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

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2018

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-35994

Heat Biologics, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**26-2844103**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
801 Capitola Drive Durham, NC	**27713**
(Address of Principal Executive Offices)	*(Zip Code)*

(919) 240-7133
(Registrant's Telephone Number, including Area Code)

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

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

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

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

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

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

As of May 11, 2018, there were 18,352,251 shares of Common Stock, $0.0002 par value per share, outstanding.

HEAT BIOLOGICS, INC.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "predict," "project," "target," "potential," "will," "would," "could," "should," "continue" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements are not guarantees of future performance and our actual results could differ materially from the results discussed in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, our ability to raise additional capital to support our clinical development program and other operations, our ability to develop products of commercial value and to identify, discover and obtain rights to additional potential product candidates, our ability to protect and maintain our intellectual property and the ability of our licensors to obtain and maintain patent protection for the technology or products that we license from them, the outcome of research and development activities, our reliance on third-parties, competitive developments, the effect of current and future legislation and regulation and regulatory actions, as well as other risks described more fully in this Quarterly Report on Form 10-Q and our other filings with the Securities and Exchange Commission (the "SEC"). Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified below, under Part II, Item 1A. "Risk Factors" and elsewhere herein and those identified under Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on March 2, 2018. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update any forward-looking statements for any reason.

As a result of these and other factors, we may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

NOTE REGARDING COMPANY REFERENCES

Throughout this Quarterly Report on Form 10-Q, "Heat Biologics," "the Company," 'we" and "our" refer to Heat Biologics, Inc.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HEAT BIOLOGICS, INC.
Consolidated Balance Sheets

	March 31, 2018 (unaudited)	December 31, 2017
Current Assets		
Cash and cash equivalents	$ 8,962,472	$ 9,763,067
Accounts receivable	5,399	14,833
Prepaid expenses and other current assets	1,652,740	1,967,257
Total Current Assets	10,620,611	11,745,157
Property and Equipment, net	661,957	286,891
Other Assets		
Restricted cash	1,170	2,292
In-process R&D	5,866,000	5,866,000
Goodwill	2,189,338	2,189,338
Deposits	79,219	69,798
Deferred financing costs	40,173	30,000
Total Other Assets	8,175,900	8,157,428
Total Assets	$ 19,458,468	$ 20,189,476
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 1,701,623	$ 1,033,680
Deferred revenue	6,273,861	7,026,388
Accrued expenses and other liabilities	1,558,661	2,276,431
Total Current Liabilities	9,534,145	10,336,499
Long Term Liabilities		
Other long term liabilities	160,942	160,559
Deferred tax liability	1,302,220	1,302,220
Contingent consideration	2,620,407	2,609,289
Total Liabilities	13,617,714	14,408,567
Commitments and Contingencies		
Stockholders' Equity		
Common stock, $.0002 par value; 100,000,000 shares authorized, 5,663,919 and 4,200,310 shares issued and outstanding at March 31, 2018 (unaudited) and December 31, 2017, respectively	1,133	840
Additional paid-in capital	80,153,716	76,382,262
Accumulated deficit	(72,373,092)	(68,846,326)
Accumulated other comprehensive loss	(144,700)	(166,025)
Total Stockholders' Equity– Heat Biologics, Inc.	7,637,057	7,370,751
Non-Controlling Interest	(1,796,303)	(1,589,842)
Total Stockholders' Equity	5,840,754	5,780,909
Total Liabilities and Stockholders' Equity	$ 19,458,468	$ 20,189,476

See Notes to Financial Statements

HEAT BIOLOGICS, INC.

Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	Three Months Ended, March 31,	
	2018	**2017**
Revenue:		
Grant and licensing revenue	$ 752,527	$ 24,240
Operating expenses:		
Research and development	2,872,950	1,812,901
General and administrative	1,780,339	1,527,015
Change in fair value of contingent consideration	11,118	—
Total operating expenses	4,664,407	3,339,916
Loss from operations	(3,911,880)	(3,315,676)
Interest income	3,633	5,221
Other income, net	175,020	69,727
Total non-operating income, net	178,653	74,948
Net loss	(3,733,227)	(3,240,728)
Net loss – non-controlling interest	(206,461)	(50,791)
Net loss attributable to Heat Biologics, Inc.	$ (3,526,766)	$ (3,189,937)
Net loss per share attributable to Heat Biologics, Inc.—basic and diluted	$ (0.75)	$ (1.18)
Weighted-average number of common shares used in net loss per share attributable to common stockholders—basic and diluted	4,709,553	2,695,762
Other comprehensive loss:		
Net loss	(3,733,227)	(3,240,728)
Unrealized gain (loss) on foreign currency translation	21,325	(66,375)
Total other comprehensive loss	(3,711,902)	(3,307,103)
Comprehensive loss attributable to non-controlling interest	(206,461)	(50,791)
Comprehensive loss	$ (3,505,441)	$ (3,256,312)

See Notes to Financial Statements

HEAT BIOLOGICS INC.
Consolidated Statements of Stockholders' Equity
(Unaudited)

	Common Stock	APIC	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Stockholders Equity
Balance at December 31, 2017	$ 840	$ 76,382,262	$ (68,846,326)	$ (166,025)	$ (1,589,842)	$ 5,780,909
Issuance of common stock, 1,403,367 shares	281	3,573,099	—	—	—	3,573,380
Stock issuance costs	—	(173,526)	—	—	—	(173,526)
Stock-based compensation	12	371,881	—	—	—	371,893
Other comprehensive gain	—	—	—	21,325	—	21,325
Net loss	—	—	(3,526,766)	—	(206,461)	(3,733,227)
Balance at March 31, 2018	**$ 1,133**	**$ 80,153,716**	**$ (72,373,092)**	**$ (144,700)**	**$ (1,796,303)**	**$ 5,840,754**

See Notes to Financial Statements

HEAT BIOLOGICS, INC.
Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31	
	2018	**2017**
Cash Flows from Operating Activities		
Net loss	$ (3,733,227)	$ (3,240,728)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	44,075	33,113
Stock-based compensation	371,893	248,745
Change in fair value of contingent consideration	11,118	—
Increase (decrease) in cash arising from changes in assets and liabilities:		
Accounts receivable	9,422	80,555
Prepaid expenses and other current assets	305,097	61,611
Deferred financing costs	(10,173)	—
Accounts payable	667,605	442,007
Deferred revenue	(752,527)	—
Accrued expenses and other liabilities	(717,770)	(551,369)
Other long term liabilities	383	(39,920)
Net Cash Used in Operating Activities	(3,804,104)	(2,965,986)
Cash Flows from Investing Activities		
Purchase of property and equipment	(419,141)	(5,555)
Net Cash Used in Investing Activities	(419,141)	(5,555)
Cash Flows from Financing Activities		
Proceeds from public offering, net of underwriting discounts	—	4,183,000
Proceeds from the issuance of common stock, net of commissions	3,573,380	2,357,479
Stock issuance costs	(173,526)	(214,237)
Net Cash Provided by Financing Activities	3,399,854	6,326,242
Effect of exchange rate changes on cash, cash equivalents and restricted cash	21,674	(67,431)
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(801,717)	3,287,270
Cash, Cash Equivalents and Restricted Cash – Beginning of Period	9,765,359	7,943,838
Cash, Cash Equivalents and Restricted Cash – End of Period	$ 8,963,642	$ 11,231,108

See Notes to Financial Statements

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

On January 19, 2018, the Company announced a reverse stock split of its shares of common stock at a ratio of one-for-ten. The reverse stock split took effect at 11 p.m. ET on January 19, 2018, and the Company's common stock began to trade on a post-split basis at the market open on January 22, 2018. During the Company's annual stockholders meeting held June 29, 2017, shareholders approved the Company's reverse stock split, and granted the board of directors the authority to implement and determine the exact split ratio. When the reverse stock split became effective, every 10 shares of our issued and outstanding common stock were combined into one share of common stock. Effecting the reverse stock split reduced the number of issued and outstanding common stock from approximately 42 million shares to approximately 4.2 million. It also subsequently adjusted outstanding options issued under the Company's equity incentive plan and outstanding warrants to purchase common stock.

The accompanying unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial reporting. However, certain information or footnote disclosures normally included in complete financial statements prepared in accordance with U.S. GAAP have been condensed, or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). In the opinion of the Company's management, the unaudited consolidated financial statements in this Quarterly Report on Form 10-Q include all normal and recurring adjustments necessary for the fair statement of the results for the interim periods presented. The results for the three months ended March 31, 2018 are not necessarily indicative of the results that may be expected for any other interim period or for the fiscal year ending December 31, 2018.

The consolidated financial statements as of and for the three months ended March 31, 2018 and 2017 included in this Quarterly Report on Form 10-Q are unaudited. The balance sheet as of December 31, 2017 is derived from the audited consolidated financial statements as of that date. The accompanying unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes, together with Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on March 2, 2018 (the "2017 Annual Report").

On April 28, 2017, the Company completed the acquisition of an 80% controlling interest in Pelican Therapeutics, Inc. ("Pelican"), a related party prior to acquisition. Operations of Pelican are included in the consolidated statement of operations and comprehensive loss from the acquisition date.

The accompanying consolidated financial statements as of and for the three months ended March 31, 2018 and 2017 include the accounts of Heat Biologics, Inc. ("the Company"), and its subsidiaries, Heat Biologics I, Inc. ("Heat I"), Heat Biologics III, Inc. ("Heat III"), Heat Biologics IV, Inc. ("Heat IV"), Heat Biologics GmbH, Heat Biologics Australia Pty Ltd. and Zolovax. Additionally, as of the three months ended March 31, 2018 the accompanying consolidated financials include Pelican. The functional currency of the entities located outside the United States is the applicable local currency (the foreign entities). Assets and liabilities of the foreign entities are translated at period-end exchange rates. Statement of operations accounts are translated at the average exchange rate during the period. The effects of foreign currency translation adjustments are included in other comprehensive loss, which is a component of accumulated other comprehensive loss in stockholders' equity. All significant intercompany accounts and transactions have been eliminated in consolidation. At December 31, 2017 and March 31, 2018, the Company held a 92.5% controlling interest in Heat I and an 80% controlling interest in Pelican. All other subsidiaries are wholly owned. For the three months ended March 31, 2018 the Company recognized $92,323 in non-controlling interest for Heat I and $114,138 in non-controlling interest for Pelican. The Company accounts for its less than 100% interest in these subsidiaries in the consolidated financial statements in accordance with U.S. GAAP. Accordingly, the Company presents non-controlling interests as a component of stockholders' equity on its consolidated balance sheets and reports non-controlling interest net loss under the heading "net loss – non-controlling interest" in the consolidated statements of operations and comprehensive loss.

The Company has an accumulated deficit of approximately $72.4 million as of March 31, 2018 and a net loss of approximately $3.7 million for the three months ended March 31, 2018, and has not generated significant revenue or positive cash flows from operations. In May 2018 the Company raised approximately $18.6 million on a public offering. On April 28, 2017, the acquisition of an 80% controlling interest in Pelican, a related party prior to acquisition, was completed. Pelican has been awarded a $15.2 million grant to fund preclinical and some clinical activities from the Cancer Prevention and Research Institute of Texas ("CPRIT"). The CPRIT grant is subject to customary CPRIT funding conditions. The Company believes the acquisition aligns its strategic focus and strengthens its position in the T-cell activation arena.

Cash Equivalents and Restricted Cash

The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Restricted cash consists of deposits held by the US Patent and Trademark Office.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used for, but not limited to, useful lives of fixed assets, income taxes and stock-based compensation. Actual results may differ from those estimates.

Segments

The Company has one reportable segment - the development of immunotherapies designed to activate and expand a patient's T-cell mediated immune system against cancer.

Business Combinations

We account for acquisitions using the acquisition method of accounting, which requires that all identifiable assets acquired and liabilities assumed be recorded at their estimated fair values. The excess of the fair value of purchase consideration over the fair values of identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions.

Critical estimates in valuing certain intangible assets include but are not limited to future expected cash flows from acquired patented technology. Management's estimates of fair value are based upon assumptions believed to be reasonable, but are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Other estimates associated with the accounting for acquisitions may change as additional information becomes available regarding the assets acquired and liabilities assumed (see Note 2).

Goodwill and In-Process Research and Development

We classify intangible assets into three categories: (1) intangible assets with definite lives subject to amortization, (2) intangible assets with indefinite lives not subject to amortization and (3) goodwill. We determine the useful lives of definite-lived intangible assets after considering specific facts and circumstances related to each intangible asset. Factors we consider when determining useful lives include the contractual term of any agreement related to the asset, the historical performance of the asset, and other economic facts; including competition and specific market conditions. Intangible assets that are deemed to have definite lives are amortized, primarily on a straight-line basis, over their estimated useful lives.

Intangible assets that are deemed to have indefinite lives, including goodwill, are reviewed for impairment annually on the anniversary of the acquisition, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test for indefinite-lived intangibles, other than goodwill, consists of a comparison of the fair value of the intangible asset with its carrying amount. If the carrying amount exceeds the fair value, an impairment charge is recognized in an amount equal to that excess. Indefinite-lived intangible assets, such as goodwill, are not amortized. The Company will qualitatively test the carrying amounts of goodwill for recoverability on an annual basis or when events or changes in circumstances indicate evidence a potential impairment exists, using a fair value-based test. No impairment existed at March 31, 2018.

In-process research and development, or IPR&D, assets are considered to be indefinite-lived until the completion or abandonment of the associated research and development projects. IPR&D assets represent the fair value assigned to technologies that we acquire, which at the time of acquisition have not reached technological feasibility and have no alternative future use. During the period that the assets are considered indefinite-lived, they are tested for impairment on an annual basis, or more frequently if we become aware of any events occurring or changes in circumstances that indicate that the fair value of the IPR&D assets are less than their carrying amounts. If and when development is complete, which generally occurs upon regulatory approval and the ability to commercialize products associated with the IPR&D assets, these assets are then deemed definite-lived and are amortized based on their estimated useful lives at that point in time. If development is terminated or abandoned, we may have a full or partial impairment charge related to the IPR&D assets, calculated as the excess of carrying value of the IPR&D assets over fair value.

Contingent Consideration

Consideration paid in a business combination may include potential future payments that are contingent upon the acquired business achieving certain milestones in the future ("contingent consideration"). Contingent consideration liabilities are measured at their estimated fair value as of the date of acquisition, with subsequent changes in fair value recorded in the consolidated statements of operations. The Company estimates the fair value of the contingent consideration as of the acquisition date using the estimated future cash outflows based on the probability of meeting future milestones. The milestone payments will be made upon the achievement of clinical and commercialization milestones as well as single low digit royalty payments and payments upon receipt of sublicensing income. Subsequent to the date of acquisition, the Company will reassess the actual consideration earned and the probability-weighted future earn-out payments at each balance sheet date. Any adjustment to the contingent consideration liability will be recorded in the consolidated statements of operations. Contingent consideration liabilities are presented in long-term liabilities in the consolidated balance sheets (see Note 2).

Revenue Recognition

Effective January 1, 2018, the Company has adopted on a modified retrospective basis Accounting Standards Codification (ASC) Topic 606.

The Company's sole source of revenue is grant revenue related to the CPRIT contract, which is being accounted for under ASC 606. ASC 606 introduces a new framework for analyzing potential revenue transactions by identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the Company satisfies a performance obligation.

The performance obligations of the Contract include developing a human TNFRSF25 agonist antibody for use in cancer patients through research and development efforts and a noncommercial license from CPRIT-funded research to CPRIT and other government agencies and institutions of higher education in Texas.

Management has concluded that the license and R&D services should be combined into a single performance obligation as both are highly interdependent - a license cannot be effectively granted without the corresponding research basis and CPRIT cannot benefit from the license without the R&D services and are therefore not capable of being distinct.

The CPRIT grant covers a three-year period from June 1, 2017 through May 31, 2019, for a total grant award of up to $15.2 million. CPRIT advances grant funds upon request by the Company consistent with the agreed upon amounts and schedules as provided in the contract. The first tranche of funding of $1.8 million was received in May 2017, and a second tranche of funding of $6.5 million was received in October 2017. The next tranche of funding is expected to be requested and received in late 2018. Funds received are reflected in deferred revenue as a liability until revenue is earned. Grant revenue is recognized when qualifying costs are incurred. As of March 31, 2018, the deferred revenue balance was $6.3 million with $2.2 million recognized as revenue since contract inception.

Prepaid Expenses and Other Current Assets

The Company's prepaid expenses and other current assets consists primarily of the amount paid in advance for cGMP production of our PTX-35 antibody and PTX-15 fusion protein for Pelican, as well as Chemistry Manufacturing and Control ("CMC") material for our clinical trial studies for HS-110.

Income Taxes

We account for income taxes using the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent that utilization is not presently more likely than not.

Significant Accounting Policies

The significant accounting policies used in preparation of these interim financial statements are disclosed in the Company's Form 10-K and have not changed significantly since such filing.

Recently Issued Accounting Pronouncements

In January 2017, the FASB issued ASU No. 2018-01,*Business Combinations (Topic 805)* to clarify the definition of a business, which is fundamental in the determination of whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses combinations. The updated guidance requires that in order to be considered a business the integrated set of assets and activities acquired must include, at a minimum, an input and process that contribute to the ability to create output. If substantially all of the fair value of the assets acquired is concentrated in a single identifiable asset or group of similar assets, it is not considered a business, and therefore would not be considered a business combination. The update is effective for fiscal years beginning after December 15, 2018, and interim periods with fiscal years beginning after December 15, 2019, with early adoption permitted. The Company has not determined the impact of this standard and does not plan early adoption of this standard.

In August 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230)—Restricted Cash. ASU 2016-18 requires the statement of cash flows to be a reconciliation between beginning and ending cash balances inclusive of restricted cash balances. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017 and is to be applied using a retrospective transition method to each period presented. The Company adopted this ASU for the year ending December 31, 2018. The adoption of this standard resulted in the removal of changes in Restricted Cash from the Consolidated Statements of Cash Flows of $1,170 and $101,176 for the quarters ended March 31, 2018 and 2017, respectively and inclusion of these amounts as part of the starting and ending cash balances.

In February 2016, the FASB issued ASU 2016-02,*Leases (Topic 842)*, requiring lessees to recognize for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and (2) a right-of-use ("ROU") asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The update is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2020. The Company currently anticipates that upon adoption of the new standard, ROU assets and lease liabilities will be recognized in amounts that will be immaterial to the consolidated balance sheets.

In May 2014, the FASB issued ASU No. 2014-09,*Revenue from Contracts with Customers (ASU 2014-09),* which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaces most existing revenue recognition guidance in U.S. GAAP. In July 2015, the FASB voted to defer the effective date of the new standard until fiscal years beginning after December 15, 2017 with early application permitted for fiscal years beginning after December 15, 2016. The Company's adoption of this standard in the first quarter of 2018 did not have a significant impact to the Company's consolidated financial statements.

2. Acquisition of Pelican Therapeutics

On April 28, 2017, the Company consummated the acquisition of 80% of the outstanding equity of Pelican, a related party, and Pelican became a majority owned subsidiary of the Company. Operations of Pelican are included in the consolidated statements of operations and comprehensive loss from the acquisition date. Pelican is a biotechnology company focused on the development and commercialization of monoclonal antibody and fusion protein-based therapies that are designed to activate the immune system. In exchange for 80% of the outstanding capital stock of Pelican on a fully diluted basis, the Company paid to the Pelican Stockholders that executed the Stock Purchase Agreement (the "Participating Pelican Stockholders") an aggregate of $0.5 million minus certain liabilities (the "Cash Consideration"), and issued to the Participating Pelican Stockholders 133,106 shares of the Company's restricted common stock representing 4.99% of the outstanding shares of our common stock on the date of the initial execution of the Purchase Agreement (the "Stock Consideration"). As of March 31, 2018, the Cash Consideration of approximately $0.3 million was distributed to the Participating Pelican Stockholders and the remainder of approximately $0.2 million for certain Pelican liabilities not satisfied was recognized as other income in the Consolidated Statements of Operations and Comprehensive Loss.

Under the agreement, the Company is also obligated to make future payments based on the achievement of certain clinical and commercialization milestones, as well as low single digit royalty payments and payments upon receipt of sublicensing income:

(1) $2,000,000 upon Pelican's dosing of the first patient in its first Phase 1 trial for an oncology indication;
(2) $1,500,000 upon Pelican's dosing of the first patient in its first Phase 2 trial for an oncology indication;
(3) $3,000,000 upon successful outcome of the first Phase 2 trial for an oncology indication;
(4) $6,000,000 upon Pelican's dosing of the first patient in its first Phase 3 trial for an oncology indication;
(5) $3,000,000 upon Pelican's dosing of the first patient in its first Phase 3 trial for a non- oncology indication;
(6) $7,500,000 upon successful outcome of the first Phase 3 trial for an oncology indication;
(7) $3,000,000 upon successful outcome of the first Phase 3 trial for a non-oncology indication;
(8) $7,500,000 upon acceptance of a Biologics License Application (BLA) submission for an oncology indication;
(9) $3,000,000 upon acceptance of a BLA submission for a non-oncology indication;
(10) $7,500,000 upon first product indication approval in the United States or Europe for an oncology indication;
(11) $3,000,000 upon first product indication approval in the United States or Europe for a non-oncology indication.

The fair value of these future milestone payments are reflected in the contingent consideration account under long term liabilities on the balance sheet. The estimated fair value of the contingent consideration was determined using a probability-weighted income approach, at a discount of 7.68% based on the median yield of publicly traded non-investment grade debt of companies in the pharmaceutical industry. The Company performs an analysis on a quarterly basis and as of March 31, 2018, the Company determined the change in the estimated fair value of the contingent consideration was $11,118 for the quarter ended March 31, 2018.

We have recorded the assets purchased and liabilities assumed at their estimated fair value in accordance with FASB ASC Topic 805*Business Combinations.* The purchase price exceeded the fair value of the net assets acquired resulting in goodwill of approximately $2.2 million. The identifiable indefinite-lived intangible asset consists of in-process R&D of approximately $5.9 million. The estimated fair value of the IPR&D was determined using a probability-weighted income approach, which discounts expected future cash flows to present value. The projected cash flows were based on certain key assumptions, including estimates of future revenue and expenses, taking into account the stage of development of the technology at the acquisition date and the time and resources needed to complete development. The Company utilized corporate bond yield data observed in the bond market to develop the discount rate utilized in the cash flows that have been probability adjusted to reflect the risks of product commercialization, which the Company believes are appropriate and representative of market participant assumptions. Operations of the acquired entity are included in the consolidated statements of operations from the acquisition date.

The purchase price has been allocated to the assets and liabilities as follows:

Aggregate consideration:		
Cash consideration	$	500,000
Stock consideration	$	1,052,000
Contingent consideration	$	2,385,000
Total Consideration	**$**	**3,937,000**
Purchase price allocation:		
Cash acquired	$	31,199
In-process R&D	$	5,866,000
Goodwill	$	2,189,338
Deferred tax liability	$	(2,111,760)
Net liabilities assumed	$	(1,102,777)
Fair value of non-controlling interest	$	(935,000)
Total purchase price	**$**	**3,937,000**

Goodwill is calculated as the difference between the acquisition-date fair value of the consideration transferred and the fair values of the assets acquired and liabilities assumed. The goodwill resulting from this acquisition arises largely from synergies expected from combining the operations. The goodwill is not deductible for income tax purposes.

In-process R&D assets are treated as indefinite-lived until the completion or abandonment of the associated R&D program, at which time the appropriate useful lives will be determined.

The Company calculated the fair value of the non-controlling interest acquired in the acquisition as 20% of the equity interest of Pelican, adjusted for a minority interest discount.

In May 2016, Pelican was awarded a $15.2 million CPRIT Grant from CPRIT for development of Pelican's lead product candidate, PTX-35. The CPRIT Grant is expected to allow Pelican to develop PTX-35 through a 70-patient Phase 1 clinical trial. The Phase 1 clinical trial will be designed to evaluate PTX-35 in combination with other immunotherapies. The CPRIT Grant is subject to customary CPRIT funding conditions including a matching funds requirement where Pelican will match $0.50 for every $1.00 from CPRIT. Consequently, Pelican is required to raise $7.6 million in matching funds over the three year project.

Pelican has contributed net revenue and net loss of $0.8 million and $0.6 million, respectively, which are included in the Company's consolidated statement of operations for the three months ended March 31, 2018.

The following unaudited pro forma information presents the combined results of operations for the three months ended March 31, 2018 and 2017, as if we had completed the Pelican acquisition at the beginning of fiscal 2017. The pro forma financial information is provided for comparative purposes only and is not necessarily indicative of what actual results would have been had the acquisition occurred on the date indicated, nor does it give effect to synergies, cost savings, fair market value adjustments, immaterial amortization expense and other changes expected to result from the acquisition. Accordingly, the pro forma financial results do not purport to be indicative of consolidated results of operations as of the date hereof, for any period ended on the date hereof, or for any other future date or period.

	Three Months Ended March 31,	
	2018	2017
Revenue	$ 752,527	$ 24,240
Net loss	(3,733,227)	(3,629,944)
Net loss: Non-controlling interest	(206,461)	(128,634)
Net loss attributable to Heat Biologics, Inc.	$ (3,526,766)	$ (3,501,310)
Net loss per share attributable to Heat Biologics, Inc.—basic and diluted	$ (0.75)	$ (1.24)

3. Fair Value of Financial Instruments

The carrying amount of certain of the Company's financial instruments, including cash and cash equivalents, restricted cash, accounts payable and accrued expenses and other payables approximate fair value due to their short maturities.

As a basis for determining the fair value of certain of the Company's financial instruments, the Company utilizes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level I – Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level II – Observable inputs, other than Level I prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level III – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the entire fair value measurement requires management to make judgments and consider factors specific to the asset or liability. The Company's cash equivalents are classified within Level I of the fair value hierarchy.

The following table provides a rollforward of the Company's Level 3 fair value measurements:

	Contingent Consideration
Balance at December 31, 2017	$ 2,609,289
Change in fair value	11,118
Balance at March 31, 2018	$ 2,620,407

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following at:

	March 31, 2018	December 31, 2017
Prepaid manufacturing expense	$ 1,433,010	$ 1,551,597
Prepaid insurance	125,000	218,750
Other prepaid expenses	94,730	87,937
Other current assets	—	108,973
	$ 1,652,740	$ 1,967,257

5. Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives, ranging generally from five to seven years. Expenditures for maintenance and repairs are charged to expense as incurred.

Property and equipment consisted of the following:

	March 31, 2018	December 31, 2017
Furniture and fixtures	$ 55,883	$ 55,883
Computers	42,323	41,333
Lab equipment	1,063,351	645,433
Total	1,161,557	742,649
Accumulated depreciation	(499,600)	(455,758)
Property and equipment, net	$ 661,957	$ 286,891

Depreciation expense was $44,075 and $33,113 for the three months ended March 31, 2018 and 2017, respectively.

6. Accrued Expenses and other payables

Accrued expenses and other payables consist of the following:

	March 31, 2018	December 31, 2017
Accrued clinical trial and other expenses	$ 1,211,009	$ 1,504,240
Compensation and related benefits	74,807	542,433
Deferred rent	22,754	27,458
Patent fees	45,000	40,000
Other expenses	205,091	162,300
	$ 1,558,661	$ 2,276,431

7. Stock-Based Compensation

Common Stock Warrants

In connection with the March 23, 2017 public offering the Company issued warrants to purchase 682,500 shares of common stock with an exercise price of $10.00 per share and expire five years from the issuance date. In connection with the Company's July 23, 2013 initial public offering, the Company issued warrants to the underwriters for 12,500 shares of common stock issuable at $125.00 per share upon exercise and expire five years from the issuance date. On March 10, 2011, the Company issued warrants to purchase shares of common stock to third parties in consideration for a private equity placement transaction of which 1,738 warrants remain outstanding. The warrants have an exercise price of $4.80 per share and expire ten years from the issuance date. During the three months ended March 31, 2018 and 2017 no warrants were exercised. As of March 31, 2018, the Company has outstanding warrants to purchase 296,159 shares of common stock issuable at $10.00 per share; warrants to purchase 12,500 shares of common stock issuable at $125.00 per share; and warrants to purchase 1,738 shares of common stock issuable at $4.80 per share. These warrants do not meet the criteria required to be classified as liability awards and therefore are treated as equity awards.

Stock Options

The following is a summary of the stock option activity for the three months ended March 31, 2018:

	Shares	Weighted Average Exercise Price
Outstanding, December 31, 2017	266,870	$ 19.57
Granted	173,336	3.97
Forfeited	(13,813)	35.68
Outstanding, March 31, 2018	426,393	$ 12.71

The weighted average grant-date fair value of stock options granted during the three months ended March 31, 2018 was $2.84. The fair value of each stock option was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for stock options granted during the three months ended March 31, 2018:

Dividend yield	0.0%
Expected volatility	83.96%
Risk-free interest rate	2.34%
Expected lives (years)	6.3

The risk-free interest rate is based on U.S. Treasury interest rates at the time of the grant whose term is consistent with the expected life of the stock options. The Company used an average historical stock price volatility based on an analysis of reported data for a peer group of comparable companies that have issued stock options with substantially similar terms, as the Company did not have sufficient trading history for its common stock. Expected term represents the period that the Company's stock option grants are expected to be outstanding. The Company elected to utilize the "simplified" method to estimate the expected term. Under this approach, the weighted-average expected life is presumed to be the average of the vesting term and the contractual term of the option.

Expected dividend yield was considered to be 0% in the option pricing formula since the Company had not paid any dividends and had no plans to do so in the future. The forfeiture rate was considered to be none as the options vest on a monthly basis.

The Company recognized $133,807 and $121,725 in stock-based compensation expense for the three months ended March 31, 2018 and 2017, respectively for the Company's stock option awards. The following table summarizes information about stock options outstanding at March 31, 2018:

Options Outstanding			Options Vested and Exercisable		
Balance as of 3/31/2018	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Balance as of 3/31/2018	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
426,393	8.7	$12.71	143,666	7.4	$26.16

As of March 31, 2018, the unrecognized stock-based compensation expense related to unvested stock options was $2,112,649, which is expected to be recognized over a weighted average period of approximately 15.9 months.

Restricted Stock

The Company recognized $234,131 and $116,520 in stock-based compensation expense for employees related to restricted stock awards during the three months ended March 31, 2018 and 2017, respectively. The Company recognized $3,955 and $10,500 in share-based compensation expense related to issuance of shares of restricted stock to non-employees (i.e., consultants) in exchange for services during the three months ended March 31, 2018 and 2017, respectively. As of March 31, 2018, there were 63,331 restricted stock awards granted to employees and non-employees, all of which were unvested.

Total stock-based compensation expense, including restricted stock and stock options was $371,893 and $248,745 for the three months ended March 31, 2018 and 2017, respectively.

8. Financing

At the Market Offering

On January 18, 2018, the Company entered into a Common Stock Sales Agreement with H.C. Wainwright & Co., LLC, ("HCW") as sales agent, pursuant to which the Company may sell from time to time, at its option, shares of its common stock, par value $0.0002 per share for the sale of up to $3,658,000 of shares of the Company's common stock and on March 15, 2018 issued a prospectus supplement for an additional aggregate offering price of up to $1,300,000. Sales of shares of common stock have been made pursuant to the Company's shelf registration statement on Form S-3 (File No. 333-221201) filed with the U.S. Securities and Exchange Commission ("SEC"), the base prospectus, dated November 13, 2017. As of March 31, 2018 the Company sold 1,403,367 shares of common stock under the HCW Sales Agreement resulting in net proceeds of approximately $3.5 million.

9. Grant and Licensing Revenues

In June 2016, Pelican entered into a Cancer Research Grant Contract ("Grant Contract") with CPRIT, under which CPRIT awarded a grant not to exceed $15.2 million for use in developing cancer treatments by targeting a novel T-cell costimulatory receptor (namely, TNFRSF25). The Grant Contract covers a three-year period from June 1, 2016 through May 31, 2019.

Upon commercialization of the product, the terms of the Grant Contract require Pelican to pay tiered royalties in the low to mid-single digit percentages. Such royalties reduce to less than one percent after a mid-single-digit multiple of the grant funds have been paid to CPRIT in royalties.

The Company recognized grant revenue of approximately $0.8 million during the three months ended March 31, 2018. The Company had no grant revenue related to CPRIT during the three months ended March 31, 2017. The Company recognized $0.02 million of research funding revenue for research and development services, which included labor and supplies, provided to Shattuck Labs, Inc. ("Shattuck") during the three months ended March 31, 2017. As of March 31, 2018, the Company had deferred revenue of $6.3 million for proceeds received but for which the costs had not been incurred or the conditions of the award had not been met.

10. Net Loss Per Share

Basic and diluted net loss per common share is calculated by dividing net loss applicable to Heat Biologics, Inc. by the weighted-average number of common shares outstanding during the period, without consideration for common stock equivalents. The Company's potentially dilutive shares, which include outstanding stock options and warrants, are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive. The following table reconciles net loss to net loss attributable to Heat Biologics, Inc.:

	Three Months Ended March 31,	
	2018	2017
Net loss	$ (3,733,227)	$ (3,240,728)
Net loss: Non-controlling interest	(206,461)	(50,791)
Net loss attributable to Heat Biologics, Inc.	$ (3,526,766)	$ (3,189,937)
Weighted-average number of common shares used in net loss per share attributable to Heat Biologics, Inc.—basic and diluted	4,709,553	2,695,762
Net loss per share attributable to Heat Biologics, Inc.—basic and diluted	$ (0.75)	$ (1.18)

The following potentially dilutive securities were excluded from the calculation of diluted net loss per share due to their anti-dilutive effect:

	For the Three Months Ended March 31,	
	2018	2017
Outstanding stock options	426,393	215,407
Outstanding restricted stock units	63,331	37,762
Outstanding common stock warrants	310,397	310,397

11. Income Tax

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, operating loss carryforwards, and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. As of March 31, 2018, a full valuation allowance has been provided against certain deferred tax assets as it is currently deemed more likely than not that the benefit of such net tax assets will not be utilized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In accordance with FASB ASC 740, Accounting for Income Taxes, the Company reflects in the accompanying unaudited condensed consolidated financial statements the benefit of positions taken in a previously filed tax return or expected to be taken in a future tax return only when it is considered 'more-likely-than-not' that the position taken will be sustained by a taxing authority. As of March 31, 2018, and December 31, 2017, the Company had no unrecognized income tax benefits and correspondingly there is no impact on the Company's effective income tax rate associated with these items. The Company's policy for recording interest and penalties relating to uncertain income tax positions is to record them as a component of income tax expense in the accompanying statements of operations and comprehensive loss. As of March 31, 2018, and December 31, 2017, the Company had no such accruals.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted into law. The Tax Act lowered the Federal corporate tax rate from 34% to 21% for periods beginning on or after January 1, 2018 and made numerous other tax law changes. The Company has measured deferred tax assets at the enacted tax rate expected to apply when these temporary differences are expected to be realized or settled. The Company is required to recognize the effect of tax law changes in the period of enactment. Additional federal and state interpretive guidance is still forthcoming that could potentially affect the measurement of these balances or give rise to new deferred tax amounts. As such, the remeasurement of our deferred tax balance is provisional pending future guidance. The Company reasonably anticipates that any such guidance will be available prior to December 31, 2018.

12. Subsequent Event

On May 7, 2018, the Company closed an underwritten public offering (the "Offering") in which, pursuant to the underwriting agreement (the "Underwriting Agreement") with A.G.P./Alliance Global Partners (A.G.P.), as representative of the underwriters, dated May 2, 2018 we issued and sold (i) 4,875,000 shares of common stock (inclusive of 1,875,000 shares of common stock subject to the over-allotment option, which was exercised in full) together with a number of common warrants to purchase 2,437,500 shares of its common stock (inclusive of warrants to purchase 937,500 shares of common stock subject to the over-allotment option, which was exercised in full), and (ii) 9,500,000 pre-funded warrants, with each pre-funded warrant exercisable for one share of common stock, together with a number of common warrants to purchase 4,750,000 shares of our common stock. The public offering price was $1.44 per share of common stock, $1.43 per pre-funded warrant and $0.01 per common warrant, and the gross proceeds received by the Company at the closing of the Offering on May 7, 2018 pursuant to such sales were approximately $20.7 million, prior to deducting underwriting discounts and commissions and other estimated offering expenses. As of May 11, 2018, we issued 7,813,332 shares of common stock upon the exercise of pre-funded warrants.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes included in this Quarterly Report on Form 10-Q. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those discussed below and elsewhere in this Quarterly Report. This discussion should be read in conjunction with the accompanying unaudited consolidated financial statements and the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission on March 2, 2018 (the "2017 Annual Report"). This discussion may contain forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements."

OVERVIEW

We are a biopharmaceutical company developing approaches to activate and co-stimulate a patient's immune system against cancer. Our co-stimulatory antibody is designed to harness the body's natural antigen specific immune activation and tolerance mechanisms to reprogram immunity and provide a long-term, durable clinical effect. Our T-cell activating platform (TCAP) produces therapies designed to turn immunologically "cold" tumors "hot," and can be administered in combination with checkpoint inhibitors and other immuno-modulators to increase clinical efficacy. Unlike many other "patient specific" immunotherapy approaches, our drugs are "off-the-shelf," which means that we can administer drug immediately without extracting patient material at a substantially lower cost of goods sold. Our TCAP product candidates from our *ImPACT*® and *ComPACT*™ platforms are produced from allogeneic cell lines expressing tumor-specific proteins common among cancers. We are currently enrolling patients in our Phase 2 clinical trial for advanced NSCLC, in combination with Bristol-Myers Squibb's nivolumab (Opdivo®). We also have numerous pre-clinical programs at various stages of development.

Heat's pipeline includes two TCAPs, *ImPACT*® and *ComPACT*™. The *ImPACT*® platform is based on product candidates that consist of live, allogeneic "*off-the-shelf*" genetically-modified, irradiated human cancer cells. These cells secrete a broad spectrum of CTAs, classified functionally as tumor specific neoantigens, chaperoned by the gp96 protein. Our *ImPACT*® technology achieves this by reprogramming live tumor cells to secrete gp96, to serve as a chaperone for tumor antigens to activate and expand T-cell immunity; thereby, transforming the allogeneic cells into machines that activate a robust "killer" CD8+ T cell immune attack against a patient's cancer. Unlike autologous or "personalized" monotherapy approaches that either require the extraction of blood or tumor tissue from each patient or the creation of an individualized treatment, our product candidates are fully allogeneic, and do not require extraction of individual patient's material or custom manufacturing. As a result, our product candidates can be mass-produced and have the ability to be readily available for immediate patient use. Because each patient receives the same treatment, we believe that our immunotherapy approach offers logistical, manufacturing and other cost benefits, compared to patient-specific or precision medicine approaches.

ComPACT™ our second TCAP, is a dual-acting immunotherapy designed to deliver T-cell activation and enhanced, T-cell specific co-stimulation in a single treatment. *ComPACT*™ helps unlock the body's natural defenses and builds upon *ImPACT*® by also providing alternative co-stimulation targeting enhanced T-cell activation and expansion. It has the potential to simplify combination immunotherapy development with enhanced safety for oncology patients, as it is designed to deliver the gp96 heat shock protein with each selected tumor cell line's neoantigens (CTAs) and a T-cell co-stimulatory fusion protein (e.g. OX40L) into a single intradermal treatment. *ComPACT*™ serves as a booster to expand the number of antigen-specific T-cells compared to co-stimulator alone, while also enhancing the activation of cancer antigen-specific CD8+ memory T-cells for an extended time after treatment. *ComPACT*™ has the potential to be a cost-effective approach compared to conventional immunotherapies.

Pelican, our subsidiary, is a biotechnology company focused on the development of monoclonal antibody and fusion protein-based therapies designed to activate the immune system. PTX-35, which is currently in preclinical IND enabling activities, is Pelican's lead product candidate targeting the T-cell co-stimulator, TNFRSF25. It is designed to harness the body's natural antigen specific immune activation and tolerance mechanisms to reprogram the immunity and provide a long-term, durable clinical effect. When combined with immunotherapies, including the *ImPACT*® and *ComPACT*™ platform technologies, PTX-35 has been shown to enhance antigen specific T-cell activation to eliminate tumor cells. PTX-15, Pelican's second product candidate, is a human TL1A-lg fusion protein designed as a shorter half-life agonist of TNFRSF25.

Our wholly-owned subsidiary, Zolovax, is in preclinical studies to develop therapeutic and preventative vaccines to treat infectious diseases based on our gp96 vaccine technology, with a current focus on the development of a Zika vaccine in collaboration with the University of Miami. Other infectious diseases of interest include HIV, West Nile virus, and dengue and yellow fever.

Currently we are enrolling patients in our HS-110 combination immunotherapy trial, preparing for IND submission of HS-130, and advancing pre-clinical development of Pelican assets, providing general and administrative support for these operations and protecting our intellectual property. We currently do not have any products approved for sale and we have not generated any significant revenue since our inception and no revenue from product sales. We expect to continue to incur significant expenses and to incur increasing operating losses for at least the next several years. We anticipate that our expenses will increase substantially as we:

- complete the ongoing clinical trials of our product candidates;
- maintain, expand and protect our intellectual property portfolio;
- seek to obtain regulatory approvals for our product candidates;
- continue our research and development efforts;
- add operational, financial and management information systems and personnel, including personnel to support our product development and commercialization efforts; and
- operate as a public company.

Recent Developments

On February 27, 2018, at the 2018 Keystone Symposia Conference, Immunological Memory: Innate, Adaptive and Beyond (XI1),we presented interim results from our Phase 2 study investigating HS-110 in combination with Bristol-Myers Squibb's anti-PD-1 checkpoint inhibitor, nivolumab (Opdivo®), in patients with advanced NSCLC whose cancers have progressed after treatment with one or more lines of therapy.

Among the 35 patients in the Intent-to-Treat ("ITT") population, 6 patients (17%) achieved a partial response and 14 patients (40%) achieved disease control. Evaluable ITT patients (those who underwent at least one follow-up scan regardless of treatment duration) demonstrated overall response and disease control rates of 26% and 67%, respectively. Overall responses appeared durable and long lasting. The survival data are still maturing, and median overall survival has not yet been reached. The combination of HS-110 and nivolumab was well tolerated, with no additional toxicities compared to what has been observed with single agent checkpoint inhibitors.

As predefined in the clinical protocol, patient subgroups were evaluated for levels of tumor infiltrating lymphocytes ("TIL") and for PD-L1 checkpoint protein expression on tumor cells. Four of 9 "cold tumor" patients with low TIL levels (<10%) at baseline had partial responses. HS-110 also showed a durable effect in patients with low levels of PD-L1, with 3 of 9 patients responding. Both of these patient populations respond poorly to checkpoint inhibitors.

Pursuant to the authority granted to our board of directors by our stockholders at the 2017 Annual Meeting of Stockholders, our board of directors authorized a one-for-ten reverse stock split, which was effected on January 19, 2018. As a result of the stock split, the total number of shares of common stock was reduced to approximately 4.2 million shares for all stockholders of record and the conversion ratio for all instruments convertible into or exercisable for shares of common stock, including stock options and warrants, was proportionately adjusted. The reverse stock split was implemented in order to remain compliant with the NASDAQ Capital Market minimum stock price continued listing requirements. On February 5, 2018, we were notified by the NASDAQ Capital Market that we had regained compliance with the minimum stock price continued listing requirement.

On March 11, 2018, our board of directors declared a dividend of one common share purchase right (a "Right") for each outstanding share of our common stock. Each Right initially entitles the registered holder to purchase from us one share of common stock at a price of $14.00 per share of our common stock, subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement, dated as of March 11, 2018, as the same may be amended from time to time (the "Rights Agreement"), between the Company and Continental Stock Transfer & Trust Company, as Rights Agent. Expiration date of the Right Agreement is the earlier of March 11, 2019 or contingent on various other factors per the Rights Agreement. The Rights are designed to assure that all of our stockholders receive fair and equal treatment in the event of a hostile takeover of the Company, to guard against two-tier or partial tender offers, open market accumulations and other tactics designed to gain control of the Company without paying all stockholders a fair price, and to enhance the board of director's ability to negotiate with any prospective acquirer.

On March 26, 2018, we reported 2-year recurrence rate data from the Phase 2 trial evaluating HS-410 (vesigenurtacel-L) in combination with standard of care, Bacillus Calmette-Guérin (BCG), for the treatment of non-muscle invasive bladder cancer (NMIBC). We had previously discontinued our HS-410 program in order to focus our resources on current and future checkpoint combination trials, including its HS-110 Phase 2 lung cancer program in combination with Bristol-Myers Squibb's checkpoint inhibitor nivolumab. However, in keeping with clinical trial guidance, we continued to monitor all patients enrolled in the study for a 2-year duration. Within the subgroup of patients who received the low dose of our *ImPACT*® HS-410 with standard of care BCG and who demonstrated a positive immune response, 10 out of 10 (100%) remained disease free after a 2-year period. A positive immune response was defined as 2-fold or greater increase from baseline of CD8+ T cells in peripheral blood as measured by ELISPOT analysis.

On April 18, 2018, we provided guidance on upcoming clinical milestones for HS-110 in NSCLC, our *ComPACT*™ platform, as well our Pelican subsidiary's co-stimulator antibody, PTX-35, for the next four quarters. Anticipated clinical milestones for HS-110 include an interim data readout in Q4 2018 and a final Phase 2 data readout in Q2 2019, followed by a Phase 3-ready NSCLC program in Q3 2019. Expected PTX-35 milestones include receipt of $6.9 million in CPRIT grant funds to support the enrollment of the first patient in a Phase 1 clinical trial in Q1 2019 and an interim data readout in Q3 2019. Additionally, we plan on enrolling our first patient in our *ComPACT*™ trial in Q4 2018 and anticipate an interim data readout in Q2 2019.

On May 7, 2018, we closed an underwritten public offering (the "Offering") in which, pursuant to the underwriting agreement with A.G.P./Alliance Global Partners, as representative of the underwriters, dated May 2, 2018 we issued and sold (i) 4,875,000 shares of common stock (inclusive of 1,875,000 shares of common stock subject to the over-allotment option, which was exercised in full) together with a number of common warrants to purchase 2,437,500 shares of its common stock (inclusive of warrants to purchase 937,500 shares of common stock subject to the overallotment option, which was exercised in full), and (ii) 9,500,000 pre-funded warrants, with each pre-funded warrant exercisable for one share of common stock, together with a number of common warrants to purchase 4,750,000 shares of our common stock. The public offering price was $1.44 per share of common stock, $1.43 per pre-funded warrant and $0.01 per common warrant, and the gross proceeds received by us at the closing of the Offering on May 7, 2018 pursuant to such sales were approximately $20.7 million, prior to deducting underwriting discounts and commissions and other estimated offering expenses. As of May 11, 2018, we issued 7,813,332 shares of common stock upon the exercise of pre-funded warrants.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

We believe that several accounting policies are important to understanding our historical and future performance. We refer to these policies as "critical" because these specific areas generally require us to make judgments and estimates about matters that are uncertain at the time we make the estimate, and different estimates—which also would have been reasonable—could have been used, which would have resulted in different financial results.

Our management's discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of our consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates based on historical experience and make various assumptions, which management believes to be reasonable under the circumstances, which form the basis for judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The notes to our audited consolidated financial statements contain a summary of our significant accounting policies. We consider the following accounting policies critical to the understanding of the results of our operations:

- Revenue;
- Deferred revenue;
- In-process R&D;
- Contingent consideration;
- Stock-based compensation; and
- Research and development costs, including clinical and regulatory cost.

RESULTS OF OPERATIONS

Comparison of the Three Months ended March 31, 2018 and 2017

Revenues

For the quarter ended March 31, 2018, we recognized $0.8 million of grant revenue for qualified expenditures under the CPRIT grant. As of March 31, 2018, we had deferred revenue of $6.3 million for proceeds received but for which the costs had not been incurred or the conditions of the award had not been met. For the quarter ended March 31, 2017, we recognized $0.02 million of research funding revenue for research and development services, which included labor and supplies, provided to Shattuck which research funding agreement terminated January 31, 2017. We continue our efforts to secure future non-dilutive grant funding to subsidize ongoing research and development costs.

Research and development expense.

Research and development expenses increased approximately 60% to $2.9 million for the quarter ended March 31, 2018 compared to $1.8 million for the quarter ended March 31, 2017. The components of R&D expense are as follows, in millions:

	Three Months Ended, March 31,	
	2018	2017
Programs		
HS-110	$ 1.0	$ 0.4
HS-410	0.1	0.3
HS-130	0.1	0.0
PTX 35/15	0.8	0.0
Other programs	0.1	0.1
Unallocated research and development expenses	0.8	1.0
	$ 2.9	$ 1.8

- HS-110 expense increased $0.6 million, primarily attributable to CMC activities, as well as continued patient enrollment in the phase 2 portion of the clinical trial.
- HS-410 expense decreased $0.2 million due to the current phase of the trial where in patients are in long-term follow-up for recurrence-free survival.
- HS -130 expense increased by $0.1 million as we began developing clinical trial material for that program.
- PTX expense for 2018 was $0.8 million as we began pre-clinical development of PTX-35 and PTX-15 against TNFRSF25 for testing in patients.
- Other programs include preclinical costs associated with our Zika program, T-cell costimulatory programs, and laboratory supplies.

General and administrative expense. General and administrative expense increased approximately 20% to $1.8 million for the quarter ended March 31, 2018 compared to $1.5 million for the quarter ended March 31, 2017. The $0.3 million increase is primarily attributable to the increase in personnel costs as we establish our Texas operations associated with our Pelican subsidiary.

Other income, net. Other income increased slightly to $0.2 million for the quarter ended March 31, 2018 compared to $0.1 million for the quarter ended March 31, 2017. In 2018, other income is primarily related to the release of escrow funds to us for payment of liabilities related to the Pelican acquisition. In 2017, other income was primarily related to foreign currency gains on several transactions in Australia.

*Net loss attributable to Heat Biologics, Inc.*We had a net loss attributable to Heat Biologics, Inc. of $3.5 million, or ($0.75) per basic and diluted share for the quarter ended March 31, 2018 compared to a net loss of $3.2 million, or ($1.18) per basic and diluted share for the quarter ended March 31, 2017.

Balance Sheet at March 31, 2018 and December 31, 2017

Prepaid Expenses and Other Current Assets. Prepaid expenses and other current assets was approximately $1.7 million as of March 31, 2018 and $2.0 million as of December 31, 2017. The $0.3 million decrease is attributable to recognition of amounts over their respective amortization period.

In-Process R&D and Goodwill. As of March 31, 2018 and December 31, 2017, we had in-process R&D of $5.9 million and goodwill of $2.2 million from our acquisition of Pelican. The fair value of these assets did not change in the first quarter of 2018.

Accounts Payable. Accounts payable was approximately $1.7 million as of March 31, 2018 compared to approximately $1.0 million as of December 31, 2017. The increase of approximately $0.7 million is related to payables for CMC as well as increases in professional services fees.

Deferred Revenue. We had deferred revenue of $6.3 million and $7.0 million as of March 31, 2018 and December 31, 2017, respectively. This deferred revenue represents proceeds received for the CPRIT grant but for which the costs had not been incurred or the conditions of the award had not been met.

Accrued Expenses and Other Liabilities. Accrued expenses were approximately $1.6 million as of March 31, 2018 compared to approximately $2.3 million as of December 31, 2017. The decrease of approximately $0.7 million was related to 2017 employee bonuses which were accrued at December 31, 2017 but subsequently paid in January 2018.

Contingent Consideration. As of March 31, 2018, we had contingent consideration of $2.6 million related to its acquisition of Pelican. This amount represents the fair value of future milestone payments to Pelican shareholders which were discounted in accordance with ASC 805. We perform an analysis on a quarterly basis and as of March 31, 2018, we determined the change in the estimated fair value of the contingent consideration during the quarter was $11,118.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

We commenced active operations in June 2008. To date, we have primarily financed our operations with net proceeds from the private placement of our preferred stock, our July 2013 initial public offering in which we received net proceeds of $24.3 million, our March 2015 public offering in which we received net proceeds of $11.1 million, our March 2016 public offering in which we received net proceeds of $6.1 million, an additional $3.9 million from the exercise of 386,343 warrants, our March 2017 public offering in which we received net proceeds of approximately $4.1 million, our November 2017 public offering in which we received net proceeds of approximately $2.4 million and our May 2018 public offering in which we received net proceeds of approximately $18.7 million. In addition, we received an aggregate of $9.3 million of net proceeds through our At Market Issuance Sales Agreement (the "FBR Sales Agreement") with B. Riley FBR, Inc. formerly known as FBR Capital Markets & Co. On January 18, 2018, we entered into the H.C. Wainwright Sales Agreement that replaced the FBR Sales Agreement. To date, we received net proceeds of approximately $3.5 million from the sale of shares of our common stock through the H.C. Wainwright Sales Agreement. As of March 31, 2018, we have received $8.3 million in grant funding from the CPRIT Grant through Pelican. As of March 31, 2018, we had an accumulated deficit of $72.4 million. We had net losses of $3.7 million and $3.2 million for the three months ended March 31, 2018 and 2017, respectively.

We expect to incur significant expenses and continued losses from operations for the foreseeable future. We expect our expenses to increase in connection with our ongoing activities, particularly as we continue the research and development and advance our clinical trials of, and seek marketing approval for, our product candidates and as we continue to fund the Pelican matching funds required in order to access the CPRIT Grant. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. Adequate additional financing may not be available to us on acceptable terms, or at all. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts. To meet our capital needs, we intend to continue to consider multiple alternatives, including, but not limited to, additional equity financings such as sales of our common stock under the H.C. Wainwright Sales Agreement if available, debt financings, partnerships, collaborations and other funding transactions. This is based on our current estimates, and we could use our available capital resources sooner than we currently expect. We are continually evaluating various cost-saving measures in light of our cash requirements in order to focus our resources on our product candidates. We will need to generate significant revenues to achieve profitability, and we may never do so. As of March 31, 2018, we had approximately $9.0 million in cash and cash equivalents.

Our cash and cash equivalents are currently held in an interest-bearing checking and money market accounts.

Cash Flows

Operating activities. The use of cash in all periods resulted primarily from our net losses adjusted for non-cash charges and changes in the components of working capital. The increase in cash used in operating activities for the three months ended March 31, 2018 compared to the three months ended March 31, 2017 is primarily due to an increase in pre-clinical activities associated with our PTX programs.

Investing activities. The use of cash in all periods was related to the purchase of property and equipment. The increase is due to the purchase of lab equipment as we establish our San Antonio facilities per the CPRIT Grant.

Financing activities. The source of cash in all periods were from public offerings of stock and issuance of common stock through an at-the-market Issuance Sales Agreement with B. Riley FBR Inc., net of related stock issuance costs.

Funding Requirements

We believe that our existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for the next twelve months. However, we expect to incur additional expenses as we continue our research and development programs. To meet our future financing needs, we intend to continue to consider multiple alternatives, including, but not limited to, additional equity financings, debt financings, partnerships, collaborations and other funding transactions. We are continually evaluating and monitoring our cash requirements and look to implement cost savings measures when necessary.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under Securities and Exchange Commission rules.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Vice President of Finance, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2018. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. We have adopted and maintain disclosure controls and procedures (as defined Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed in the reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q, is collected, recorded, processed, summarized and reported within the time periods specified in the rules of the SEC. The Company's disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to management to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2018 our Chief Executive Officer and Vice President of Finance concluded that, as of such a date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) occurred during the quarter ended March 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

ITEM 1A. RISK FACTORS.

The following information and updates should be read in conjunction with the information disclosed in Part 1, Item 1A, "Risk Factors," contained in our 2017 Annual Report. Except as disclosed below, there have been no material changes from the risk factors and uncertainties disclosed in our 2017 Annual Report.

We have incurred net losses every year since our inception and expect to continue to generate operating losses and experience negative cash flows and it is uncertain whether we will achieve profitability.

For the three months ended March 31, 2018 and 2017, we incurred a net loss of $3.7 million and $3.2 million, respectively. We have an accumulated deficit of $72.4 million through March 31, 2018. For the years ended December 31, 2017 and 2016, we incurred a net loss of $12.4 million and $13.0 million, respectively. We have an accumulated deficit of $68.8 million through December 31, 2017. Pelican has also incurred net losses. Pelican's results of operations since the date of its acquisition are included in the consolidated net loss of $12.4 million for the year ended December 31, 2017. We expect to continue to incur operating losses until such time, if ever, as we are able to achieve sufficient levels of revenue from operations. Our ability to achieve profitability will depend on us obtaining regulatory approval for our product candidates and market acceptance of our product offerings and our capacity to develop, introduce and sell our products to our targeted markets. There can be no assurance that any of our product candidates will be approved for commercial sale, or even if our product candidates are approved for commercial sale that we will ever generate significant sales or achieve profitability. Accordingly, the extent of future losses and the time required to achieve profitability, if ever, cannot be predicted at this point.

Even if we succeed in developing and commercializing one or more product candidates, we expect to incur substantial losses for the foreseeable future and may never become profitable. We also expect to continue to incur significant operating expenses and anticipate that our expenses will increase substantially in the foreseeable future as we:

- continue to undertake preclinical development and conduct clinical trials for product candidates;
- seek regulatory approvals for product candidates;
- implement additional internal systems and infrastructure; and
- hire additional personnel.

We also expect to experience negative cash flows for the foreseeable future as we fund our operating losses. As a result, we will need to generate significant revenues or raise additional financing in order to achieve and maintain profitability. We may not be able to generate these revenues or achieve profitability in the future. Our failure to achieve or maintain profitability would likely negatively impact the value of our securities and financing activities.

We will need to raise additional capital to operate our business and our failure to obtain funding when needed may force us to delay, reduce or eliminate our development programs or commercialization efforts.

During the three months ended March 31, 2018, our operating activities used net cash of approximately $3.8 million and as of March 31, 2018, our cash and cash equivalents were approximately $9.0 million. During the year ended December 31, 2017, our operating activities used net cash of approximately $6.3 million and as of December 31, 2017, our cash and cash equivalents were approximately $9.8 million. We have experienced significant losses since inception and have a significant accumulated deficit. As of March 31, 2018, our accumulated deficit totaled approximately $72.4 million and as of March 31, 2017, our accumulated deficit totaled approximately $68.9 million on a consolidated basis. We expect to incur additional operating losses in the future and therefore expect our cumulative losses to increase. We do not expect to derive revenue from any significant source in the near future until we or our potential partners successfully commercialize our products. Despite cost-saving measures that we implemented, we expect our expenses to increase if and when we initiate and conduct Phase 3 and other clinical trials, and seek marketing approval for our product candidates. Until such time as we receive approval from the FDA and other regulatory authorities for our product candidates, we will not be permitted to sell our products and therefore will not have product revenues from the sale of products. For the foreseeable future, we will have to fund all of our operations and capital expenditures from equity and debt offerings, cash on hand, licensing fees and grants.

We expect that our current cash and cash equivalents will allow us to continue the enrollment of additional patients in the Phase 2 clinical trial for HS-110; however, if the trial design or size were to change, we may need to raise money earlier than anticipated.

We will need to raise additional capital to fund our future operations and we cannot be certain that funding will be available on acceptable terms on a timely basis, or at all. To meet our future financing needs, we intend to consider multiple alternatives, including, but not limited to, current and additional equity financings, which we expect will include sales of common stock through at the market issuances, debt financings and/or funding from partnerships or collaborations. Our ability to raise capital through the sale of securities may be limited by the various rules of the SEC and the NASDAQ Capital Market that place limits on the number and dollar amount of securities that we may sell. There can be no assurance that we will be able to meet the requirements for use of at-market-issuance agreements, especially in light of the fact that we are subject to the smaller reporting company requirements, or to complete any such transactions on acceptable terms or otherwise. Any additional sources of financing will likely involve the issuance of our equity or debt securities, which will have a dilutive effect on our stockholders. To the extent that we raise additional funds by issuing equity securities, our stockholders may experience significant dilution. Any debt financing, if available, may involve restrictive covenants that may impact our ability to conduct our business. If we do not succeed in raising additional funds on acceptable terms, we may be unable to complete planned preclinical and clinical trials or obtain approval of our product candidates from the FDA and other regulatory authorities, or continue to maintain our listing on the NASDAQ Capital Market. In addition, we could be forced to delay, discontinue or curtail product development, forego sales and marketing efforts, and forego licensing in attractive business opportunities. Any additional sources of financing will likely involve the issuance of our equity or debt securities, which will have a dilutive effect on our stockholders.

We have never paid cash dividends and have no plans to pay cash dividends in the future.

Holders of shares of our common stock are entitled to receive such dividends as may be declared by our board of directors. To date, we have paid no cash dividends on our shares of our preferred or common stock and we do not expect to pay cash dividends in the foreseeable future. We intend to retain future earnings, if any, to provide funds for operations of our business. Therefore, any return investors in our preferred or common stock may have will be in the form of appreciation, if any, in the market value of their shares of common stock.

Certain provisions of the General Corporation Law of the State of Delaware, our bylaws and stockholder rights plan may have anti-takeover effects that may make an acquisition of our company by another company more difficult.

We are subject to the provisions of Section 203 of the General Corporation Law of the State of Delaware, which prohibits a Delaware corporation from engaging in any business combination, including mergers and asset sales, with an interested stockholder (generally, a 15% or greater stockholder) for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The operation of Section 203 may have anti-takeover effects, which could delay, defer or prevent a takeover attempt that a holder of our common stock might consider in its best interest. Certain provisions of our bylaws including the ability of our board of directors to fill vacancies on our board of directors and advance notice requirements for stockholder proposals and nominations may prevent or frustrate attempts by our stockholders to replace or remove our management. In addition, the Rights issued pursuant to our stockholder rights plan that we implemented, if not redeemed or suspended, could result in the dilution of the stock ownership of a potential hostile acquirer, likely preventing acquisitions that have not been approved by our board of directors and therefore discouraging, delaying or preventing a change in control that stockholders may consider favorable.

The pre-funded warrants are speculative in nature.

The pre-funded warrants issued in our 2018 public offering do not confer any rights of common stock ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire shares of common stock at a fixed price. Specifically, holders of the pre-funded warrants may exercise their right to acquire the common stock and pay an exercise price of $0.01 per share of common stock. Moreover, the market value of the pre-funded warrants is uncertain and there can be no assurance that the market value of the pre-funded warrants will equal or exceed their public offering price. There can be no assurance that the market price of the common stock will ever equal or exceed the exercise price of the pre-funded warrants, and consequently, whether it will ever be profitable for holders of the pre-funded warrants to exercise the pre-funded warrants.

Holders of our pre-funded warrants have no rights as a common stockholder until they acquire our common stock.

Until the holders of the pre-funded warrants acquire shares of our common stock upon exercise of the pre-funded warrants, the holders of the pre-funded warrants will have no rights with respect to shares of our common stock issuable upon exercise of your warrants. Upon exercise of the pre-funded warrants, the holders will be entitled to exercise the rights of a common stockholder only as to matters for which the record date occurs after the exercise date.

There is no established market for the pre-funded warrants to purchase shares of our common stock being offered in this offering.

There is no established trading market for the pre-funded warrants and we do not expect a market to develop. In addition, we have not applied for the listing of the pre-funded warrants on any national securities exchange or other trading market. Without an active trading market, the liquidity of the pre-funded warrants will be limited.

Provisions of the pre-funded warrants could discourage an acquisition of us by a third party.

In addition to certain provisions of our third amended and restated certificate of incorporation, as amended, our bylaws and our stockholder rights plan, certain provisions of the pre-funded warrants could make it more difficult or expensive for a third party to acquire us. The pre-funded warrants prohibit us from engaging in certain transactions constituting "fundamental transactions" unless, among other things, the surviving entity assumes our obligations under the pre-funded warrants. These and other provisions of the pre-funded warrants could prevent or deter a third party from acquiring us even where the acquisition could be beneficial to you.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None that were not previously disclosed in our Current Reports on Form 8-K.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES .

Not Applicable.

ITEM 4. MINE SAFETY DISCLOSURES .

Not Applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which Exhibit Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEAT BIOLOGICS, INC.

Date: May 15, 2018

By: /s/ Jeffrey A. Wolf
Jeffrey A. Wolf
Chairman and Chief Executive Officer
(Principal executive officer)

Date: May 15, 2018

By: /s/ Ann A. Rosar
Ann A. Rosar
Vice President of Finance
(Principal financial and accounting officer)

EXHIBIT INDEX

Exhibit No.	Description
1.1	Common Stock Sales Agreement, dated January 18, 2018, by and between Heat Biologics, Inc. and H.C. Wainwright & Co., LLC (incorporated by reference to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission dated January 19, 2018 (File No. 001-35994).
1.2	Underwriting Agreement by and between Heat Biologics, Inc. and A.G.P./Alliance Global Partners (A.G.P.), as representative of the underwriters, dated May 2, 2018 (incorporated by reference to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission dated May 7, 2018 (File No. 001-35994).
3.1	Certificate of Amendment to the Third Amended and Restated Certificate of Incorporation, as amended, of Heat Biologics, Inc. (incorporated by reference to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission dated January 19, 2018 (File No. 001-35994).
4 .1	Rights Agreement dated as of March 11, 2018 between Heat Biologics, Inc. and Continental Stock Transfer and Trust Company, as Rights Agent (incorporated by reference to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission dated March 12, 2018 (File No. 001-35994).
4.2	Warrant Agency Agreement by and between Heat Biologics, Inc. and Continental Stock Transfer & Trust Company, as warrant agent, dated May 2, 2018 (incorporated by reference to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission dated May 7, 2018 (File No. 001-35994).
4.3	Common Warrant (incorporated by reference to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission dated May 7, 2018 (File No. 001-35994).
4.4	Form of Pre-Funded Warrant (incorporated by reference to Exhibit 4.16 to the Company's Registration Statement on Form S-1 (File No. 333-224039), Amendment No. 1, filed with the SEC on April 19, 2018)
10.1	Amendment to Employment Agreement between Heat Biologics, Inc. and Jeff T. Hutchins, effective as of January 1, 2018 (incorporated by reference to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission dated January 10, 2018 (File No. 001-35994).
10.2	Amendment to Employment Agreement between Heat Biologics, Inc. and Ann Rosar, effective as of January 1, 2018 (incorporated by reference to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission dated January 10, 2018 (File No. 001-35994).
31.1*	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Vice President of Finance pursuant to Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Vice President of Finance pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14 OR RULE 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey Wolf, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heat Biologics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2018

By: /s/ Jeffrey Wolf
Name: Jeffrey Wolf
Title: Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a-14 OR RULE 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ann Rosar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Heat Biologics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 15, 2018

By: /s/ Ann Rosar
Name: Ann Rosar
Title: Vice President of Finance
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Heat Biologics, Inc. (the "Registrant") hereby certifies, to such officer's knowledge, that:

(1) the accompanying Quarterly Report on Form 10-Q of the Registrant for the quarter ended March 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 15, 2018

By: /s/ Jeffrey Wolf
Name: Jeffrey Wolf
Title: Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Heat Biologics, Inc. (the "Registrant") hereby certifies, to such officer's knowledge, that:

(1) the accompanying Quarterly Report on Form 10-Q of the Registrant for the quarter ended March 31, 2018 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: May 15, 2018

By: /s/ Ann Rosar
Name: Ann Rosar
Title: Vice President of Finance
(Principal Financial and Accounting Officer)