, is intended to qualify under the provisions of Sections 421 and 423 of the Code. All questions of interpretation or application of our ESPP are to be determined by the Board of Directors or its appointed committee, and its decisions are final, conclusive and binding upon all participants.

Eligibility and Participation. Currently, all U.S. employees who work more than 20 hours per week for more than five months per calendar year, and are employed by us or one of our U.S. subsidiaries are eligible to participate in our ESPP, unless the employee would own 5% or more of the total combined voting power of our stock at the start of an offering period. Participation in the ESPP is voluntary.

Offering Periods and Accumulation Periods. Shares of stock are offered for purchase through a series of consecutive, overlapping 27-month offering periods. New offering periods start on each January 1, April 1, July 1 and October 1 as well as on any intraquarter low. Each offering period includes up to nine successive three-month accumulation periods which start on each January 1, April 1, July 1 and October 1 and end with a planned stock purchase on each March 31, June 30, September 30 and December 31, respectively. The maximum number of shares which may be purchased in any given 27-month offering period is 1,800 shares.

Market-based Enrollment in a Subsequent Offering Period. When the base price of stock at the beginning of a new offering period is lower than that at the beginning of the offering period in which a participant is currently enrolled, such participant is automatically enrolled in such new offering period, subject to certain limitations. Participants have the right to opt-out of this automatic enrollment as well as to opt-in to an offering period in which they would not have been automatically enrolled.

Purchase Price at the end of an Accumulation Period. The purchase price per share at the end of an accumulation period is to be the lesser of (i) a 15% discount to fair market value at the time of purchase and (ii) the greater of (A) a 15% discount to fair market value at the beginning of an offering period not to exceed 27 months, (B) a one cent discount to fair market value at the beginning of an offering period not to exceed 27 months and (C) 65% of the fair market value at the time of purchase. The purchase price per share at the end of an accumulation period can never be less than (i) a 15% discount to fair market value at the time of purchase and (ii) a 15% discount to fair market value at the

beginning of an offering period, although the purchase price will be greater than both in two circumstances. The first occurs when our stock price at the start of an offering period is sufficiently high that one cent is less than 15% of the value of a share and a purchase is made based on the price at the start of such offering period. The second is where the fair market value of stock has increased by enough in a given offering period that the maximum discount feature of our plan as described in the sixth paragraph of the "Background – Purchase Price at the end of an Accumulation Period" section above is applicable.

Payroll Deductions; Payment of Purchase Price. Employees may either authorize payroll deductions in 1% multiples of cash compensation for each accumulation period they complete within an offering period, up to a maximum of 10% or have a positive fixed amount withheld from each cash compensation payment. No more than \$2,500 from payroll deductions may be withheld in any calendar month. An employee may elect a different payroll deduction no more than two times in any rolling three-month period, three times in any rolling six-month period and four times in any rolling twelve-month period.

Deposits into an account which is used to Purchase Stock at the end of an Accumulation Period. A Participant may make a deposit into an account which is used to Purchase Stock at the end of an accumulation period during the first 15 days of a new Offering Period applicable to such Participant or the first 15 days of a new Accumulation Period applicable to such Participant. A participant may have no more than \$10,000 in such an account at any time.

Purchase of Stock. An employee properly enrolled in our ESPP is entitled to purchase shares on the last day of the accumulation period. The number of shares to be purchased at the end of an accumulation period is determined by dividing the amount accumulated in such participant's account during the period by the applicable purchase price, subject to a maximum of 200 shares. Unless the employee's participation is discontinued prior to such purchase, his or her purchase of the shares will occur automatically at the end of the accumulation period at the applicable price.

Participants may forego any or further payroll deductions in an offering period and may also make a deposit as part of a decision to purchase as many as 1,800 shares at the greater of (i) a 85% of the fair market value or (ii) the fair market value less one cent effective at the beginning of any offering period or at 5 p.m. on any day prior to the last day of an accumulation period. Any participant choosing this option may not enter a new offering period, including following a withdrawal from our ESPP, until the end of such 27-month offering period.

Notwithstanding the foregoing, no participant may participate in our ESPP if immediately after such election to participate, the participant would own stock and/or outstanding options to purchase stock possessing five percent or more of the total combined voting power of our stock. In addition, no participant is permitted to purchase stock with a value in excess of \$25,000 (determined at the fair market value of the stock as of the beginning of the applicable offering period) in any calendar year.

Withdrawal. Generally, a participant may withdraw from an offering period at any time by written notice without affecting his or her eligibility to participate in future offering periods. However, once a participant withdraws from a particular offering period, that participant may not participate again in the same offering period. To participate in a subsequent offering period, the participant must re-enroll in our ESPP.

Termination of Employment. If a participant's employment terminates for any reason, including disability or death, such participant will be withdrawn from the ESPP on the penultimate day of the accumulation period in which the termination of employment occurred, unless the termination occurred

on the last day of an accumulation period, in which case the participant will be withdrawn from the ESPP immediately following the purchase of stock, if any, at the end of the close of such accumulation period.

Changes in Capitalization. The number of shares reserved under our ESPP, the accumulation period share purchase limit, offering period-related purchase limits and relevant accumulation and offering period purchase price per share provisions under our ESPP shall be proportionately adjusted for any increase or decrease in the number of outstanding shares of our common stock resulting from a subdivision or consolidation of shares or the payment of a stock dividend, any other increase or decrease in such shares effected without receipt or payment of consideration by us, the distribution of the shares of a subsidiary to our stockholders or a similar event. Such adjustment shall be made by our Board of Directors, whose determination in that respect shall be final, binding and conclusive.

Change of Control, Merger or Consolidation. In the event of a change of control (as defined in our ESPP), any accumulation periods and offering periods then in progress shall terminate and shares are to be purchased under our ESPP immediately prior to the effective time of the change in control. In the event of a merger or consolidation which does not constitute a change of control, the ESPP shall continue unless the plan of merger or consolidation provides otherwise.

Amendment and Termination of the ESPP. The Board of Directors may at any time terminate or amend our ESPP. No amendment shall be effective unless it is approved by the holders of a majority of the votes cast at a duly held stockholders meeting, if such amendment would require stockholder approval in order to comply with Section 423 of the Code.

Incorporation by Reference. The foregoing is only a summary of our ESPP and is qualified in its entirety by reference to its full text, a copy of which is attached hereto as Appendix B.

Federal Income Tax Consequences

The following brief summary of our understanding of the effect of U.S. federal income taxation upon the participant and us with respect to the shares purchased under the ESPP does not purport to be complete, and does not discuss the tax consequences of a participant's death or the income tax laws of any state or foreign country in which the participant may reside.

Our ESPP, and the right of participants to make purchases thereunder, is intended to qualify under the provisions of Sections 421 and 423 of the Code. Under these provisions, no income will be taxable to a participant until the shares purchased under the ESPP are sold or otherwise disposed of. Upon sale or other disposition of the shares, the participant will generally be subject to tax in an amount that depends upon the length of the holding period. If the shares are sold or otherwise disposed of more than two years from the first day of the applicable offering period and one year from the applicable date of purchase, the participant will recognize ordinary income measured as the lesser of (a) the excess of the fair market value of the shares at the time of such sale or disposition over the purchase price, or (b) an amount equal to the lesser of (i) 15% of the fair market value of the shares or (ii) one cent. Any additional gain will be treated as long-term capital gain. If the shares are sold or otherwise disposed of before the expiration of these holding periods, the participant will recognize ordinary income generally measured as the excess of the fair market value of the shares on the date the shares are purchased over the purchase price. Any additional gain or loss on such sale or disposition will be long-term or short-term capital gain or loss, depending on the holding period. The Company generally is not entitled to a deduction for amounts taxed as ordinary income or capital gain to a participant except to the extent of ordinary income recognized by participants upon a sale or disposition of shares prior to the expiration of the holding periods described above.

Participation in the ESPP

We are unable to predict the amount of benefits that will be received by or allocated to any particular participant under our ESPP. The following table sets forth the number of shares purchased under our ESPP during 2014 by each of (i) the Named Executive Officers; (ii) all Executive Officers as a group; and (iii) all employees, including all Executive Officers, as a group. Non-employee directors are not eligible for participation in our ESPP.

Name and Position	Number of Shares Purchased	Weighted Average Purchase Price	Average Discount
Kevin S. Wilson (1). Chief Executive Officer and President	—	\$ —	—
Robert B. Grieve, Ph.D. (1) Executive Chair	—	\$ —	—
Michael J. McGinley, Ph.D. President, Biologicals & Pharmaceuticals	368	\$ 8.16	35.0%
Jason A. Napolitano (2) Executive Vice President, Chief Financial Officer and Secretary	—	\$ —	—
Steven M. Asakowicz. Executive Vice President, Companion Animal Health Sales	600	\$ 10.31	26.5%
Rodney A. Lippincott. Executive Vice President, Companion Animal Health Sales	600	\$ 10.31	26.5%
All executive officers as a group (8 persons)	2,613	\$ 9.21	30.9%
All employees, including all Executive Officers, as a group	29,847		