ANNUAL REPORT

2017

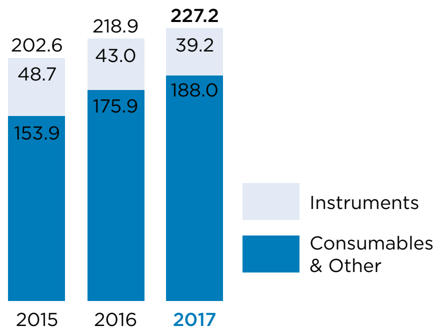
Summary Report: Financial Highlights for Fiscal 2017

Reflects results from continuing operations

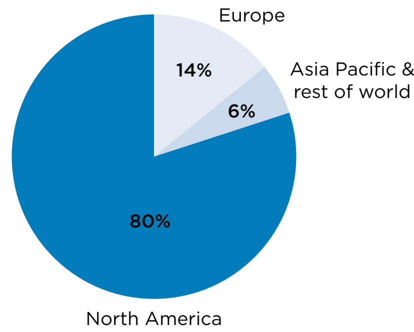
Revenues

Revenues by Product Category

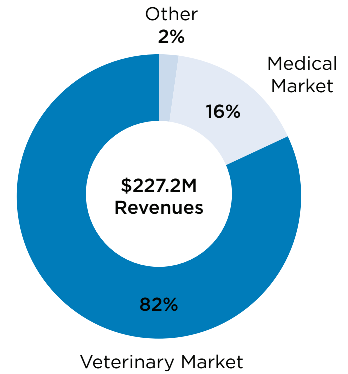
Revenue Trend ($Millions)



Revenues by Geographic Region

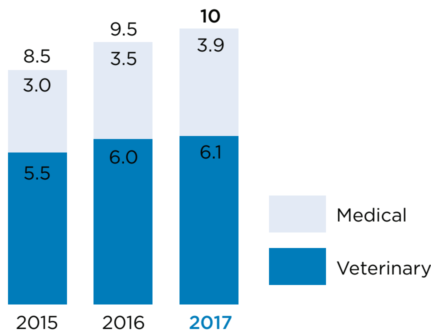


Revenues by Segment

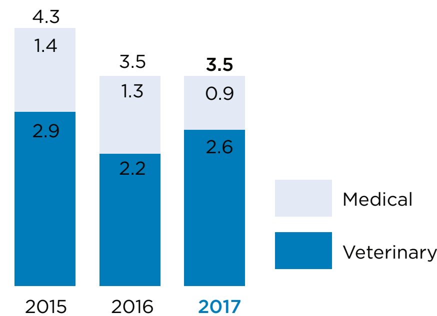


Reagent Disc and Chemistry Analyzer Unit Sales

Reagent Disc Unit Sales (Millions)

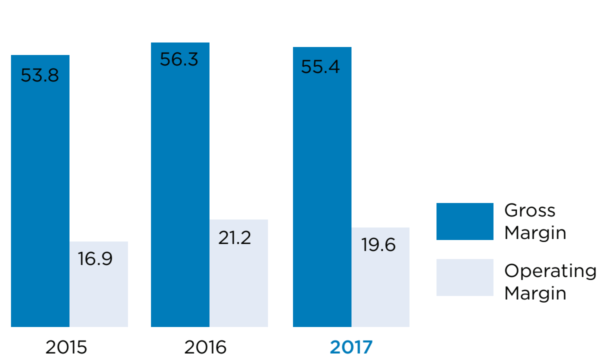


Chemistry Analyzer Unit Sales (Thousands)

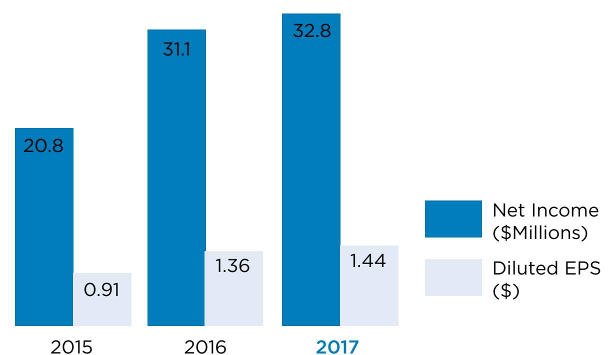


Margins and Income

Margins (%)



Net Income ($Millions) and Diluted EPS ($)



Letter to Shareholders

Dear Shareholders:

Fiscal 2017 was another productive year for Abaxis, marked by improved overall financial performance and execution of operating strategies that position the company for future growth. As a result, we believe we have entered fiscal 2018 stronger and in an improved strategic position.

While our results in fiscal 2017 were impacted by a number of pressures, including unfavorable foreign currency exchange rates and competition in our industry, we are pleased we grew revenues and income from continuing operations before income tax provision during fiscal 2017 and delivered a strong operating profit margin of 20%. Equally important, we continued to make progress with both of our investments in research and development and on our business strategies to drive long-term growth.

Revenues from continuing operations in fiscal 2017 grew to $227.2 million, an increase of 4% over fiscal 2016. Our diluted net income per share from continuing operations in fiscal 2017 was $1.44, compared to $1.36 in the prior year, and cash flow from operations totaled $33.2 million in fiscal 2017. We ended fiscal 2017 with total cash, cash equivalents and short- and long-term investments of $165.1 million, providing the financial strength to make investments for continued growth.

Fiscal 2017 financial results included:

- Revenues from continuing operations in North America grew by 4% to $181.9 million. International revenues from continuing operations increased by 3% to $45.4 million.
- Total sales of medical and veterinary chemistry analyzers were $23.4 million, with a total of 3,535 chemistry analyzers sold worldwide.
- Medical and veterinary reagent disc sales of $123.8 million, with total unit sales of 10.0 million discs worldwide.
- Gross margin was 55%, compared to 56% in the prior year. Gross profit was $125.8 million, compared to $123.3 million in fiscal 2016.
- We paid four quarterly cash dividends totaling $11.7 million, or $0.52 per share on our outstanding common stock during fiscal 2017.

Throughout the year, we remained focused on our commitment to helping patients and we are very proud to deliver our products and technology to meet their needs. In November 2015, we announced our five-year agreement to supply our hematology diagnostic products to Banfield Pet Hospital, an organization with more than 900 pet hospitals within the United States and Puerto Rico. During fiscal 2017, we completed installation and training of our VetScan HM5 hematology analyzer into Banfield's pet hospitals. Our VetScan HM5 hematology analyzer is designed to enable Banfield's veterinary teams to make more accurate and efficient recommendations for pets.

We achieved many of our most important strategic programs through outstanding execution by our teams throughout the organization. Our operational accomplishments in fiscal 2017 included several new product launches in the veterinary market. We added three chemistry tests - the VetScan Phenobarbital panel, the VetScan Electrolyte Plus panel and the VetScan Preventive Care Profile Plus panel, all of which are used in our VetScan VS2 chemistry analyzers. In addition, we released the VetScan VUE, an app-based automated rapid assay test reader used with our VetScan rapid tests. In September 2016, we completed the development of our connectivity product, the VetScan FUSE, which was in beta-testing at the end of fiscal 2017. The VetScan FUSE is a web-based integration system that provides connectivity between our veterinary point-of-care diagnostic instruments and the veterinary practice management systems. These additions of in-clinic diagnostic products and technology are designed to fit virtually all veterinary practices.

We continued to make significant investments in research and development, which was 9% of revenues, or $19.8 million in fiscal 2017. Our projects included continued development of our high sensitivity immunoassay platform, development of electronic connectivity technology and development of two instruments for urinalysis. We are optimistic that these research and development projects will contribute meaningfully to Abaxis' long term growth potential and competitive positioning within the market.

As we move into fiscal 2018, we believe we are positioned to accelerate our growth and are focused on enhancing long-term growth prospects for both our revenues and income. We are excited about the future of Abaxis and the opportunity to improve the care of the patients we serve. We will continue to position Abaxis for long term success by investing in research and development and executing our growth strategies. We are proud of our efforts and look forward to sharing more accomplishments next year.

Sincerely,

Clint H. Severson
Chairman and Chief Executive Officer

Financial Overview

Consolidated Statements of Income Data
(in thousands, except per share data)

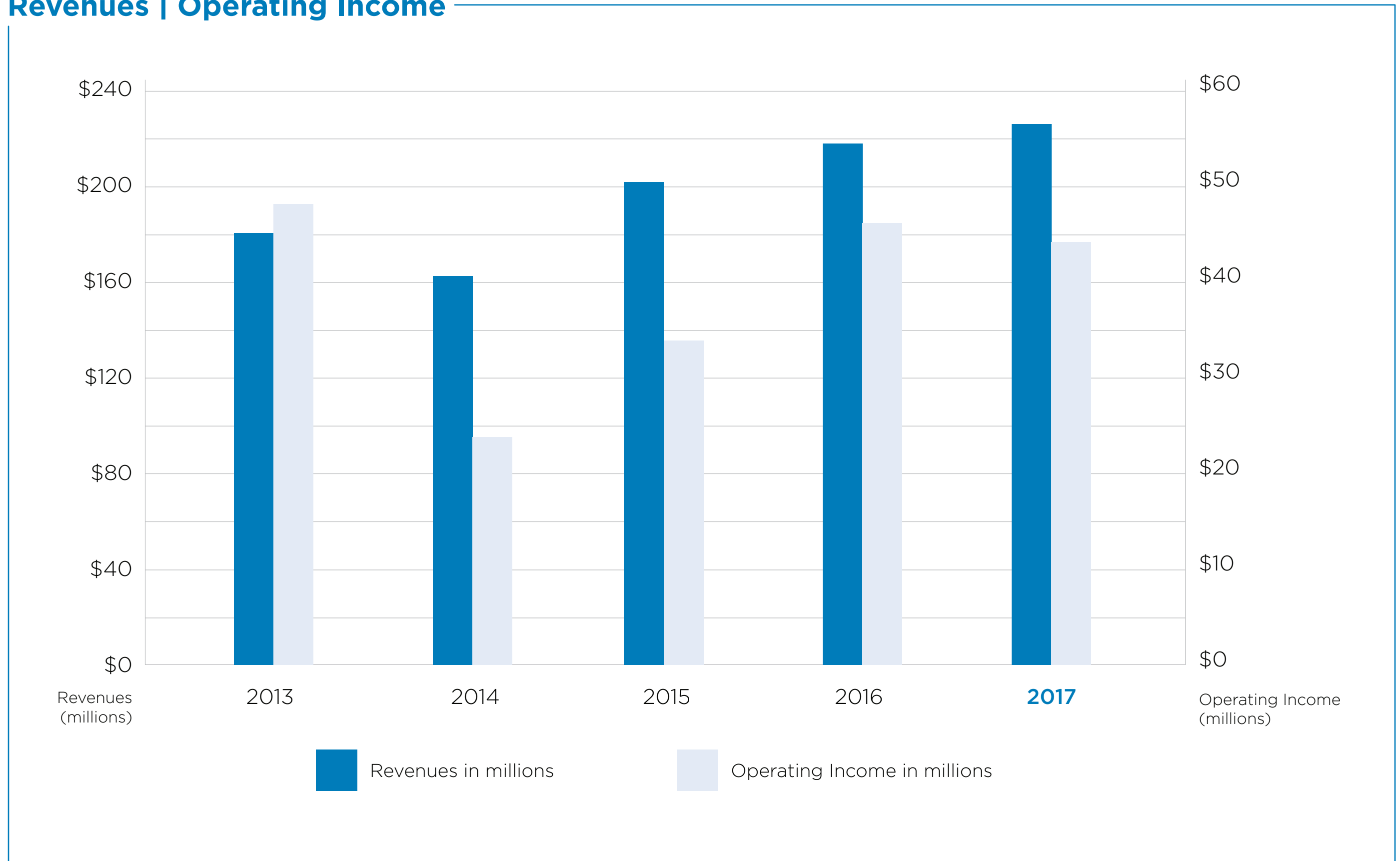
Year Ended March 31,	2013	2014	2015	2016	2017
Continuing Operations:					
Revenues	$ 180,878	$ 162,031	$ 202,593	$ 218,901	$ 227,220
Cost of revenues	79,903	78,081	93,623	95,649	101,375
Gross profit	100,975	83,950	108,970	123,252	125,845
Operating expenses:					
Research and development	13,577	13,647	16,327	18,388	19,795
Sales and marketing	43,800	34,742	42,147	42,526	45,249
General and administrative	12,825	11,333	16,192	15,984	16,314
Gain from legal settlement	(17,250)	-	-	-	-
Total operating expenses	52,952	59,722	74,666	76,898	81,358
Income from operations	48,023	24,228	34,304	46,354	44,487
Interest and other income (expense), net (1)	253	994	(1,262)	793	6,625
Income from continuing operations before income tax provision	48,276	25,222	33,042	47,147	51,112
Income tax provision	17,149	8,993	12,239	16,073	18,333
Income from continuing operations	$ 31,127	$ 16,229	$ 20,803	$ 31,074	$ 32,779
Discontinued Operations:					
Loss from discontinued operations, net of tax	$ (3,668)	$ (2,044)	$ (1,154)	$ (3)	$ (63)
Gain on sale of discontinued operations, net of tax	$ -	$ -	$ 7,682	$ 559	$ -
Consolidated Operations:					
Net income	$ 27,459	$ 14,185	$ 27,331	$ 31,630	$ 32,716
Diluted net income (loss) per share:					
Continuing operations	$ 1.39	$ 0.72	$ 0.91	$ 1.36	$ 1.44
Discontinued operations	$ (0.16)	$ (0.09)	$ 0.29	$ 0.02	$ -
Net income per share	$ 1.23	$ 0.63	$ 1.20	$ 1.38	$ 1.44
Shares used in calculating diluted net income per share	22,381	22,575	22,787	22,883	22,797

Consolidated Balance Sheets Data (2)
(In thousands)

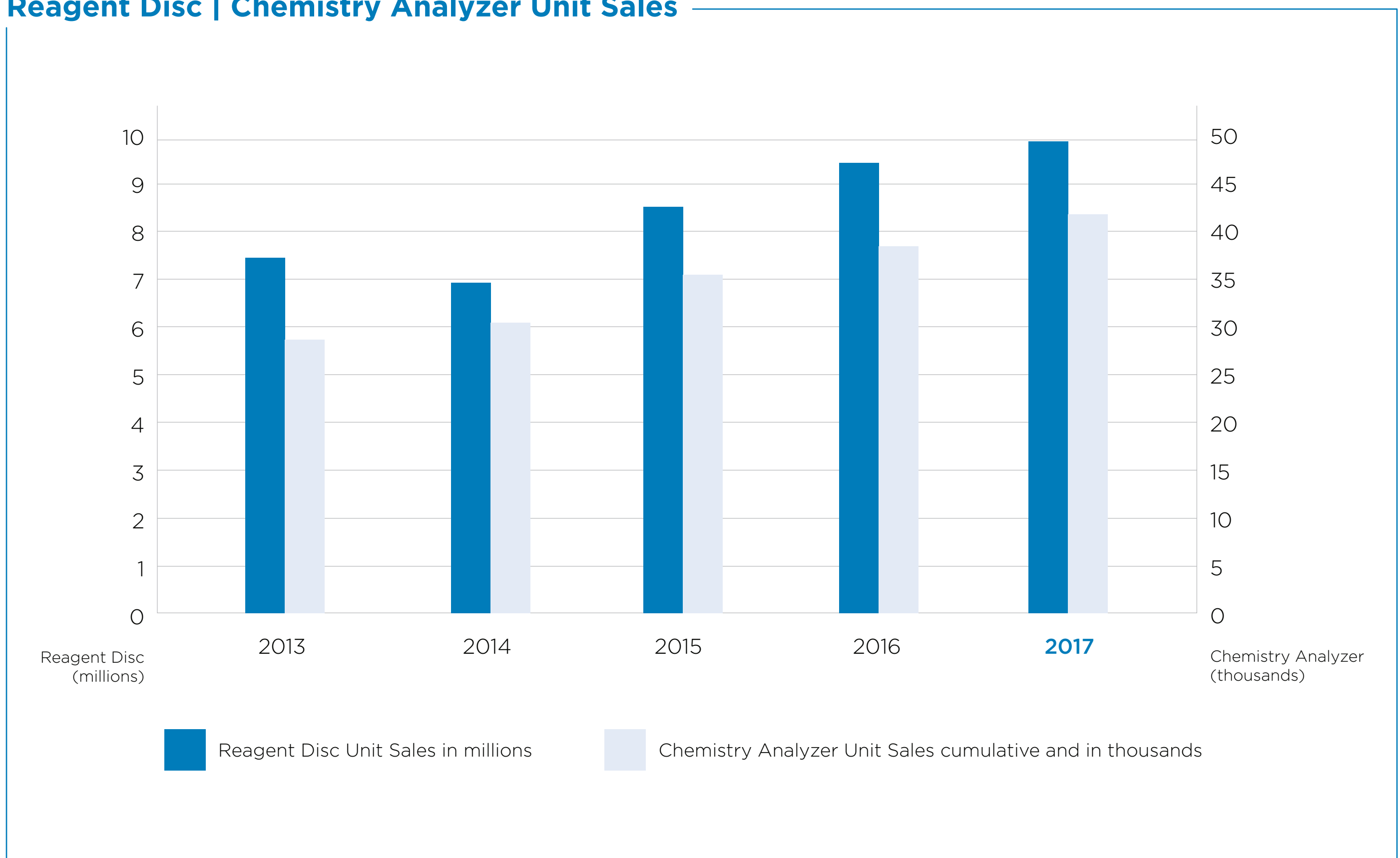
As of March 31,	2013	2014	2015	2016	2017
Cash and cash equivalents and investments	$ 95,264	$ 121,182	$ 157,305	$ 152,255	$ 165,064
Working capital	$ 132,944	$ 148,553	$ 168,576	$ 183,026	$ 199,735
Total assets	$ 201,763	$ 217,380	$ 269,064	$ 271,380	$ 305,646
Non-current liabilities	$ 5,550	$ 6,205	$ 7,585	$ 5,896	$ 5,979
Total shareholders' equity	$ 176,194	$ 193,916	$ 220,194	$ 236,312	$ 266,224

(1) For the year ended March 31, 2017, interest and other income (expense), net of $6,625 includes a pre-tax gain of $6,054 from the sale of an equity method investment.
(2) Consolidated balance sheets data reported in the table includes continuing and discontinued operations.

Revenues | Operating Income



Reagent Disc | Chemistry Analyzer Unit Sales



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2017 FORM 10-K/A

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission File Number 000-19720

ABAXIS, INC.

(Exact name of registrant as specified in its charter)

California	**77-0213001**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
3240 Whipple Road, Union City, California	**94587**
(Address of principal executive offices)	*(Zip code)*

Registrant's telephone number, including area code: **(510) 675-6500**
Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange on Which Registered
Common Stock, no par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or 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. (Check one):

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	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 ☒

The aggregate market value of the voting stock held by non-affiliates of Abaxis as of September 30, 2016, the last business day of the second fiscal quarter, based upon the closing price of such stock on the NASDAQ Global Select Market on September 30, 2016, was $677,280,000. For purposes of this disclosure, 9,412,000 shares of common stock held by persons who hold more than 10% of the outstanding shares of the registrant's common stock and shares held by executive officers and directors of the registrant have been excluded because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily conclusive for any other purpose.

As of May 26, 2017, there were 22,654,000 shares of the registrant's common stock outstanding.

Abaxis, Inc.
Annual Report on Form 10-K
For The Fiscal Year Ended March 31, 2017

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PART I

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Sections 21E of the Securities Exchange Act of 1934, as amended that reflect Abaxis' current view with respect to future events and financial performance. All statements contained in this report, other than statements of historical fact, including statements regarding our future results of operations and financial condition, our business strategy and plans, and our objectives for our business, are forward-looking statements. The words ''will,'' ''anticipates,'' ''believes,'' ''expects,'' ''intends,'' ''plans,'' ''future,'' ''projects,'' ''estimates,'' ''would,'' ''may,'' ''could,'' ''should,'' ''might,'' and similar expressions identify forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties, including but not limited to those discussed below, that could cause actual results to differ materially from historical results or those anticipated. Such risks and uncertainties relate to our manufacturing operations, including the vulnerability of our manufacturing operations to potential interruptions and delays and our ability to manufacture products free of defects, fluctuations in our quarterly results of operations and difficulty in predicting future results, our dependence on Abbott Point of Care, Inc., (''Abbott'') for our U.S. medical sales, the performance of our independent distributors and our ability to manage their inventory levels effectively, market acceptance of our existing and future products, our dependence on certain sole or limited source suppliers, expansion of our sales, marketing and distribution efforts, the effect of exchange rate fluctuations on international operations, dependence on key personnel, the protection of our intellectual property and claims of infringement of intellectual property asserted by third parties, competition and other risks detailed under ''Risk Factors'' in this Annual Report on Form 10-K.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Abaxis assumes no obligation to update any forward-looking statements as circumstances change. Readers are advised to read this Annual Report on Form 10-K in its entirety, paying careful attention to the risk factors set forth in this and other reports or documents filed by Abaxis from time to time with the Securities and Exchange Commission (''SEC''), particularly the quarterly reports on Form 10-Q and any current reports on Form 8-K, copies of which may be obtained from Abaxis or from the SEC at its website at www.sec.gov.

When used in this report, the terms ''we,'' ''us,'' ''our,'' ''the Company'' and ''Abaxis'' refer to Abaxis, Inc. and our subsidiaries. Our fiscal year ends on March 31, and accordingly, the terms ''fiscal 2017,'' ''fiscal 2016'' and ''fiscal 2015'' in this report refer to the years ended March 31, 2017, 2016 and 2015, respectively.

Item 1. Business

General

Abaxis, Inc. is a worldwide developer, manufacturer and marketer of portable blood analysis systems that are used in a broad range of medical specialties in human or veterinary patient care to provide clinicians with rapid blood constituent measurements. Our mission is to improve the efficiency of care delivery to and the quality of life of patients in the medical and veterinary markets. We provide leading edge technology, tools and services that support best medical practices, enabling physicians and veterinarians to respond to the health needs of their clients at the point of care while operating economical and profitable practices.

Our primary products are as follows:

- point-of-care diagnostic instruments and consumables used in the medical market; and
- point-of-care diagnostic instruments and consumables used in the veterinary market.

Abaxis is a California corporation and was incorporated in 1989. Since our company's formation, our sales have increased in part due to the increased installed base of our blood chemistry analyzers and the expansion of test methods that we provide to the medical and veterinary markets. Additionally, over the past several years, we have expanded our diagnostic products and service offerings in the veterinary market. While we offer our direct customers a range of diagnostic products and services, our business and revenue model is focused on recurring revenue. Recurring revenues consist primarily of consumable revenue. We believe that the breadth of our product portfolio enables us to compete in the worldwide healthcare market.

Discontinued Operations

Until March 2015, we provided veterinary reference laboratory diagnostic and consulting services for veterinarians through our Abaxis Veterinary Reference Laboratories (''AVRL'') division. On March 31, 2015, we sold substantially

all of the assets of AVRL to Antech Diagnostics, Inc., the VCA laboratory division (''Antech''), for $21.0 million in cash pursuant to an asset purchase agreement as described in more detail in the section of this report entitled ''Management's Discussion and Analysis of Financial Condition and Results of Operations - Discontinued Operations'' and Note 3 to the Consolidated Financial Statements in Part II, Item 8 of this report.

We have reclassified the assets and liabilities of AVRL as discontinued operations on our consolidated balance sheets for all periods presented and the results of operations of AVRL as discontinued operations on our consolidated statements of income for all periods presented.

Business Segments and Products

We manage our business in two reportable business segments, the medical market and the veterinary market, which are based on the diagnostic products sold and services provided by market and customer group. For products that we sell that are not specifically identified to any particular business segment, we categorize the revenue as Other. A description of our business segments is set forth below. Financial information regarding our reportable business segments is included under ''Results of Operations'' in Item 7 of this report and Note 20 to the Consolidated Financial Statements in Part II, Item 8 of this report.

Medical Market

Customer Base

Our products sold to the medical market are used by a diverse range of medical specialties requiring accurate, real time results to enable rapid clinical decisions in the area of human diagnostics. The current customer focus of our medical products include: physicians' office practices across multiple specialties, urgent care, outpatient and walk-in clinics (free-standing or hospital-connected), health screening operations, home care providers (national, regional or local), nursing homes, ambulance companies, oncology treatment clinics, dialysis centers, pharmacies, hospital laboratories, military installations (ships, field hospitals and mobile care units) pharmaceutical clinical trials and cruise ship lines. Revenues in the medical market accounted for 16%, 17% and 17% of our total revenues for fiscal 2017, 2016 and 2015, respectively.

Products

Our point-of-care products in the medical market consist of our Piccolo chemistry analyzers and consumable products, as described below.

Piccolo Chemistry Analyzers. We develop, manufacture and sell the Piccolo Xpress chemistry analyzer for use in human patient care to provide clinicians with rapid blood constituent measurements. The Piccolo Xpress chemistry analyzer provides on the spot routine multi-chemistry and electrolyte results using a small patient sample size in any treatment setting. The Piccolo Xpress chemistry analyzer can be operated with minimal training and performs multiple routine general chemistry tests on whole blood, serum or plasma samples. The system provides test results in approximately 12 minutes with precision and accuracy comparable to a clinical laboratory analyzer. The Piccolo Xpress analyzer has a sophisticated Intelligent Quality Control (iQC) system and proprietary algorithms that assure quality and dependable results. We continue to support and service previous versions of our Piccolo chemistry analyzers.

Piccolo Profiles. We manufacture the Piccolo profiles used with the Piccolo chemistry analyzers. The Piccolo profiles are packaged as single-use medical reagents, configured to aid in disease diagnosis or monitor disease treatment. We offer 16 multi-test reagent disc products in the medical market. The reagent discs offered with our Piccolo chemistry analyzers are as follows:

Piccolo Profiles	Description of the Test Panels
AmLyte13	ALB, ALT, AMY, AST, BUN, Ca, CK, CRE, CRP, GLU, K+, Na+, TBIL
Basic Metabolic Panel (CLIA waived)	BUN, CA, CL-, CRE, GLU, K+, NA+, tCO_2.
Basic Metabolic Panel Plus	BUN, CA, CL-, CRE, GLU, K+, LD, MG, NA+, tCO_2.
BioChemistry Panel Plus[1]	ALB, ALP, ALT, AMY, AST, BUN, CA, CRE, CRP, GGT, GLU, TP, UA.
Comprehensive Metabolic Panel (CLIA waived)	ALB, ALP, ALT, AST, BUN, CA, CL-, CRE, GLU, K+, NA+, TBIL, tCO_2, TP.
Electrolyte Panel (CLIA waived)	CL-, K+, NA+, tCO_2.
General Chemistry 6 (CLIA waived)	ALT, AST, BUN, CRE, GGT, GLU.
General Chemistry 13 (CLIA waived)	ALB, ALP, ALT, AMY, AST, BUN, CA, CRE, GGT, GLU, TBIL, TP, UA.
Hepatic Function Panel	ALB, ALP, ALT, AST, DBIL, TBIL, TP.
Kidney Check (CLIA waived)[1]	BUN, CRE.
Lipid Panel (CLIA waived)	CHOL, CHOL/HDL RATIO, HDL, LDL, TRIG, VLDL.
Lipid Panel Plus (CLIA waived)	ALT, AST, CHOL, CHOL/HDL RATIO, GLU, HDL, LDL, TRIG, VLDL.
Liver Panel Plus (CLIA waived)	ALB, ALP, ALT, AMY, AST, GGT, TBIL, TP.
MetLac 12 Panel (1)	ALB, BUN, CA, CL-, CRE, GLU, K+, LAC, MG, NA+, PHOS, tCO_2.
MetLyte 8 Panel (CLIA waived)	BUN, CK, CL-, CRE, GLU, K+, NA+, tCO_2.
MetLyte Plus CRP (1)	BUN, CK, CL-, CRE, CRP, GLU, K+, NA+, tCO_2.
Renal Function Panel (CLIA waived)	ALB, BUN, CA, CL-, CRE, GLU, K+, NA+, PHOS, tCO_2.

(1) The panel is offered only on our Piccolo Xpress.

"CLIA waived" means the U.S. Food and Drug Administration ("FDA") has categorized the test as having waived status with respect to the Clinical Laboratory Improvement Amendments of 1988 ("CLIA"). See "Government Regulation" in this section for additional information on CLIA.

Veterinary Market

Customer Base

In the veterinary market, our VetScan products serve a worldwide customer group consisting of companion animal hospitals, animal clinics with mixed practices of small animals, birds and reptiles, equine and bovine practitioners, veterinary emergency clinics, veterinary referral hospitals, universities, government, pharmaceutical companies, biotechnology companies and private research laboratories. Revenues in the veterinary market accounted for 82%, 81% and 81% of our total revenues for fiscal 2017, 2016 and 2015, respectively.

Products

Our product and service offerings in the veterinary market are described below.

VetScan Point-of-Care Blood Chemistry Instruments. We develop, manufacture and sell the VetScan VS2 chemistry analyzers in the veterinary market segment. The VetScan VS2 is a chemistry, electrolyte, immunoassay and blood gas analyzer that delivers results from a sample of whole blood, serum or plasma. The VetScan VS2 chemistry analyzer utilizes Intelligent Quality Control (iQC), consisting of a series of automatic checks that verify the chemistry, optics and electronic functions of the analyzer during each run and ensures that operators in a wide range of environments report only accurate and reliable results. The system can be operated with minimal training and performs multiple routine general chemistry tests on whole blood, serum or plasma samples. We continue to support and service previous versions of our VetScan chemistry analyzers.

VetScan Profiles. The VetScan chemistry analyzers use consumables that we manufacture. The VetScan profiles are packaged as single-use plastic veterinary reagent discs. Each reagent disc contains a diluent and all the profiles necessary to perform a complete multi-chemistry blood analysis. We offer 13 multi-test reagent disc products used in our VetScan chemistry analyzers in the veterinary market as described below.

- *Avian/Reptilian Profile Plus* is ideal for measuring analytes that represent the most important areas of concern in avian and reptilian patients.
- *Canine Wellness Profile including Heartworm* is ideal for performing a comprehensive wellness chemistry panel and testing for heartworm antigen simultaneously, running wellness exams on canines greater than 6 months of age, implementing a comprehensive wellness program or streamlining existing wellness programs while increasing profit and cost savings and reducing technician time. The panel is offered only on our VetScan VS2.
- *Comprehensive Diagnostic Profile* is ideal for providing complete chemistry and electrolyte analysis for pre-anesthetic, general health, ill patient, geriatric and wellness testing.
- *Critical Care Profile Plus* is ideal for serial testing, rechecks, fluid therapy and monitoring hospitalized patients.
- *Electrolyte Profile Plus* is ideal for regulation of acid/base and osmotic balance for baseline on hospitalized patients. The Electrolyte Plus provides important information for monitoring fluid therapy and acid-base values.
- *Equine Profile Plus* is ideal for routine equine checkups, wellness testing, ill patient diagnostics and pre-purchase examinations for equine hospitals, ambulatory practitioners, critical care units and mixed animal hospitals.
- *Kidney Profile Plus* is ideal for kidney evaluation and monitoring in cats and dogs of all ages, implementing and streamlining renal function monitoring protocol. The panel is offered only on our VetScan VS2.
- *Large Animal Profile* is ideal for herd health assessment and monitoring, prognostic indicator and diagnostic tool for beef and dairy cattle.
- *Mammalian Liver Profile* is ideal for obtaining baseline liver values, diagnosis and monitoring of hepatic disease and monitoring hepatic function while administering nonsteroidal anti-inflammatory drugs (NSAIDs) or other potentially hepatotoxic medications.
- *Phenobarbital Profile* is ideal for monitoring the level of phenobarbital treatment to achieve maximal seizure control while avoiding harmful side effects. The Phenobarbital Profile evaluates the level of phenobarbital, and provides additional liver values all in one panel.
- *Prep Profile II* is a basic health screen for pre-anesthetic evaluation and testing minimal values for baselines of young, healthy patients or recheck profile for some disease states. The Prep Profile II provides important information for renal, hepatic, and diabetic patients being hospitalized, monitored, or undergoing long-term treatment.
- *Preventive Care Profile Plus* is ideal for providing thorough chemistry and a complete electrolyte analysis for pre-anesthetic, general health, ill patient, geriatric and wellness testing.
- *Thyroxine (T4) / Cholesterol Profile* is ideal for routine screening of hypothyroidism in dogs and diagnostic for hyperthyroidism in cats, titrating and monitoring patients on thyroid hormone replacement therapy or patients being treated for hyperthyroid disease.

Hematology Instruments and Consumables. We market and distribute VetScan hematology instruments and related consumables. Our VetScan HM5 is a fully automated five-part cell counter offering a comprehensive 22-parameter complete blood count analysis, including direct eosinophil counts and eosinophil percentage, specifically designed for veterinary applications in veterinary clinics, research laboratories, pharmaceutical and biotech companies.

We currently purchase the VetScan HM5 hematology instruments from Diatron MI PLC (''Diatron'') of Budapest, Hungary. We also continue to support and service our previous versions and current population of hematology instruments comprised of VetScan HM2, VetScan HMII and VetScan HMT. Our VetScan hematology instruments use consumables consisting of hematology reagent kits that we currently purchase from Clinical Diagnostic Solutions, Inc. and Diatron.

VS*pro* Specialty Analyzers and Consumables. We market and distribute VetScan VS*pro*, an on-site specialty analyzer, and related consumables. The VS*pro* specialty analyzer assists in the diagnosis and evaluation of suspected bleeding disorders, toxicity/poisoning, evaluation of disseminated intravascular coagulation, hepatic disease and in monitoring therapy and the progression of disease states. We offer two tests, a PT/aPTT combination test and a fibrinogen test, which are used with the VetScan VS*pro* specialty analyzer, as described below.

- The VetScan VS*pro* Coagulation Test includes the evaluation of both the prothrombin time (PT) and the Activated Partial Thromboplastin Time (aPTT). A combination assay (PT and aPTT) for canine and feline coagulation testing is used with the VS*pro* specialty analyzer to provide results from a single drop of citrated whole blood in minutes prior to surgery.
- The VetScan VS*pro* Fibrinogen Test provides quantitative in-vitro determination of fibrinogen levels in equine platelet poor plasma from a citrated stabilized whole blood sample. Fibrinogen is an important parameter that is commonly tested and evaluated as a marker of inflammation in many species, primarily equine and large animals.

We currently purchase the specialty analyzers and related consumables from Scandinavian Micro Biodevices APS (''SMB'') of Farum, Denmark. SMB was recently acquired by Zoetis Inc.

i-STAT Instruments and Consumables. We market and distribute VetScan i-STAT analyzers and related consumables. Our VetScan i-STAT is a handheld analyzer used to deliver accurate blood gas, electrolyte, chemistry and hematology results in minutes from 2-3 drops of whole blood. The VetScan i-STAT offers a variety of disposable, single-use cartridges (10) including tests for acid/base analysis, blood gases, chemistry, hematology, electrolytes, and some specialty tests including Lactate, ACT and Cardiac Troponin I. These cartridges are configured with parameters that can give a clear patient's condition depending on the clinical situation. The VetScan i-STAT has reference ranges for cats, dogs and horses. We currently purchase the VetScan i-STAT analyzers and related consumables from Abbott.

Rapid Tests. In the veterinary market, our VetScan Rapid Test product line consists of individual rapid tests that aid in the detection of various specific diseases. The lateral flow immunoassay technology in the rapid tests provides immediate results. We offer the following VetScan Rapid Tests in the veterinary market, as described below.

- The VetScan Canine Anaplasma Rapid Test is a highly sensitive and specific test for the detection of antibodies to *A. phagocytophilum and/or A. platys* in canine whole blood, serum or plasma.
- The VetScan Canine Ehrlichia Rapid Test is a rapid test for the qualitative detection of antibodies to *E. canis, E. chaffeensis, and/or E. ewingii* in canine whole blood, serum or plasma.
- The VetScan Feline FeLV/FIV Rapid Test is a rapid test for the detection of antibodies to Feline Immunodeficiency Virus and Antigen to Feline Leukemia Virus in feline whole blood, serum or plasma.
- The VetScan Canine Heartworm Rapid Test is a rapid test for the qualitative detection of *Dirofilaria immitis* in canine or feline whole blood, serum or plasma.
- The VetScan Canine Lyme Rapid Test is a rapid test for the qualitative detection of antibodies to *Borrelia burgdorferi* in canine whole blood, serum or plasma.
- The VetScan Canine Parvovirus Rapid Test is a rapid test for the qualitative detection of canine parvovirus antigen in feces. It uses a unique combination of monoclonal antibodies that detects parvovirus antigens in feces, allowing the veterinarian to screen for and diagnose the infection.
- The VetScan Giardia Rapid Test is a rapid test for the qualitative detection of Giardia cyst antigens in canine feces.

We currently purchase substantially all of the VetScan Rapid Tests from SA Scientific Co. in the United States.

Services

AVRL. We sold our entire AVRL business, which provided veterinary reference laboratory diagnostic and consulting services for veterinarians in the United States to Antech, which transaction closed on March 31, 2015. In connection with this sale of assets, we terminated our strategic alliance with Kansas State University, K-State Veterinary Diagnostic Lab and Kansas State University Institute for Commercialization (formerly known as National Institute for Strategic Technology Acquisition and Commercialization), to provide veterinary diagnostic and laboratory testing and related services.

Other

We also generate revenues from the sale of products using our patented Orbos Discrete Lyophilization Process (the "Orbos process") to companies for other applications. The Orbos process involves flash-freezing a drop of liquid reagent to form a solid bead and then freeze-drying the bead to remove water. The Orbos beads are stable in dry form and dissolve rapidly in aqueous solutions. The dry reagents used in our reagent discs are produced using the Orbos process. This process allows the production of a precise amount of active chemical ingredient in the form of a soluble bead. We believe that the Orbos process has broad applications in products where delivery of active ingredients in a stable, pre-metered format is desired.

We have a supply contract with Becton, Dickinson and Company ("BD") for products using the Orbos process. In January 2011, we entered into a ten year supplier agreement with Becton, Dickinson and Company to supply products using Abaxis' patented Orbos process. In our agreement, BD will be subject to purchase minimum quantities on an annual basis to maintain specified pricing based on volume purchasing during each calendar year 2011 through 2021. Actual purchases by BD in the future will be based on their demand, and therefore, may vary from period to period. The agreement will expire in January 2021 and can be extended. From time to time, we license the technology underlying the Orbos process to third parties. Revenues from these arrangements, however, are unpredictable.

Sales and Marketing

We market and sell our products worldwide by maintaining direct sales forces and through independent distributors. We primarily sold our veterinary reference laboratory diagnostic and consulting services in the United States through our direct sales force. Our sales force is primarily located in the United States. Abaxis Europe GmbH, our wholly-owned subsidiary in Germany, markets and distributes diagnostic systems for medical and veterinary uses in the European markets. Abaxis Asia, our wholly-owned subsidiary in Hong Kong, markets and distributes diagnostic systems for medical and veterinary uses in the Asia Pacific markets. Sales and marketing expenses were $45.2 million, $42.5 million and $42.1 million, or 20%, 19% and 21% of our total revenues in fiscal 2017, 2016 and 2015, respectively. Starting in the third quarter of fiscal 2015, Abaxis UK, our wholly-owned subsidiary in the United Kingdom, distributes laboratory instrumentation and consumables to the veterinary profession in the United Kingdom. Abaxis UK was formed by our acquisition of Quality Clinical Reagents Limited and Trio Diagnostics (Ireland) Ltd in November 2014.

Distribution within North America

Medical Market

For our products in the human medical market, we employ primarily independent distributors to market our products. Starting in January 2013, we transitioned the majority of our medical product sales to Abbott as our exclusive distributor in the medical market. Pursuant to our Exclusive Agreement with Abbott (the "Abbott Agreement"), Abbott obtained the exclusive right to sell and distribute our Piccolo Xpress chemistry analyzers and associated consumables in the professionally-attended human healthcare market in the United States and China (including Hong Kong). Effective September 2013, we amended the Abbott Agreement to limit Abbott's territory under such agreement to the United States. Under the Abbott Agreement, we have certain responsibilities for providing technical support and warranty services to Abbott in support of its marketing and sales efforts. The initial term of the Abbott Agreement ends on December 31, 2017, and after the initial term, the Abbott Agreement renews automatically for successive one-year periods unless terminated by either party based upon a notice of non-renewal six months prior to the then-current expiration date. Abbott accounted for 10%, 10% and 11% of our total worldwide revenues in fiscal 2017, 2016 and 2015, respectively.

We will continue to sell and distribute these medical products outside of the market segments as to which Abbott has exclusive rights. Under our Abbott Agreement, we will continue to sell and distribute to Catapult Health LLC and specified customer segments in the United States, including pharmacy and retail store clinics, shopping malls, contract research organizations and cruise ship lines.

Veterinary Market

For our products in the veterinary market, we employ a combination of direct sales and independent distributors. Veterinarians are served typically by local distributors, some with national affiliations. We work with various independent distributors to sell our instruments and consumable products. In the United States, our distributors include, among others, Henry Schein Animal Health, Merritt Veterinary Supplies, Inc., MWI Veterinary Supply, Inc. (''MWI''), Northeast Veterinary Supply, Patterson Companies, Inc. (including both Patterson's veterinary business and Animal Health International, Inc., as a result of Patterson's acquisition of Animal Health International in our second quarter of fiscal 2016) and Penn Veterinary Supply, Inc. In Canada, our distributors of veterinary products include Associated Veterinary Purchasing Co. Ltd., CDMV, Midwest Veterinary Purchasing Cooperative Ltd., Veterinary Purchasing Company Limited and Western Drug Distribution Center Limited.

In September 2012, we entered into a non-exclusive distributor agreement with MWI. MWI accounted for 21%, 20% and 19% of our total worldwide revenues in fiscal 2017, 2016 and 2015, respectively. Starting in the second quarter of fiscal 2016, our revenues from Patterson Companies, Inc. include both Patterson's veterinary business and Animal Health International, Inc., as a result of Patterson's acquisition of Animal Health International, Inc. Patterson Companies, Inc. accounted for 11% and 11% of our total worldwide revenues in fiscal 2017 and 2016, respectively. Starting in fiscal 2016, our revenues from Henry Schein, Inc., include both Henry Schein Animal Health and scil animal care company GmbH, as a result of Henry Schein Inc.'s acquisition of scil animal care company GmbH in Europe. Henry Schein, Inc. accounted for 14% and 13% of our total worldwide revenues in fiscal 2017 and 2016, respectively.

In addition to selling through distributors, we also directly supply our VetScan products to large group purchasing organizations, hospital networks and other buying groups in the United States, such as Veterinary Centers of America (''VCA''), a veterinary hospital chain in North America that operates more than 700 animal hospitals. In May 2014, we entered into a product supply agreement with VCA to supply our VetScan chemistry analyzers and diagnostic reagent discs for placement at VCA's animal hospitals located in North America. In May 2014, we entered into a non-exclusive co-marketing agreement with VCA's Antech Diagnostic laboratory services to supply our VetScan chemistry analyzers in combination with Antech Diagnostic laboratory services as a diagnostic solution to serve veterinary practices throughout North America. In the third quarter of fiscal 2016, we also entered into a five-year supply agreement with Banfield Pet Hospital, an organization with more than 900 pet hospitals within the United States and Puerto Rico. Under our supply agreement, we provide our VetScan hematology analyzers and associated consumables to all of Banfield's pet hospital locations, for which installation and training began in April 2016 and was completed at the end of September 2016.

Distribution Outside of North America

Our medical and veterinary products are sold worldwide. For reporting purposes, we organize our operations outside of North America as follows: Europe and Asia Pacific and rest of the world. International revenues accounted for approximately 20%, 20% and 19% of our revenues in fiscal 2017, 2016 and 2015, respectively. Maintaining and expanding our international presence is an important component of our long-term growth strategy. Internationally, we use primarily distributors who offer our medical or veterinary diagnostic products in certain countries and markets. Our international sales and marketing objectives include identifying and defining the market segments in each country by product and then focusing on specific objectives for each segment in each country. These specific objectives include modification and expansion of distribution and distributor training and monitoring to ensure the attainment of sales goals.

We currently have distributors that carry either our medical or veterinary products in the following countries: Australia, Austria, Belgium, Czech Republic, Denmark, France, Germany, Hong Kong, India, Indonesia, Israel, Italy, Japan, Korea, the Netherlands, New Zealand, Portugal, Romania, Russia, Singapore, Spain, Switzerland, Turkey, the United Arab Emirates and the United Kingdom. Our distributor in each of these countries is responsible for obtaining the necessary approvals to sell our new and existing products. A discussion of the risks associated with our international revenues is included in Item 1A of this Annual Report. Revenues in Europe accounted for 14%, 14%

and 15% of our total revenues for fiscal 2017, 2016 and 2015, respectively. Revenues in Asia Pacific and rest of the world accounted for 6%, 6% and 4% of our total revenues for fiscal 2017, 2016 and 2015, respectively.

Manufacturing and Suppliers

We manufacture our Piccolo and VetScan blood chemistry instruments and the associated reagent discs at our facility located in Union City, California. We utilize standardized manufacturing processes, quality control and cost reduction and inventory management programs for our manufacturing operations. We continue to review our operations and facilities in an effort to reduce costs, increase manufacturing capacity and increase efficiencies. Our manufacturing activities are concentrated in the following three primary areas:

- *Point-of-Care Blood Chemistry Instruments*: Our Piccolo and VetScan systems employ a variety of components designed or specified by us, including a variable speed motor, microprocessors, a liquid crystal display, a printer, a spectrophotometer and other electronic components. These components are manufactured by several third-party suppliers that have been qualified and approved by us and then assembled by our contract manufacturers. The components are assembled at our facility into the finished product and completely tested to ensure that the finished product meets product specifications. Our blood analyzer products use several technologically-advanced components that we currently purchase from a limited number of suppliers, including certain components from our single-source supplier, Hamamatsu Corporation. Our analyzers also use a printer that is primarily made by Advanced Printing Systems.

- *Reagent Discs*: The molded plastic discs used in the manufacture of the reagent disc are manufactured to our specifications by established injection-molding manufacturers. To achieve the precision required for accurate test results, the discs must be molded to very strict tolerances. To date, we have qualified two injection-molding manufacturers, Balda C. Brewer, and Nypro, Inc., a subsidiary of Jabil Circuit, to make the molded plastic discs that, when loaded with reagents and welded together, form our reagent disc products. We assemble the reagent discs by loading the molded plastic discs with reagents and then ultrasonically welding together the top and bottom pieces.

- *Reagent Beads and Reagents*: Our reagent discs contain dry reagent chemistry beads and diluents to perform blood analyses. Lateral flow rapid tests contain reagents and diluents necessary to perform blood analyses. We purchase chemicals from third-party suppliers and formulate the raw materials, using proprietary processes, into beads at the proper concentration and consistency to facilitate placement in the reagent disc and provide homogeneous dissolution and mixing when contacted by the diluted sample. We are dependent on the following companies as single source providers of one or more chemicals that we use in the reagent production process: Amano Enzyme USA Co., Ltd., Kikkoman Corporation Biochemical Division, Microgenics Corporation, a division of Thermo Fisher Scientific, Roche Molecular Biochemicals of Roche Diagnostics Corporation, a division of F. Hoffmann-La Roche, Ltd., SA Scientific Co., Sekisui Diagnostics, Sigma Aldrich Inc. and Toyobo Specialties.

Although we believe that there may be potential alternate suppliers available for these critical components, to date we have not qualified additional vendors beyond those referenced above and cannot assure you that we would be able to enter into arrangements with additional vendors on favorable terms, or at all. We primarily operate on a purchase order basis with most of our suppliers and, therefore, these suppliers are under no contractual obligation to supply us with their products or to do so at specified prices.

In our veterinary market, we also market instruments and consumables that are manufactured by third parties and we rely on third parties to supply us with these specific products. These original manufacturer-supplied products are currently available from limited sources as discussed below.

- *Hematology Instruments and Reagent Kits:* Our VetScan hematology instruments are manufactured by Diatron in Hungary and are purchased by us as a completed instrument. In addition, we currently have qualified two suppliers to produce the reagent kits for our hematology instruments: Clinical Diagnostic Solutions, Inc. and Diatron.

- *VSpro Specialty Analyzers and Cartridges:* Our VetScan VS*pro* specialty analyzers and cartridges are manufactured by SMB in Denmark and are purchased by us as completed products. SMB was recently acquired by Zoetis Inc.

- *i-STAT Analyzers and Cartridges:* The VetScan i-STAT 1 analyzers and cartridges are manufactured by Abbott and are purchased by us as completed products. We are subject to minimum purchase and minimum

sales requirement if we want to maintain as an exclusive distributor of the related products. The initial term of the agreement ended in December 2014. After this initial term, our agreement continues automatically for successive one-year periods unless terminated by either party.

- *Rapid Tests:* Substantially all of our VetScan Rapid Tests are manufactured by a single source supplier, SA Scientific Co., located in the United States.

For the suppliers of original equipment manufactured products with which we have long-term contracts, there can be no assurance that these suppliers will always fulfill their obligations under these contracts, or that any suppliers will not experience disruptions in their ability to supply our requirements for products. In addition, under some contracts with suppliers we have minimum purchase obligations and our failure to satisfy those obligations may result in loss of some or all of our rights under these contracts.

We generally operate with a limited order backlog because our products are typically shipped shortly after orders are received. As a result, product sales in any quarter are generally dependent on orders booked and shipped in that quarter.

Competition

Competition in the human medical and veterinary diagnostic markets is intense. The diagnostic market is a well-established field in which there are a number of competitors that have substantially greater financial resources and larger, more established marketing, sales and service organizations than we do. We compete primarily with the following organizations: commercial clinical laboratories, hospitals' clinical laboratories and manufacturers of bench top multi-test blood analyzers and other testing systems that health care providers can use at the point of care.

Historically, hospitals and commercial laboratories perform most of the human diagnostic testing, and veterinary specialized commercial laboratories perform most of the veterinary medical testing. We have identified five principal factors that we believe customers typically use to evaluate our products and those of our competitors. These factors include the following: range of tests offered, immediacy of results, cost effectiveness, ease of use and reliability of results. We believe that we compete effectively on each of these factors except for the range of tests offered. Clinical laboratories are effective at processing large panels of tests using skilled technicians and complex equipment. Currently, while our offering of instruments and reagent discs does not provide the same broad range of tests as hospitals and commercial laboratories, we believe that in certain markets, our products provide a sufficient breadth of test menus to compete successfully with clinical laboratories given the advantages of our products with respect to the other four factors.

Our principal competitors in the point-of-care human medical diagnostic market are Alere Inc., Alfa Wassermann S.P.A., Ortho Clinical Diagnostics, Inc. and F. Hoffmann-La Roche Ltd. Additionally, in certain segments of the human medical diagnostic market, we compete with Abbott's i-STAT division. Many of our competitors in the human medical diagnostic market have significantly larger product lines to offer and greater financial and other resources than we do. In particular, many of these competitors have large sales forces and well-established distribution channels and brand names.

Our principal competitors in the veterinary diagnostic market are Idexx Laboratories, Inc. and Heska Corporation. Idexx has a larger veterinary product and service offering than we do and a large sales infrastructure network and a well-established brand name.

Government Regulation

Regulation by governmental authorities in the U.S. and foreign countries is a significant factor in the manufacture and marketing of our current and future products and in our ongoing product research and development activities. We are not required to comply with all of the FDA government regulations applicable to the human medical market when manufacturing our VetScan products; however, we intend for all of our manufacturing operations to be compliant with the Quality System Regulation to help ensure product quality and integrity regardless of end use or patient. As we continue to sell in foreign markets, we may have to obtain additional governmental clearances in those markets. The government regulations for our medical and veterinary products vary.

FDA Regulation of Human Medical Devices

Our Piccolo products are in vitro diagnostic medical devices subject to regulation by the FDA, under the Federal Food, Drug, and Cosmetic Act ("FDCA"). Medical devices, to be commercially distributed in the United States, must

receive either 510(k) premarket clearance or Premarket Approval (‘‘PMA’’) from the FDA prior to marketing. Devices deemed to pose relatively less risk are placed in either class I or II, which generally requires the manufacturer to submit a premarket notification requesting permission for commercial distribution; this is known as 510(k) clearance. Most lower risk, or class I, devices are exempted from this requirement. Devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life supporting or implantable devices, or devices deemed not substantially equivalent to a previously 510(k) cleared device or a preamendment class III device for which PMA applications have not been called, are placed in class III requiring PMA approval. The FDA has classified our Piccolo products as class I or class II devices, depending on their specific intended uses and indications for use.

To obtain 510(k) clearance, a manufacturer must submit a premarket notification demonstrating that the proposed device is substantially equivalent in intended use, principles of operation, and technological characteristics to a previously 510(k) cleared device or a device that was in commercial distribution before May 28, 1976 for which the FDA has not called for submission of PMA applications. The FDA’s 510(k) clearance pathway usually takes from three to six months, but it can take longer. After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance or could require a PMA approval.

As of March 31, 2017, we currently have received FDA premarket clearance for our Piccolo chemistry analyzer and 27 reagent tests that we have on 17 reagent discs. We are currently developing additional tests that we will have to clear with the FDA through the 510(k) notification process. The FDA may disagree with our assessment and require us to seek PMA approval or require us to meet significant postmarketing requirements.

Our Piccolo products are also subject to the Clinical Laboratory Improvement Amendments of 1988 (‘‘CLIA’’). The current CLIA regulations divide laboratory tests into three categories: ‘‘waived,’’ ‘‘moderately complex’’ and ‘‘highly complex.’’ We currently offer Basic Metabolic Panel, Comprehensive Metabolic Panel, Electrolyte Panel, General Chemistry 6, General Chemistry 13, Kidney Check, Lipid Panel, Lipid Panel Plus, Liver Panel Plus, MetLyte 8 Panel and Renal Function Panel tests under waived status, which permits personnel not subject to CLIA imposed training requirements to run the Piccolo chemistry analyzer using these tests and thus allows for marketing to more sites (doctors’ offices and other point-of-care environments that maintain a CLIA certificate of waiver) than our other products that are subject to the other categories. For example, six of the panels performed using the Piccolo system are in the ‘‘moderately complex’’ category. This category requires that any location in which testing is performed be certified as a laboratory. Hence, we can only sell some Piccolo products to customers who meet the standards of a laboratory, which requires a testing facility to be certified by the Centers for Medicare and Medicaid Services, or CMS, and meet the CLIA regulations. As a result, the market for these non-waived products is more limited.

In March 2014, the FDA granted CLIA waived status for fingerstick draw for total cholesterol, high-density lipoprotein cholesterol and triglycerides blood tests. As a result, combined with existing CLIA waived tests for liver diagnostics and glucose using fingerstick samples, we now have two complete lipid panels that can be used by healthcare professionals to diagnose, treat and monitor hyperlipidemia patients using a sample obtained from either venous blood or a fingerstick draw. This enables U.S. healthcare professionals to perform lipid and liver diagnostics, as well as measure glucose levels with a simple fingerstick using the Piccolo chemistry analyzer.

USDA Licensure of Veterinary Biologics

Our rotor-based Canine Heartworm Antigen Test (‘‘CHW’’) and our lateral flow tests, including Canine Borrelia Burgdorferi Antibody Test Kit (rapid test for Lyme disease in dogs), Canine Ehrlichia Antibody Test Kit and Canine Anaplasma Test Kit, are regulated as veterinary biologics under the Virus, Serum, and Toxin Act of 1913. Both tests require licensure of both the product and manufacturing facilities. Biologics products are subject to more extensive testing to establish their purity, safety, potency, and efficacy and any failure to comply with the United States Department of Agriculture’s Animal and Plant Health Inspection Service (APHIS) Center for Veterinary Biologics (‘‘CVB’’) licensure or post-marketing approval requirements can result in the inability to obtain and maintain required licenses for our products and there can be no assurances that our products can be maintained to the required quality levels necessary to continue to market these products. In addition, we are currently developing additional tests that will be subject to CVB licensure as veterinary biologics and licensure under CVB cannot be assured for these products.

Manufacturing and International Regulations

The 1976 Medical Device Amendments also require us to manufacture our Piccolo products in accordance with Good Manufacturing Practices guidelines. Current Good Manufacturing Practice requirements are set forth in the FDA's Quality System Regulation. These requirements regulate the methods used in, and the facilities and controls used for the design, manufacture, packaging, storage, installation and servicing of our medical devices intended for human use. Our manufacturing facility is subject to periodic inspections. In addition, various state regulatory agencies may regulate the manufacture of our products.

Federal, state, local and international regulations regarding the manufacture and sale of health care products and diagnostic devices may change. In addition, as we continue to sell in foreign markets, we may have to obtain additional governmental clearances in those markets. To date, we have complied with what we believe to be all applicable federal, state, local and international regulatory requirements and standards, including those of the FDA, USDA, State of California Food and Drug Branch and International Organization for Standardization for medical devices.

Research and Development

We are focused on the development of new products and on improvements to existing products. Research and development activities relate to development of new tests and test methods, clinical trials, product design and development, product improvements, optimization and enhancement of existing products and expenses related to regulatory and quality assurance.

Development of tests for point-of-care diagnostics will be targeted at specific applications based on fulfilling clinical needs. In September 2016, we completed the development of our connectivity product, the VetScan FUSE, which is currently in beta-testing. The VetScan FUSE is a web-based integration system that provides connectivity between our point-of-care diagnostic instruments and the veterinary practice management systems. During fiscal 2017, in the veterinary market, we also launched the following three reagent disc products, Electrolyte Plus, Preventative Care Profile Plus and Phenobarbital Panel, all of which are used in our VetScan chemistry analyzers.

As part of our product portfolio expansion strategies, during fiscal 2018, we expect to launch a new point-of-care urine sediment analyzer into the veterinary market, as well as a new point-of-care urine chemistry analyzer. Additionally, in fiscal 2018, we expect to launch the VetScan Canine Pancreatic Lipase Rapid Test, a rapid test for the detection of pancreas-specific lipase in canine serum or plasma.

Our research and development expenses, which consist of personnel costs, consulting expenses and materials and related expenses, were $19.8 million, $18.4 million and $16.3 million, or 9%, 8% and 8% of our total revenues, in fiscal 2017, 2016 and 2015, respectively. Research and development expense as a percentage of total revenues remained consistent over the same periods, reflecting our continued commitment to invest in long-term growth opportunities.

We anticipate that we will continue to make expenditures for research and development as we seek to provide new products to maintain and improve our competitive position. We will continue to develop new products that we believe will provide further opportunities for growth in the human medical and veterinary markets.

Patents, Proprietary Technologies and Licenses

Our products sold in both the medical and veterinary markets are based on complex, rapidly-developing technologies. These technologies are covered by patents that we own. Our practice is to obtain patent protection on our products and processes where possible.

We have pursued the development of a patent portfolio to protect our proprietary technology. Our policy is to file patent applications to protect technology, inventions and improvements that are important to the development of our business. As of March 31, 2017, 86 patent applications have been filed on our behalf with the United States Patent and Trademark Office, of which 47 patents have been issued and 19 patents are currently active. The expiration dates of our active patents with the United States Patent and Trademark Office range from December 2017 to October 2034. In addition, we have 23 issued and active foreign patents and 65 foreign patent applications pending, of which one is a Patent Cooperation Treaty international application to be filed nationally in foreign countries.

We protect trade secrets, trademarks, know-how, continuing technological innovations and licensing opportunities to develop and maintain our competitive position. Our success depends in part on obtaining patent protection for our

products and processes, preserving trade secrets, patents and trademarks, operating without infringing the proprietary rights of third parties, and acquiring licenses for technology or products.

In the future, we may enter into license agreements or other arrangements with third parties relating to various aspects of our products as necessary. In the past, some of our existing products were manufactured or sold under the terms of license agreements that required us to pay royalties to the licensor based on the sales of products containing the licensed technology. From January 2009 to February 2015, we licensed co-exclusively certain worldwide patent rights related to lateral flow immunoassay technology in the field of animal health diagnostics in the professional marketplace from Alere. The license agreement enabled us to develop and market products under rights from Alere in the animal health and laboratory animal research markets. Effective February 2015, we terminated our license agreement with Alere as the licensed patents that we used had expired. While it may be necessary in the future to seek or renew licenses relating to various aspects of our products, we believe, based upon past experience and industry practice, such licenses generally can be obtained on commercially reasonable terms.

Employees

As of March 31, 2017, we had 584 full-time employees. None of our employees is covered by a collective bargaining agreement and we consider our relations with our employees to be good.

Financial Information About Geographic Areas

For a description of our revenue and long-lived assets by geographic location, see Note 21 to the Consolidated Financial Statements in Part II, Item 8 of this report. See ''Risk Factors'' in Part I, Item 1A below for information regarding risks associated with our international operations.

Information Available to Investors

The Company's website is www.abaxis.com. This Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments hereto and thereto are made available without charge on the Investor Relations section of our website, filed under ''SEC Filings''. These materials are available on the website as soon as reasonably practicable after filing these materials with, or furnishing them to, the Securities and Exchange Commission. In addition, copies of our reports, proxy statements and other information filed electronically with the SEC may be accessed at http://www.sec.gov. The public may also submit a written request to the SEC, Office of FOIA/PA Operations, 100 F Street, NE, Washington, DC 20549. This information may also be obtained by calling the SEC at 202-551-8300, by sending an electronic message to the SEC at publicinfo@sec.gov or by sending a fax to the SEC at 202-772-9337.

Item 1A. Risk Factors

RISK FACTORS

Our future performance is subject to a number of risks. If any of the following risks actually occur, our business could be harmed and the trading price of our common stock could decline. In evaluating our business, you should carefully consider the following risks in addition to the other information in this Annual Report on Form 10-K. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. It is not possible to predict or identify all such factors and, therefore, you should not consider the following risks to be a complete statement of all the potential risks or uncertainties that we face.

Our facilities and manufacturing operations are vulnerable to interruption as a result of natural disasters, system failures and other business disruptions. Any such interruption may harm our business.

Our business depends on the efficient and uninterrupted operation of our manufacturing operations, which are co-located with our corporate headquarters in Union City, California. These manufacturing operations are vulnerable to damage or interruption from earthquakes, fire, floods, power loss, telecommunications failures, break-ins and similar events. A failure of manufacturing operations, be it in the development and manufacturing of our Piccolo or VetScan blood chemistry analyzers or the reagent discs used in the blood chemistry analyzers, could result in our inability to supply customer demand. We do not have a backup facility to provide redundant manufacturing capacity in the event of a system failure or other significant loss or problem. Accordingly, if our manufacturing operations in Union City, California were interrupted, we may be required to bring an alternative facility online, a process that could take several weeks to several months or more. The occurrence of a business disruption could harm our revenue

and financial condition and increase our costs and expenses. Although we carry property and business interruption insurance to insure against the financial impact of certain events of this nature, our coverage may not be adequate to compensate us for all losses that may occur.

We face significant competition. We may not be able to compete effectively with larger, more established entities or their products, or with future organizations or future products, which could cause our sales to decline.

The diagnostic market is a well-established field in which there are a number of competitors that have substantially greater financial and operational resources and larger, more established marketing, sales and service organizations than we do. We compete primarily with the following organizations: commercial clinical laboratories, hospitals' clinical laboratories, and manufacturers of bench top multi-test blood analyzers and other testing systems that health care providers can use at the point of care.

Historically, hospitals and commercial laboratories perform most of the human diagnostic testing, and veterinary specialized commercial laboratories perform most of the veterinary medical testing. We have identified five principal factors that we believe customers typically use to evaluate our products and those of our competitors. These factors include the following: range of tests offered, immediacy of results, cost effectiveness, ease of use and reliability of results. We believe that we compete effectively on each of these factors except for the range of tests offered. Clinical laboratories are effective at processing large panels of tests using skilled technicians and complex equipment. Currently, while our offering of instruments and reagent discs does not provide the same broad range of tests as hospitals and commercial laboratories, we believe that in certain markets, our products provide a sufficient breadth of test menus to compete successfully with clinical laboratories given the advantages of our products with respect to the other four factors. In addition, we cannot assure you that we will continue to be able to compete effectively on cost effectiveness, ease of use, immediacy of results or reliability of results. We also cannot assure you that we will ever be able to compete effectively on the basis of range of tests offered.

Our principal competitors in the point-of-care human medical diagnostic market are Alere, Alfa Wassermann S.P.A., Ortho Clinical Diagnostics, Inc. and F. Hoffmann-La Roche Ltd. Additionally, in certain segments of the human medical diagnostic market, we compete with Abbott's i-STAT division. Many of our competitors in the human medical diagnostic market have significantly larger product lines to offer and greater financial and other resources than we do. In particular, many of these competitors have large sales forces and well-established distribution channels and brand names.

Our principal competitors in the veterinary diagnostic market are Idexx Laboratories, Inc. and Heska Corporation. Idexx has a larger veterinary product and service offering than we do and a large sales infrastructure network and well-established brand name. Consequently, we must develop our distribution channels and significantly expand our direct sales force in order to compete more effectively in these markets. If we are unable to effectively manage our distribution channels in our highly competitive industry, we may fail to retain customers or obtain new customers and our business will suffer.

We would fail to achieve anticipated revenues if the market does not accept our products.

We believe that our core compact blood chemistry analyzer product differs substantially from current blood chemistry analyzers on the market. We compete with centralized laboratories that offer a greater number of tests than our products, at a lower cost, but require more time. We also compete with other point-of-care analyzers that often require more maintenance and offer a narrower range of tests. However, these point-of-care analyzers are generally marketed by larger companies which have greater resources for sales and marketing, in addition to a recognized brand name and established distribution relationships.

In the human medical market, we believe that our blood chemistry analyzers offer customers many advantages, including substantial improvements in clinical efficiencies. However, the implementation of point-of-care diagnostics in the current healthcare environment involves changes to current standard practices, such as using large clinical laboratories, and adopting our technology requires a shift in both the procedures and mindset of care providers. The human medical market in particular is highly regulated, structured and subject to government and managed care influences; accordingly, the market can be difficult to penetrate and slower to adapt to new technologies. If we or our distribution partner, Abbott, are unable to convince large numbers of medical clinics, hospitals and other point-of-care environments of the benefits of our Piccolo blood chemistry analyzers and our other products, we could fail to achieve anticipated revenue.

Historically, in the veterinary market, we have marketed our VetScan products through both direct sales and distribution channels to veterinarians. We continue to develop new animal blood tests to expand our product offerings; however, we cannot be assured that these products will be accepted by the veterinary market. Any failure to achieve market acceptance with our current or future products would harm our business and financial condition. Moreover, we may identify new areas for serving our veterinary market customers and our offerings in these areas may not be accepted by the market or achieve our financial goals to increase revenues and profitability at acceptable levels. For example, we sold our AVRL business in March 2015, as it failed to perform to our expectations.

We need to successfully market additional products in the veterinary diagnostic market if we are to compete in that market.

We continue to develop products, such as VetScan FUSE, a web-based integration system that provides connectivity between our point-of-care diagnostic instruments and the veterinary practice management systems; a new point-of-care urine sediment and chemistry analyzers and new animal blood tests to expand our product offerings; however, we cannot be assured that these products will be accepted by the veterinary market. Any failure to achieve market acceptance with our current or future products would harm our business and financial condition.

We are not able to predict sales in future quarters and a number of factors affect our periodic results, which may result in significant variance in our quarterly results of operations and may negatively impact our stock price.

We are not able to accurately predict our sales in future quarters. Our revenues in the medical and veterinary markets are derived primarily by selling to distributors that resell our products to the ultimate user. While we are better able to predict sales of our reagent discs and other consumable products, as we sell these discs primarily for use with our instruments that we sold in prior periods, we generally are unable to predict with much certainty sales of our instruments, as we typically sell our instruments to new users or as an upgrade for to our existing customers, which can fluctuate on a quarterly basis. We generally operate with a limited order backlog, because we ship our products shortly after we receive the orders from our customers. As a result, our product sales in any quarter are generally dependent on orders that we receive and ship in that quarter. Accordingly, our sales in any one quarter or period are not indicative of our sales in any future period.

The sales cycle for our products can fluctuate, which may cause revenue and results of operations to vary significantly from period to period. We believe this fluctuation is primarily due (i) to seasonal patterns in the decision making processes by our independent distributors and direct customers, (ii) to inventory or timing considerations by our distributors and (iii) on the purchasing requirements of the U.S. government to acquire our products. Accordingly, we believe that period to period comparisons of our results of operations are not necessarily meaningful. In the future, our periodic results of operations may vary significantly depending on, but not limited to, a number of factors, including:

- new product or service announcements made by us or our competitors;
- changes in our pricing structures or the pricing structures of our competitors;
- the sales performance of our independent distributors;
- excess inventory levels and inventory imbalances at our independent distributors;
- our ability to develop, introduce and market new products or services on a timely basis, or at all;
- our manufacturing capacities and our ability to increase the scale of these capacities;
- the mix of sales among our instruments and consumable products;
- the amount of our research and development, sales and marketing and general and administrative expenses; and
- changes in our strategies.

As a result, it is likely that in some periods our operating results will not meet investor expectations or those of public market analysts. Any unanticipated change in revenues or operating results is likely to cause our stock price to fluctuate because such changes reflect new information available to investors and analysts. Any fluctuations in our quarterly results may not accurately reflect the underlying performance of our business and could cause a decline in the trading price of our common stock.

A failure to manage the inventory levels of our distributors effectively could adversely affect our revenues, gross margins and results of operations.

We must manage the inventory of our products held by our distributors effectively. Any excess or shortage of inventory held by our distributors could affect our results of operations. Our distributors may increase orders during periods of product shortages and cancel or delay orders if their inventory is too high. They also may adjust their orders in response to the supply of our products, the products of our competitors that are available to them, and in response to seasonal fluctuations in customer demand. Revenues from sales to our distributors generally are recognized based upon shipment of our products to the distributors, net of estimated sales allowances, discounts and rebates. Inventory management remains an area of focus as we balance inventory levels of our instruments and consumables, especially in our United States veterinary market distribution channel, consisting of both national and regional distributors. We must also balance the need to maintain sufficient inventory levels in the distribution channel against the risk of inventory obsolescence because of the shelf life of our consumable products and customer demand. If we ultimately determine that we have excess inventory at our distributors or inventory imbalances in the distribution channel, we may have to reduce our selling prices, which could result in lower gross margins. For example, during the second half of fiscal 2014, as compared to the same period in fiscal 2013, our revenues were adversely impacted in the United States veterinary market by excess channel inventory and inventory imbalances and resulted to a decrease of sales orders from our largest distributors in the veterinary market. The excess channel inventory was the result of our distributors not selling our products to end customers at the same rate as they were purchasing products from us. In addition, we only began selling through our distributors Henry Schein Animal Health and Patterson Companies, Inc. in the third quarter of fiscal 2015 and our revenues in future quarters may be impacted by the timing of purchases of our products sold by them as these new distributors integrate our products into their sales process. Should our efforts to monitor and manage channel inventory be unsuccessful, our business, financial condition and results of operations are likely to be adversely affected.

We rely primarily on distributors to sell our products and we rely on sole distributor arrangements in a number of countries. Our failure to successfully develop, manage and maintain these relationships could adversely affect our business, financial condition and results of operations.

We sell our medical and veterinary products primarily through a limited number of distributors. As a result, we are dependent upon these distributors to sell our products and to assist us in promoting and creating a demand for our products. We operate on a purchase order basis with the distributors and the distributors are under no contractual obligation to continue carrying our products. Further, many of our distributors may carry our competitors' products, and may promote our competitors' products over our own products.

We depend on a number of distributors in North America who distribute our VetScan products. In the United States veterinary market segment, we rely on our distribution network, consisting of both national distributors and independent regional distributors, and our ability to effectively manage this network. We depend on our distributors to assist us in promoting our products in the veterinary market, and accordingly, if one or more of our distributors were to stop selling our products in the future, we may experience a temporary sharp decline or delay in our sales revenues until our customers identify another distributor or purchase products directly from us.

Internationally, we rely on only a few distributors for our products in both the medical and veterinary diagnostic markets. We currently rely on distributors that carry either our medical or veterinary products in the following countries: Australia, Austria, Belgium, Canada, China, Czech Republic, Denmark, France, Germany, Hong Kong, India, Indonesia, Israel, Italy, Japan, Korea, Mexico, the Netherlands, New Zealand, the Philippines, Portugal, Romania, Russia, Singapore, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom and the United States. Our distributors in each of these countries are responsible for obtaining the necessary approvals to sell our new and existing products. These distributors may not be successful in obtaining proper approvals for our new and existing products in their respective countries, and they may not be successful in marketing our products. Furthermore, an inability of, or any delays by, our distributor in receiving the necessary approvals for our new or other products can adversely impact our revenues in a country. We plan to continue to enter into additional distributor relationships to expand our international distribution base and presence. However, we may not be successful in entering into additional distributor relationships on favorable terms, or at all. In addition, our distributors may terminate their relationship with us at any time. Historically, we have experienced a high degree of turnover among our international distributors. This turnover makes it difficult for us to establish a steady distribution network overseas. Consequently, we may not be successful in marketing our Piccolo and VetScan products internationally, and our business and financial condition may be harmed as a result.

In the United States, we rely on Abbott as our exclusive distributor in certain medical markets to sell our products. Our dependency on Abbott means that any failure to successfully develop products and maintain this relationship could adversely affect our business, financial condition and results of operations.

Abbott has the exclusive right to sell and distribute our Piccolo Xpress chemistry analyzer and associated consumables in the United States professionally-attended human healthcare market, excluding sales and distribution to Catapult Health LLC and specified customer segments, which includes pharmacy and retail store clinics, shopping malls, clinical research organizations and cruise ship lines. As a result of the Abbott Agreement, we no longer have control over the marketing and sale of our primary medical products into most of the U.S. medical market and are dependent upon the efforts and priorities of Abbott in promoting and creating a demand for such products in such market. We do not have any control over pricing, inventory levels, distribution efforts and other factors that may impact the level of sales achieved, timing of revenue recognized and other adjustments that may impact our reported sales. Moreover, we are dependent upon Abbott's forecasts and sales efforts and maintenance of pre-existing sub-distributor agreements that were assigned to Abbott. As a result, if Abbott's efforts are unsuccessful, our business, financial condition and results of operations are likely to be adversely affected. For example, the transition of this U.S. medical business had an adverse effect on our revenues during fiscal 2014, with respect to lower average selling prices of Piccolo products sold to Abbott and the timing of purchases of our products now sold by Abbott as it integrated our products into its sales process.

In addition, as a result of the Abbott Agreement, we have substantially reduced the size of our United States medical sales force. The initial term of the Abbott Agreement ends on December 31, 2017, and after the initial term, the agreement renews automatically for successive one-year periods unless terminated by either party based upon a notice of non-renewal six months prior to the then-current expiration date. In the event the agreement is terminated, we would be required to invest and re-establish presence and sales capabilities in markets that were served by Abbott and/or identify one or more suitable replacement distribution partner(s), which would require significant time and effort. We could not be assured of replacing the capabilities of Abbott in those markets. New sales personnel and distribution partners take time to train and gain full productivity with customers, and if we are unable to accomplish this successfully, our business, financial condition and results of operations could be adversely affected.

We depend on limited or sole suppliers, many of whom we do not have long-term contracts with, and failure of our suppliers to provide the components or products to us could harm our business

We use several key components that are currently available from limited or sole sources as discussed below.

- ***Blood Chemistry Analyzer Components:*** Our blood analyzer products use several technologically-advanced components that we currently purchase from a limited number of suppliers, including certain components from our single source supplier, Hamamatsu Corporation. Our analyzers also use a printer that is primarily made by Advanced Printing Systems. The loss of the supply of any of these components could force us to redesign our blood chemistry analyzers.
- ***Reagent Discs:*** Two injection-molding manufacturers, Balda C. Brewer and Nypro, Inc., a subsidiary of Jabil Circuit, currently make the molded plastic discs that, when loaded with reagents and welded together, form our reagent disc products. We believe that only a few manufacturers are capable of producing these discs to the narrow tolerances that we require. To date, we have only qualified these two manufacturers to manufacture the molded plastic discs.
- ***Reagent Chemicals:*** We currently depend on the following single source vendors for some of the chemicals that we use to produce the reagents and dry reagent chemistry beads that are either inserted in our reagent discs, lateral flow rapid tests or sold as stand-alone products: Amano Enzyme USA Co., Ltd., Kikkoman Corporation Biochemical Division, Microgenics Corporation, a division of Thermo Fisher Scientific, Roche Molecular Biochemicals of Roche Diagnostics Corporation, a division of F. Hoffmann-La Roche, Ltd., SA Scientific Co., Sekisui Diagnostics, Sigma Aldrich Inc. and Toyobo Specialties.

We market original equipment manufacturer supplied products that are currently available from limited sources as discussed below.

- ***Hematology Instruments and Reagent Kits:*** Our VetScan hematology instruments are manufactured by Diatron in Hungary and are purchased by us as a completed instrument. In addition, we currently have qualified two suppliers to produce the reagent kits for our hematology instruments: Clinical Diagnostic Solutions, Inc. and Diatron.

- ***VSpro Specialty Analyzers and Cartridges:*** Our VetScan VS*pro* specialty analyzers and cartridges are manufactured by SMB in Denmark and are purchased by us as completed products. SMB was recently acquired by Zoetis Inc.
- ***i-STAT Analyzers and Cartridges:*** Our VetScan i-STAT analyzers and cartridges are manufactured by Abbott and are purchased by us as completed products.
- ***Rapid Tests:*** Substantially all of our VetScan Rapid Tests are manufactured by a single source supplier, SA Scientific Co., located in the United States.

We currently have purchase obligations with Diatron to purchase Diatron hematology products. However, with our other suppliers, we primarily operate on a purchase order basis and, therefore, these suppliers are under no contractual obligation to supply us with their products or to do so at specified prices. Although we believe that there may be potential alternate suppliers available for these critical components, to date we have not qualified additional vendors beyond those referenced above and cannot assure you we would be able to enter into arrangements with additional vendors on favorable terms, or at all. For the suppliers of original equipment manufactured products with which we have long-term contracts, there can be no assurance that these suppliers will always fulfill their obligations under these contracts, or that any suppliers will not experience disruptions in their ability to supply our requirements for products. In addition, under some contracts with suppliers we have minimum purchase obligations and our failure to satisfy those obligations may result in a loss of some or all of our rights under these contracts.

Because we are dependent on a limited number of suppliers and manufacturers for our products, we are particularly susceptible to any interruption in the supply of these products or the viability of our assembly arrangements. The loss of any one of these suppliers or a disruption in our manufacturing arrangements could adversely affect our business, financial condition and results of operations.

We must increase sales of our Piccolo and VetScan products or we may not be able to increase or sustain profitability.

Our ability to continue to be profitable and to increase profitability will depend, in part, on our ability to increase our sales volumes of our Piccolo and VetScan products. Increasing the sales volume of our products will depend upon, among other things:

- the sales performance of our independent distributors;
- our ability to improve our existing products and develop new and innovative products;
- our ability to increase our sales and marketing activities;
- our ability to effectively manage our manufacturing activities; and
- our ability to effectively compete against current and future competitors.

We cannot assure you that we will be able to successfully increase the sales volumes of our products to increase or sustain profitability.

We must continue to increase our sales, marketing and distribution efforts in the human diagnostic market or our business will not grow.

The human diagnostic market is fragmented, heavily regulated and constantly changing. Our limited sales, marketing and distribution capabilities are continually challenged to translate these changes into compelling value propositions for our prospective customers. Accordingly, we cannot assure you that:

- we will be able to maintain consistent growth through Abbott and our other independent distributors;
- the costs associated with sales, marketing and distributing our products will not be excessive; or
- government regulations or private insurer policies will not adversely affect our ability to be successful.

We depend on key members of our management and scientific staff and, if we fail to retain and recruit qualified individuals, our ability to execute our business strategy and generate sales would be harmed.

Our future success depends, to a great degree, on the principal members of our management and scientific staff. The loss of any of these key personnel, including in particular Clinton H. Severson, our Chief Executive Officer and Chairman of our Board of Directors, might impede the achievement of our business objectives. We may not be able

to continue to attract and retain skilled and experienced marketing, sales and manufacturing personnel on acceptable terms in the future because numerous medical products and other high technology companies compete for the services of these qualified individuals. If we are unable to hire and train qualified personnel, we may not be able to maintain or expand our business. Additionally, if we are unable to retain key personnel, we may not be able to replace them readily or on terms that are reasonable, which also could hurt our business. We currently do not maintain key man life insurance on any of our employees.

We may experience manufacturing problems related to our instruments, which could adversely affect our business, financial condition or results of operations.

We manufacture our point-of-care chemistry analyzers at our manufacturing facility in Union City, California. Should we experience problems related to the manufacture of our blood chemistry analyzer, we could fail to achieve anticipated revenues or we may incur an additional increase in our cost of revenues. These problems may include manufacturing defects and product failures, defects in raw materials acquired from our suppliers, delays in receipt of raw materials from our suppliers, obsolescence, increases in raw materials costs and labor disturbances. There can be no assurance that our efforts to resolve manufacturing difficulties will be successful or that similar problems will not arise in the future. If we are unable to prevent such problems from occurring in the future, we may not be able to manufacture sufficient quantities to meet anticipated demand and, therefore, will not be able to effectively market and sell our blood chemistry analyzers or other instruments that we market and sell; accordingly, our business, financial condition and results of operations could be adversely affected.

We need to successfully manufacture and market additional reagent discs for the human diagnostic market if we are to compete in that market.

We believe that we must develop and obtain regulatory clearance and third-party payor reimbursement for additional series of reagent discs with various tests for use with our Piccolo chemistry analyzers if we are to successfully compete in the human medical market. Our failure to meet these challenges will materially adversely affect our operating results and financial condition.

We rely on patents and other proprietary information, the loss of which would negatively affect our business.

As of March 31, 2017, 86 patent applications have been filed on our behalf with the United States Patent and Trademark Office (''USPTO''), of which 47 patents have been issued and 19 patents are currently active. Additionally, we have filed several international patent applications covering the same subject matter as our domestic applications. The patent position of any medical device manufacturer, including us, is uncertain and may involve complex legal and factual issues. Consequently, we may not be issued any additional patents, either domestically or internationally. Furthermore, our patents may not provide significant proprietary protection because there is a chance that they will be circumvented or invalidated. We cannot be certain that we were the first creator of the inventions covered by our issued patents or pending patent applications, or that we were the first to file patent applications for these inventions, because (1) the USPTO maintains all patent applications that are not filed in any foreign jurisdictions in secrecy until it issues the patents (when a patent application owner files a request for nonpublication) and (2) publications of discoveries in the scientific or patent literature tend to lag behind actual discoveries by several months. We may have to participate in interference proceedings, which are proceedings in front of the USPTO, to determine who will be issued a patent. These proceedings could be costly and could be decided against us.

We also rely upon copyrights, trademarks and unpatented trade secrets. Others may independently develop substantially equivalent proprietary information and techniques that would undermine our proprietary technologies. Further, others may gain access to our trade secrets or disclose such technology. Although we require our employees, consultants and advisors to execute agreements that require that our corporate information be kept confidential and that any inventions by these individuals are property of Abaxis, there can be no assurance that these agreements will provide meaningful protection or adequate remedies for our trade secrets in the event of unauthorized use or disclosure of such information. The unauthorized dissemination of our confidential information would negatively impact our business.

Changes in health care regulations and third-party payor reimbursement can negatively affect our business.

By regulating the availability of, or the maximum amount of reimbursement provided for blood testing services, third-party payors, such as managed care organizations, pay-per-service insurance plans, and the Centers for Medicare and Medicaid Services (''CMS''), can indirectly affect the pricing or the relative attractiveness of our

human testing products. For example, in the United States, the CMS set the national level of reimbursement of fees for blood testing services for Medicare beneficiaries. If third-party payors decrease the reimbursement amounts for blood testing services, it may decrease the likelihood that physicians and hospitals will adopt point-of-care diagnostics as a viable means of care delivery. Consequently, we would need to charge less for our products. If the government and third-party payors do not provide for adequate coverage and reimbursement levels to allow health care providers to use our products, the demand for our products will decrease and our business and financial condition would be harmed.

In the United States, there have been and continue to be a number of legislative initiatives to contain healthcare costs. For example, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, collectively, the ACA, enacted in March 2010, made changes that significantly impact the medical device industries and clinical laboratories. On January 20, 2017, President Trump signed an Executive Order directing federal agencies with authorities and responsibilities under the ACA to waive, defer, grant exemptions from, or delay the implementation of any provision of the ACA that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. Congress may continue to consider subsequent legislation to replace or repeal elements of the ACA. Thus, the full future impact of the ACA on our business remains unclear.

On April 1, 2014, the Protecting Access to Medicare Act of 2014, or PAMA, was signed into law, which, among other things, significantly altered the payment methodology under the Medicare Clinical Laboratory Fee Schedule, or CLFS. Some commercial payors are guided by the CLFS in establishing their reimbursement rates. Clinicians may decide not to order clinical diagnostic tests if third party payments are inadequate, and we cannot predict whether third-party payors will offer adequate reimbursement for tests utilizing our products to make them commercially attractive. Changes in healthcare policy, such as the creation of test utilization limits for diagnostic products in general or requirements that Medicare patients pay for portions of clinical laboratory tests or services received, could substantially impact the sales of our tests, increase costs and divert management's attention from our business. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand or additional pricing pressures. In addition, sales of our tests outside of the United States will subject us to foreign regulatory requirements, which may also change over time.

We may be subject, directly or indirectly, to federal and state healthcare fraud and abuse laws and other federal and state laws applicable to our sales and marketing practices. If we are unable to comply, or have not complied, with such laws, we could face substantial penalties.

Our operations are directly, or indirectly through our customers, subject to various federal and state fraud and abuse laws, including, without limitation, the federal and state anti-kickback statutes, physician payment transparency laws and false claims laws. These laws may impact, among other things, our sales and marketing and education programs and require us to implement additional internal systems for tracking certain marketing expenditures and reporting them to government authorities. In addition, we may be subject to patient privacy regulation by both the federal government and the states in which we conduct our business. If our operations are found to be in violation of any of these laws or any other governmental regulations that apply to us, we may be subject to penalties, without limitation, including civil and criminal penalties, damages, fines, disgorgement, the curtailment or restructuring of our operations, exclusion from participation in federal and state healthcare programs and imprisonment, any of which could adversely affect our ability to operate our business and our results of operations.

Approval and/or clearance by the FDA, USDA and foreign regulatory authorities for our products requires significant time and expenditures.

Before we may commercialize our human medical diagnostic products in the United States, we are required to obtain either 510(k) clearance or pre-marketing approval (''PMA'') from the FDA, unless an exemption from pre-market review applies. In our veterinary market, certain products that we sell are subject to regulations pertaining to veterinary biologics, for which we must obtain approval from the USDA's Center for Veterinary Biologics. The process of obtaining regulatory clearances or approvals to market a medical device can be costly and time consuming, and we may not be able to successfully obtain 510(k) clearance from the FDA or may be subject to the more costly and time-consuming PMA process.

In addition, governmental agencies may change their clearance or approval policies, adopt additional regulations or revise existing regulations, or take other actions that may prevent or delay approval or clearance of our products under

development or impact our ability to modify our currently approved or cleared products on a timely basis. Any delay in, or failure to receive or maintain, clearance or approval for our products could prevent us from generating revenue from these products and adversely affect our business operations and financial results.

The FDA and other regulatory authorities have broad enforcement powers. For example, the manufacture of medical devices must comply with the FDA's Quality System Regulation ("QSR"). In addition, manufacturers must register their manufacturing facilities, list the products with the FDA, and comply with requirements relating to labeling, marketing, complaint handling, adverse event and medical device reporting, reporting of corrections and removals, and import and export. The FDA monitors compliance with the QSR and these other requirements through periodic inspections. If our facilities or those of our manufacturers or suppliers are found to be in violation of applicable laws and regulations, or if we or our manufacturers or suppliers fail to take satisfactory corrective action in response to an adverse inspection, the regulatory authority could take enforcement actions that could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands, and could have a material adverse effect on our reputation, business, results of operations and financial condition. We may also be required to bear other costs or take other actions that may have a negative impact on our future sales and our ability to generate profits.

Sales of our products outside the United States are subject to foreign regulatory requirements governing vigilance reporting, marketing approval, manufacturing, product licensing, pricing and reimbursement. These regulatory requirements vary greatly from country to country. As a result, the time required to obtain approvals outside the United States may differ from that required to obtain FDA clearance or USDA approval, and we may not be able to obtain foreign regulatory approvals on a timely basis or at all. Clearance or approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure clearance or approval by regulatory authorities in other countries or by the FDA.

A recall of our products, or the discovery of serious safety issues with our products that leads to corrective actions, could have a significant adverse impact on our business, financial condition or results of operations.

The FDA, USDA and similar foreign governmental authorities have the authority to require the recall of commercialized products in the event of material deficiencies or defects in design or manufacture of a product or in the event that a product poses an unacceptable risk to health. Manufacturers may, under their own initiative, recall a product if any material deficiency in a device is found. A government-mandated or voluntary recall by us or one of our distributors could occur as a result of component failures, manufacturing errors, design or labeling defects or other deficiencies and issues. We are required to report to the FDA any incident in which our product may have caused or contributed to a death or serious injury or in which our product malfunctioned and, if the malfunction were to recur, would likely cause or contribute to death or serious injury. Repeated product malfunctions may result in a voluntary or involuntary product recall. Recalls of any of our products would divert managerial and financial resources and could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers' demands, any of which could have an adverse effect on our business, financial condition and results of operations. Moreover, if we do not adequately address problems associated with our devices, we may face additional regulatory enforcement action, including FDA warning letters, product seizure, injunctions, administrative penalties, or civil or criminal fines. We may also be required to bear other costs or take other actions that may have a negative impact on our sales as well as face significant adverse publicity or regulatory consequences, which could harm our business, financial condition or results of operations.

We may inadvertently design or produce defective products, which may subject us to significant warranty liabilities or product liability claims. We may have insufficient product liability insurance to pay uninsured claims.

Our business exposes us to potential warranty and product liability risks that are inherent in the design, testing, manufacturing and marketing of human and veterinary medical products. Although we have established procedures for quality control on both the raw materials that we receive from suppliers as well as the design and manufacturing of our products, these procedures may prove inadequate to detect a design or manufacturing defect. In addition, our Piccolo and VetScan chemistry analyzers may be unable to detect all errors that could result in the misdiagnosis of human or veterinary patients.

We may be subject to substantial claims for defective products under our warranty policy or product liability laws. In addition, our policy is to credit medical providers for any defective product that we produce, including those reagent discs that are rejected by our Piccolo and VetScan chemistry analyzers. Therefore, even if a mass defect

within a lot or lots of reagent discs were detected by our Piccolo and VetScan chemistry analyzers, the replacement of such reagent discs free of charge would be costly and could adversely affect our business, financial condition and results of operations. Further, in the event that a product defect is not detected in our Piccolo chemistry analyzer, our expansion into the human medical market greatly increases the risk that the amount of damages involved with just one product defect would adversely impact our business, financial condition and results of operations. Our product liability insurance and cash may be insufficient to cover potential liabilities. In addition, in the future the coverage that we require may be unavailable on commercially reasonable terms, if at all. Even with our current insurance coverage, a mass product defect, product liability claim or recall could subject us to claims above the amount of our coverage and could adversely affect our business, our financial condition or results of operations.

Acquisitions, strategic investments, partnerships, or alliances could be difficult to identify and integrate, divert the attention of management, disrupt our business, dilute shareholder value, and adversely affect our business, financial condition or results of operations.

We have in the past and may in the future seek to acquire or invest in businesses, products, or technologies that we believe could complement or expand our products, enhance our capabilities, or otherwise offer growth opportunities. For example, we acquired Quality Clinical Reagents Limited (‘‘QCR’’) and Trio Diagnostics (Ireland) Ltd (‘‘Trio’’) in November 2014. Any acquisition may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not the acquisitions are completed, and may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel, or operations of the acquired companies, particularly if the key personnel of the acquired company choose not to work for us, their products are not easily adapted to work with ours, or we have difficulty retaining the customers of any acquired business due to changes in ownership, management, or otherwise. Acquisitions may also disrupt our business, divert our resources, and require significant management attention that would otherwise be available for development of our existing business. Any acquisitions we are able to complete may not result in any synergies or other benefits we had expected to achieve, which could result in impairment charges that could be substantial. In addition, we may not be able to find and identify desirable acquisition targets or be successful in entering into an agreement with any particular target. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our financial condition or results of operations. In addition, if an acquired business, including QCR or Trio, fails to meet our expectations, our business, financial condition or results of operations may suffer or we may be exposed to risks or liabilities that were unknown to us at the time of the acquisition.

Divestitures or other dispositions could negatively impact our business.

On an ongoing basis, we assess opportunities for improved operational effectiveness and efficiency and may divest, spin-off, split-off, or otherwise dispose of businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment. For example, we sold our AVRL business to Antech in March 2015, and we sold our equity ownership interest in SMB in connection with Zoetis Inc.'s acquisition of SMB in August 2016. These transactions pose risks and challenges that could negatively impact our business. For example, when we decide to sell or otherwise dispose of a business or assets, the sale is typically subject to satisfaction of pre-closing conditions that may not become satisfied. In addition, divestitures or other dispositions may dilute our earnings per share, have other adverse financial and accounting impacts, distract management, disrupt our business, negatively impact market perception of our prospects and involve the loss of key employees, and disputes may arise with buyers. In addition, we may retain responsibility for or agree to indemnify buyers against contingent liabilities, which could have a material effect on our financial statements. Divestitures may also result in significant asset impairment charges, including those related to goodwill and other intangible assets, which could have a material adverse effect on our financial condition and results of operations. We cannot assure you that divestiture or other disposition efforts will be successful in generating improved operating efficiencies. In addition, past disposition activities may not be a good indication of future disposition opportunities, and any divestiture or other disposition of any business may leave us with reduced financial and marketing resources to develop products and services to compete against our competitors.

We may be subject to litigation for a variety of claims, which could adversely affect our business, financial condition or results of operations.

In addition to product liability claims, we and our directors and officers may be subject to claims arising from our normal business activities. These may include claims, suits, and proceedings involving shareholder and fiduciary matters, intellectual property, labor and employment, wage and hour, commercial and other matters. The outcome of

any litigation, regardless of its merits, is inherently uncertain. Any claims and lawsuits, and the disposition of such claims and lawsuits, could be time-consuming and expensive to resolve, divert management attention and resources, and lead to attempts on the part of other parties to pursue similar claims. Any adverse determination related to litigation or settlement or other resolution of a legal matter could adversely affect our business, financial condition or results of operations, harm our reputation or otherwise negatively impact our business.

Our stock price is highly volatile and investing in our stock involves a high degree of risk, which could result in substantial losses for investors.

The market price of our common stock, like the securities of many other medical products companies, fluctuates over a wide range, and will continue to be highly volatile in the future. During the quarter ended March 31, 2017, the closing sale prices of our common stock on the NASDAQ Global Select Market ranged from $47.20 to $55.02 per share and the closing sale price on March 31, 2017, was $48.50 per share. During the last eight fiscal quarters ended March 31, 2017, our stock price closed at a high of $64.56 per share on April 28, 2015 and a low of $38.65 per share on February 11, 2016. Many factors may affect the market price of our common stock, including:

- fluctuation in our operating results;
- announcements of technological innovations or new commercial products by us or our competitors;
- changes in governmental regulation in the United States and internationally;
- prospects and proposals for health care reform;
- governmental or third-party payors' controls on prices that our customers may pay for our products;
- product liability claims and public concern as to the safety of our devices or similar devices developed by our competitors;
- developments or disputes concerning our patents or our other proprietary rights; and
- general market conditions.

In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in such securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business, financial condition or results of operations. Because our stock price is so volatile, investing in our common stock is highly risky. A potential investor must be able to withstand the loss of his entire investment in our common stock.

Fluctuations in foreign exchange rates could adversely affect our business, financial condition or results of operations.

For our international sales denominated in U.S. dollars, an increase in the value of the U.S. dollar relative to foreign currencies could make our products less competitive in international markets. For our sales denominated in foreign currencies, we are subject to fluctuations in exchange rates between the U.S. dollar and the particular foreign currency and changes in such exchange rates could adversely affect our reported results of operations and distort period to period comparisons. Our business, financial condition or results of operations could also be adversely affected by the seasonality of international sales and the economic conditions of our overseas markets.

Our subsidiaries in Europe and the United Kingdom increase our exposure to foreign currency fluctuation risks. These risks include uncertainty regarding the Euro and the British pound sterling, that could adversely impact our results of operations based on the movements of the applicable foreign currency exchange rates in relation to the U.S. dollar. Fluctuating exchange rates cause the value of items on both the assets and liabilities side of the balance sheet to change, which could also negatively impact our results of operations. Our financial results will therefore be sensitive to movements in foreign exchange rates. A depreciation of non-U.S. dollar currencies relative to the U.S. dollar could have a material adverse impact on our results of operations and could cause our results of operations to differ from our expectations and the expectations of our investors. For example, in June 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union, which caused significant volatility in global stock markets and currency exchange rate fluctuations that resulted in the strengthening of the U.S. dollar against foreign currencies in which we conduct business. Additionally, such foreign currency exchange rate fluctuations could make it more difficult to detect underlying trends in our business and results of operations. We do not currently engage in hedging transactions to mitigate foreign currency exchange risks.

Our international operations subject us to unique risks different than those faced by us in the United States and we may not be able to effectively manage our international business.

We have operations outside of the United States. We expect that we will continue to expand our international operations in the future. International operations inherently subject us to a number of risks and uncertainties, including:

- the increased complexity and costs inherent in managing international operations;
- diverse regulatory and compliance requirements, and changes in those requirements that could restrict our or our distributors' ability to manufacture, market or sell our products;
- our limited knowledge of and relationships with distributors, contractors, suppliers or other parties in these areas;
- political and economic instability;
- diminished protection of intellectual property in some countries outside of the United States;
- trade protection measures and import or export licensing requirements;
- complexity and costs associated with staffing and managing international development and operations;
- differing labor regulations and business practices;
- potentially negative consequences from changes in or interpretations of tax laws;
- changes in international medical reimbursement policies and programs;
- financial risks such as longer payment cycles, difficulty collecting accounts receivable and exposure to fluctuations in foreign currency exchange rates;
- regulatory and compliance risks that relate to maintaining accurate information and control over sales and distributors' and service providers' activities that may fall within the purview of the Foreign Corrupt Practices Act (the "FCPA"); and
- regulations relating to data security and the unauthorized use of, or access to, commercial and personal information.

Any of these factors may, individually or as a group, have a material adverse effect on our business and results of operations. As our international operations grow, we may encounter new risks. For example, to build our international sales and distribution networks in new geographic regions, we must continue to develop relationships with qualified local distributors. If we are not successful in developing and maintaining these relationships, we may not be able to grow sales in these geographic regions. These or other similar risks could adversely affect our revenue and profitability.

We are dependent on information technology systems, infrastructure and data.

We are dependent upon information technology systems, infrastructure and data. We operate and manage our business by relying on several information systems to maintain financial records, process customer orders, manage inventory, process shipments to customers and operate other critical functions. Information technology system failures, network disruptions and breaches of data security could disrupt our operations. If we were to experience a system disruption in the information technology systems that enable us to interact with customers and suppliers, it could result in the loss of sales and customers, delays or cancellation of orders, impeding the manufacture or shipment of products, processing transactions and reporting financial results and significant incremental costs.

The multitude and complexity of our computer systems make them inherently vulnerable to service interruption or destruction, malicious intrusion and random attack. Likewise, data privacy or security breaches by employees or others may pose a risk that sensitive data, including our intellectual property, trade secrets or personal information of our employees, customers or other business partners and any patient information may be exposed to unauthorized persons or to the public. Cyberattacks are increasing in their frequency, sophistication and intensity. Cyberattacks could include the deployment of harmful malware, denial-of-service, social engineering and other means to affect service reliability and threaten data confidentiality, integrity and availability. Our business partners face similar risks and any security breach of their systems could adversely affect our security posture.

Management has taken steps to address these concerns by implementing network security and internal control measures. While we have invested, and continue to invest, in the protection of our data and information technology infrastructure, there can be no assurance that our efforts will prevent service interruptions, or identify breaches in our systems, that could adversely affect our business and operations and/or result in the loss of critical or sensitive information, which could result in financial, legal, business or reputational harm to us. In addition, our liability insurance may not be sufficient in type or amount to cover us against claims related to security breaches, cyberattacks and other related breaches.

We are subject to complex requirements from legislation requiring companies to evaluate internal control over financial reporting.

Rules adopted by the Securities and Exchange Commission pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require an assessment of internal control over financial reporting by our management and an attestation of the effectiveness of our internal control over financial reporting by an independent registered public accounting firm. We have an ongoing program to perform the assessment, testing and evaluation to comply with these requirements and we expect to continue to incur significant expenses for Section 404 compliance on an ongoing basis.

We cannot predict the outcome of our testing in future periods. In the event that our internal control over financial reporting is not effective as defined under Section 404, or any failure to implement required new or improved controls, or difficulties encountered in implementation could harm results of operations or prevent us from accurately reporting financial results or cause a failure to meet our reporting obligations in the future. If management cannot assess internal control over financial reporting is effective, or our independent registered public accounting firm is unable to provide an unqualified attestation report on such assessment, investor confidence and our share value may be negatively impacted.

We must comply with strict and potentially costly environmental regulations or we could pay significant fines.

We are subject to stringent federal, state and local laws, rules, regulations and policies that govern the use, generation, manufacture, storage, air emission, effluent discharge, handling and disposal of certain materials and wastes. In particular, we are subject to laws, rules and regulations governing the handling and disposal of biohazardous materials used in the development and testing of our products. Our costs to comply with applicable environmental regulations consist primarily of handling and disposing of human and veterinary blood samples for testing (whole blood, plasma and serum). Although we believe that we have complied with applicable laws and regulations in all material respects and have not been required to take any action to correct any noncompliance, we may have to incur significant costs to comply with environmental regulations if our manufacturing to commercial levels continues to increase. In addition, if a government agency determines that we have not complied with these laws, rules and regulations, we may have to pay significant fines and/or take remedial action that would be expensive and we do not carry environmental-related insurance coverage.

We are subject to taxation in multiple jurisdictions. Our financial condition and results of operations could be adversely affected by unanticipated changes in our tax provisions or exposure to additional income tax liabilities.

We are subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of our operations and our corporate and financing structure. We are also subject to transfer pricing laws with respect to our intercompany transactions, including those relating to the flow of funds among our companies. Adverse developments in these laws or regulations, or any change in position regarding the application, administration or interpretation thereof, in any applicable jurisdiction, could have a material adverse effect on our business, consolidated financial condition or results of our operations. Our determination of our tax liability is subject to review by tax authorities in any applicable jurisdiction, including the United States, who may disagree with the positions we have taken or intend to take regarding the tax treatment or characterization of any of our transactions. Any adverse outcome of such a review could have an adverse effect on our results of operations and financial condition. In addition, the determination of our provision for income taxes and other tax liabilities requires significant judgment including our determination of whether a valuation allowance against deferred tax assets is required. Our ultimate tax liability may differ from the amounts recorded in our consolidated financial statements and may adversely affect our financial condition and results of operations.

Our ability to issue preferred stock may delay or prevent a change of control of Abaxis.

Our board of directors has the authority to issue up to 5,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or

action by the shareholders, except to the extent required by NASDAQ rules. The issuance of preferred stock, while providing flexibility in connection with possible financings or acquisitions or other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock and, consequently, negatively affect our stock price.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We are headquartered in Union City, California, where we lease approximately 158,378 square feet of office, research and development and manufacturing space, pursuant to a lease expiring in March 2026, with two options to extend the term for an additional five years each.

Additionally, our facilities include the following:

- In Union City, California, we lease approximately 38,856 square feet of warehousing space expiring in fiscal 2026.
- In Germany, we lease approximately 32,722 square feet of office and warehousing space expiring in fiscal 2025.
- In the United Kingdom, we own approximately 2,600 square feet of office and warehousing space and we lease approximately 4,300 square feet of office and warehousing space expiring in fiscal 2026.

We believe that our existing facilities are adequate to meet our current requirements, and that we will be able to obtain additional facilities space on commercially reasonable terms, if and when they are required.

Item 3. Legal Proceedings

We are not currently party to any material pending legal proceedings. We are involved from time to time in various litigation matters in the normal course of business. There can be no assurance that existing or future legal proceedings arising in the ordinary course of business or otherwise will not have a material adverse effect on our business, consolidated financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Our common stock is traded on the NASDAQ Global Select Market under the symbol "ABAX." The following table sets forth the quarterly high and low intra-day per share sales prices for the common stock from April 1, 2016 through March 31, 2017 as reported on the NASDAQ Global Select Market:

	Prices			
	Fiscal 2017		Fiscal 2016	
	High	Low	High	Low
Quarter ended June 30	$47.58	$41.78	$64.95	$50.52
Quarter ended September 30	54.98	46.02	56.79	42.55
Quarter ended December 31	55.95	45.57	58.15	41.53
Quarter ended March 31	55.44	45.00	55.29	37.71

Holders

As of May 26, 2017, there were 22,654,000 shares of our common stock outstanding, held by 83 shareholders of record.

Dividends

During fiscal 2017, 2016 and 2015, our total quarterly dividend payout was $11.7 million, $10.0 million and $9.0 million, respectively. The amount of quarterly dividends declared with respect to the Company's common stock during the past two fiscal years appears in Note 22 to the Consolidated Financial Statements in Part II, Item 8 of this report.

On April 26, 2017, our Board of Directors declared a quarterly cash dividend of $0.14 per share on our outstanding common stock to be paid on June 15, 2017 to all shareholders of record as of the close of business on June 1, 2017. Future declarations of quarterly dividends and the establishment of future record and payment dates are subject to the final determination of our Board of Directors.

Issuer Purchases of Equity Securities

Between August 2011 and July 2013, our Board of Directors authorized the repurchase of up to a total of $67.3 million of our common stock. In July 2016, our Board of Directors approved a $30.0 million increase to our existing share repurchase program, for an aggregate of $97.3 million. As of March 31, 2017, $54.0 million was available to purchase common stock under our share repurchase program.

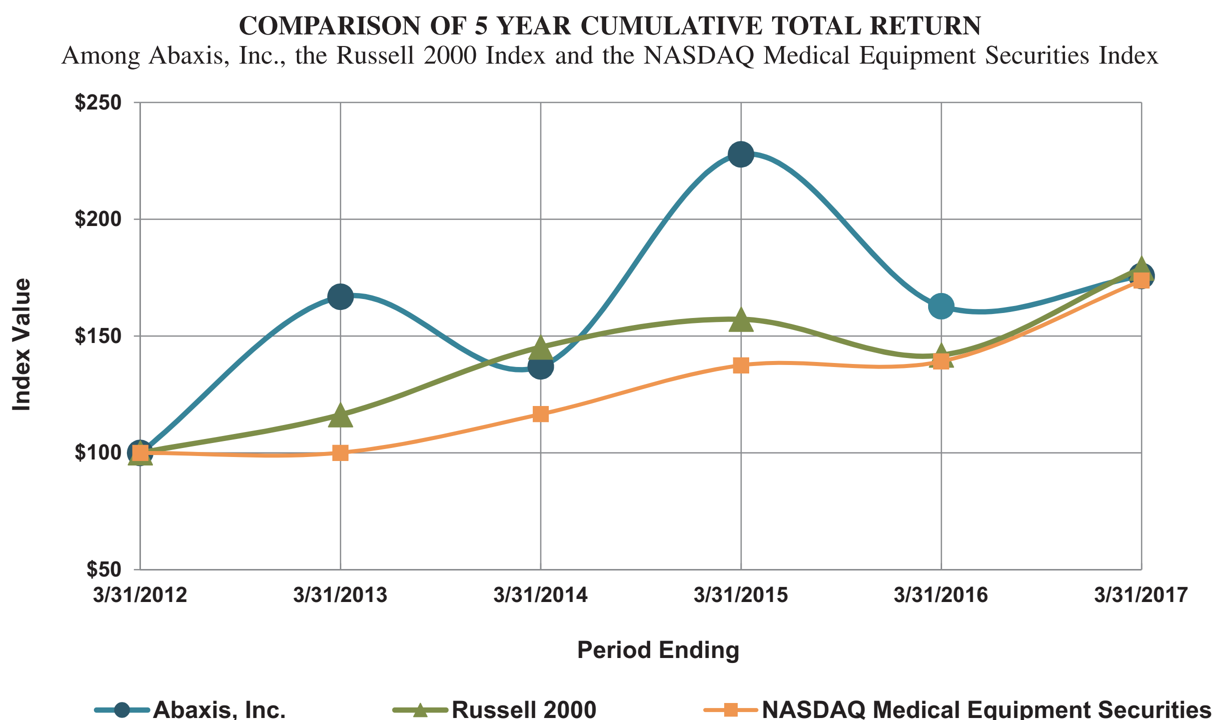
Since the share repurchase program began, through March 31, 2017, we have repurchased 1.6 million shares of our common stock at a total cost of $43.3 million, including commission expense. During fiscal 2017 and fiscal 2015, we did not repurchase any shares of our common stock. During fiscal 2016, we repurchased 325,000 shares of our common stock at a total cost of $13.0 million and an average per share cost including commission expense of $40.18. The repurchases are made from time to time on the open market at prevailing market prices or in negotiated transactions off the market. Repurchased shares are retired.

Stock Performance Graph[1]

The graph below compares the cumulative total shareholder return on an investment in our common stock, the Russell 2000 Index and the NASDAQ Medical Equipment Securities Index over the past five year period ended March 31, 2017. The shareholder return shown on the graph is not necessarily indicative of future performance, and we do not make or endorse any predictions as to future shareholder returns.

The graph assumes the investment of $100 on March 31, 2012 in our common stock, the Russell 2000 Index and the NASDAQ Medical Equipment Securities Index and assumes dividends, if any, are reinvested.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN
Among Abaxis, Inc., the Russell 2000 Index and the NASDAQ Medical Equipment Securities Index



	3/31/2012	3/31/2013	3/31/2014	3/31/2015	3/31/2016	3/31/2017
Abaxis, Inc.	$100.00	$166.79	$137.04	$227.78	$162.78	$175.74
Russell 2000	$100.00	$116.30	$145.26	$157.19	$141.85	$179.03
NASDAQ Medical Equipment Securities	$100.00	$100.05	$116.56	$137.50	$139.14	$173.73

(1) This section is not "soliciting material," is not deemed "filed" with the Securities and Exchange Commission and is not to be incorporated by reference in any filing of Abaxis under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language contained in any such filing.

Item 6. Selected Consolidated Financial Data

The following table sets forth selected consolidated financial data of Abaxis for each year in the five year period ended March 31, 2017. The following selected consolidated financial data is qualified by reference to and should be read in conjunction with ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and with the consolidated financial statements, related notes thereto and other financial information included elsewhere in this Annual Report on Form 10-K.

On March 31, 2015, we completed the sale of our AVRL business to Antech. We have reclassified the assets, liabilities, results of operations and the gain on sale of AVRL in our consolidated balance sheets and statements of income for all periods presented to reflect them as discontinued operations. Previously reported financial information have been revised to reflect the reclassification of AVRL within our veterinary market segment as a discontinued operation. See Note 3 to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information.

	Year Ended March 31,				
	2017	2016	2015	2014	2013
	(In thousands, except per share data)				
Statements of Income Data:					
Continuing Operations:					
Revenues	$227,220	$218,901	$202,593	$162,031	$180,878
Cost of revenues	101,375	95,649	93,623	78,081	79,903
Gross profit	125,845	123,252	108,970	83,950	100,975
Operating expenses:					
Research and development	19,795	18,388	16,327	13,647	13,577
Sales and marketing	45,249	42,526	42,147	34,742	43,800
General and administrative	16,314	15,984	16,192	11,333	12,825
Gain from legal settlement	—	—	—	—	(17,250)
Total operating expenses	81,358	76,898	74,666	59,722	52,952
Income from operations	44,487	46,354	34,304	24,228	48,023
Interest and other income (expense), net	6,625	793	(1,262)	994	253
Income from continuing operations before income tax provision	51,112	47,147	33,042	25,222	48,276
Income tax provision	18,333	16,073	12,239	8,993	17,149
Income from continuing operations	$ 32,779	$ 31,074	$ 20,803	$ 16,229	$ 31,127
Net income per share from continuing operations:					
Basic	$ 1.46	$ 1.37	$ 0.92	$ 0.73	$ 1.42
Diluted	$ 1.44	$ 1.36	$ 0.91	$ 0.72	$ 1.39
Discontinued Operations:					
Loss from discontinued operations, net of tax	$ (63)	$ (3)	$ (1,154)	$ (2,044)	$ (3,668)
Gain on sale of discontinued operations, net of tax	$ —	$ 559	$ 7,682	$ —	$ —
Net income (loss) per share from discontinued operations:					
Basic	$ (0.01)	$ 0.03	$ 0.29	$ (0.09)	$ (0.17)
Diluted	$ —	$ 0.02	$ 0.29	$ (0.09)	$ (0.16)
Consolidated Operations:					
Net income	$ 32,716	$ 31,630	$ 27,331	$ 14,185	$ 27,459
Net income per share:					
Basic	$ 1.45	$ 1.40	$ 1.21	$ 0.64	$ 1.25
Diluted	$ 1.44	$ 1.38	$ 1.20	$ 0.63	$ 1.23
Shares used in the calculation of net income per share:					
Weighted average common shares outstanding - basic	22,515	22,661	22,497	22,270	21,946
Weighted average common shares outstanding - diluted	22,797	22,883	22,787	22,575	22,381
Cash dividends declared per share	$ 0.52	$ 0.44	$ 0.40	$ —	$ 1.00

	Year Ended March 31,				
	2017	2016	2015	2014	2013
	(In thousands)				
Consolidated Balance Sheets Data[1]:					
Cash and cash equivalents	$ 91,332	$ 88,323	$107,015	$ 73,589	$ 54,910
Short-term investments	51,561	41,474	26,109	29,102	23,354
Working capital	199,735	183,026	168,576	148,553	132,944
Long-term investments	22,171	22,458	24,181	18,491	17,000
Total assets	305,646	271,380	269,064	217,380	201,763
Non-current liabilities	5,979	5,896	7,585	6,205	5,550
Total shareholders' equity	$266,224	$236,312	$220,194	$193,916	$176,194

(1) Consolidated balance sheets data reported in the table includes continuing and discontinued operations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth under Item 1A. ''Risk Factors'' and elsewhere in this Annual Report on Form 10-K.

Business Overview

Abaxis, Inc. is a worldwide developer, manufacturer and marketer of portable blood analysis systems that are used in a broad range of medical specialties in human or veterinary patient care to provide clinicians with rapid blood constituent measurements. Until March 2015, Abaxis also provided veterinary reference laboratory diagnostic and consulting services for veterinarians through AVRL. See the section below entitled ''Discontinued Operations'' for further information.

Our corporate headquarters are located in Union City, California, from which we conduct our manufacturing, warehousing, research and development, regulatory, sales and marketing and administrative activities. We market and sell our products worldwide primarily through independent distributors, supplemented by our direct sales force. Our sales force is primarily located in the United States. Abaxis Europe GmbH, our wholly-owned subsidiary, markets and distributes diagnostic systems for medical and veterinary uses in the European and Asia Pacific markets.

We manage our business in two operating segments, the medical market and veterinary market, as described below. See ''Segment Results'' in this section for a detailed discussion of financial results.

Medical Market. We serve a worldwide customer group in the medical market consisting of physicians' office practices across multiple specialties, urgent care, outpatient and walk-in clinics (free-standing or hospital-connected), health screening operations, home care providers (national, regional or local), nursing homes, ambulance companies, oncology treatment clinics, dialysis centers, pharmacies, hospital laboratories, military installations (ships, field hospitals and mobile care units), pharmaceutical clinical trials and cruise ship lines.

For our products in the human medical market, we employ primarily independent distributors to market our products. Starting in January 2013, we transitioned the majority of our medical product sales to Abbott as our exclusive distributor in the medical market. Pursuant to our Abbott Agreement, Abbott obtained the exclusive right to sell and distribute our Piccolo Xpress chemistry analyzers and associated consumables in the professionally-attended human healthcare market in the United States and China (including Hong Kong). Effective September 2013, we amended the Abbott Agreement to limit Abbott's territory under such agreement to the United States. Under the Abbott Agreement, we have certain responsibilities for providing technical support and warranty services to Abbott in support of its marketing and sales efforts. The initial term of the Abbott Agreement ends on December 31, 2017, and after the initial term, the Abbott Agreement renews automatically for successive one-year periods unless terminated by either party based upon a notice of non-renewal six months prior to the then-current expiration date.

We will continue to sell and distribute these medical products outside of the market segments as to which Abbott has exclusive rights. Under our Abbott Agreement, we will continue to sell and distribute to Catapult Health LLC and specified customer segments in the United States, including pharmacy and retail store clinics, shopping malls, clinical research organizations and cruise ship lines.

Veterinary Market. Our VetScan products serve a worldwide customer group in the veterinary market consisting of companion animal hospitals, animal clinics with mixed practices of small animals, birds and reptiles, equine and bovine practitioners, veterinary emergency clinics, veterinary referral hospitals, universities, government, pharmaceutical companies, biotechnology companies and private research laboratories.

We depend on a number of distributors in North America that distribute our VetScan products. In the United States veterinary market segment, we also rely on various independent regional distributors. In September 2012, we entered into a distribution agreement with MWI to purchase, market and sell the full line of Abaxis veterinary products throughout the United States. In October 2014, we entered into distribution agreements with Henry Schein Animal Health and Patterson Companies, Inc. to sell the full line of Abaxis veterinary products throughout the United States. We depend on our distributors to assist us in promoting our VetScan products, and accordingly, if one or more of our distributors were to stop selling our products in the future, we may experience a temporary sharp decline or delay in our sales revenues until our customers identify another distributor or purchase products directly from us. In addition to selling through distributors, we also directly supply our VetScan products to large group purchasing organizations, hospital networks and other buying groups in the United States, such as Veterinary Centers of America (VCA), a veterinary hospital chain in North America. In May 2014, we entered into a product supply agreement with VCA to supply our VetScan chemistry analyzers and diagnostic reagent discs for placement at VCA's animal hospitals located in North America that operates more than 700 animal hospitals. In May 2014, we entered into a non-exclusive co-marketing agreement with VCA's Antech Diagnostic laboratory services to supply our VetScan chemistry analyzers in combination with Antech Diagnostic laboratory services as a diagnostic solution to serve veterinary practices throughout North America. In the third quarter of fiscal 2016, we also entered into a five-year supply agreement with Banfield Pet Hospital, an organization with more than 900 pet hospitals within the United States and Puerto Rico. Under our supply agreement, we will provide our VetScan hematology analyzers and associated consumables to all of Banfield's pet hospital locations, for which installation and training began in April 2016 and was completed at the end of September 2016.

Discontinued Operations

In March 2015, we entered into an asset purchase agreement with Antech pursuant to which we sold substantially all of the assets of our AVRL business to Antech. The transaction closed on March 31, 2015. We determined that our AVRL business met the criteria to be classified as a discontinued operation, which required retrospective application to financial information for all periods presented. Accordingly, the historical financial statements appearing in this report have been revised to reflect this reclassification. Unless otherwise noted, references to revenues and expenses in this report are to our revenues and expenses excluding those from AVRL operations. See Note 3 to the Consolidated Financial Statements in Part II, Item 8 of this report for more information.

The total purchase price under the asset purchase agreement was $21.0 million in cash. We received $20.1 million in cash proceeds during the fourth quarter of fiscal 2015 and we recognized a pre-tax gain of $12.3 million ($7.7 million after-tax) on sale of discontinued operations during fiscal 2015. Additionally, upon meeting certain conditions by the first anniversary of the closing date in March 2016, we recognized a pre-tax gain of $0.9 million ($0.6 million after-tax) on sale of discontinued operations during fiscal 2016.

The pre-tax gain on this sale reflects the excess of the sum of the cash proceeds received over the costs incurred in connection with the sale of AVRL. During the fourth quarter of fiscal 2015, we recorded costs of $7.8 million related to cash payments for employee-related costs, including severance, contract termination and other associated costs. In connection with the transaction, we recorded disposal and an impairment charge on long-lived assets of $1.9 million during fiscal 2015. These items partially offset the cash proceeds that we received in accordance with the terms of the asset purchase agreement.

Overview of Financial Results

In fiscal 2017, total revenues were $227.2 million, an increase of 4% from fiscal 2016. The net increase in revenues was primarily attributable to revenues from consumable sales of $175.3 million, an increase of 6% over fiscal 2016, due to (a) an increase in the unit sales of medical discs due to an expanded instrument installed base, an increase in

the unit sales hematology reagent kits primarily attributable to our supply agreement with Banfield Pet Hospitals starting in the first quarter of fiscal 2017 and an increase in the unit sales of VetScan rapid tests. Revenues from instrument sales were $39.3 million, a decrease of 9% from fiscal 2016, due to (a) a decrease in the unit sales of Piccolo chemistry analyzers sold to Abbott and impacted by sales of Piccolo chemistry analyzers to Fuzhou Kelian Medical Devices, Ltd., a point-of-care diagnostics distributor based in China, in the third quarter of fiscal 2016 and (b) a decrease in the unit sales of VetScan hematology instruments sold to various distributors in North America.

Gross profit in fiscal 2017 was $125.8 million, an increase of 2% from fiscal 2016, primarily impacted by changes in the product mix in our veterinary market, primarily attributable to higher unit sales of VetScan hematology reagent kits and VetScan rapid tests.

Total operating expenses in fiscal 2017 were $81.4 million, an increase of $4.5 million, or 6%, from $76.9 million in fiscal 2016, primarily attributable to an increase in research and development spending and promotional and marketing expenses to support our growth in both North America and in the international markets, partially offset by a decrease in personnel-related expenses.

Net income for fiscal 2017 was $32.7 million, an increase of 3% from $31.6 million in fiscal 2016, primarily due to a net increase in revenues, discussed above, and a gain from the sale of an equity method investment of $3.8 million after tax, offset in part by an increase in operating expenses. Our diluted net income per share increased to $1.44 in fiscal 2017 from $1.38 in fiscal 2016. Our diluted net income per share from continuing operations increased to $1.44 in fiscal 2017 from $1.36 in fiscal 2016.

Cash, cash equivalents and investments increased by $12.8 million during fiscal 2017 to a total of $165.1 million at March 31, 2017. During fiscal 2017, operating cash flows were $33.2 million, an increase of $5.1 million compared to $28.1 million during fiscal 2016, primarily attributable to higher payments in fiscal 2016, related to accrued liabilities for bonus, taxes and discontinued operations recorded at the end of fiscal 2015. Key non-operating uses of cash during fiscal 2017 included payments of $3.0 million for an investment in a privately-held company, $10.2 million to purchase property and equipment, payments of $2.2 million made for tax withholdings related to net share settlements of restricted stock units and payment of $11.7 million in cash dividends to shareholders.

Factors that May Impact Future Performance

Our industry is impacted by numerous competitive, regulatory and other significant factors. Our sales for any future periods are not predictable with a significant degree of certainty, and may depend on a number of factors outside of our control. In particular, we are highly dependent upon the efforts and priorities of our distributors in promoting and creating a demand for our products and as such, we do not have full control over the marketing and sale of our products into these markets. Should these efforts be unsuccessful, or should we fail to maintain or effectively manage these relationships, our business, financial condition and results of operations are likely to be adversely affected. We generally operate with a limited order backlog because our products are typically shipped shortly after orders are received. Product sales in any quarter are generally dependent on orders booked and shipped in that quarter. As a result, any shortfall in product sales during a quarter would negatively affect our results of operations and financial condition during that quarter. In addition, our sales may be adversely impacted by pricing pressure from competitors. Our ability to increase our revenues and profitability will depend, in part, on our ability to increase the sales volumes of our products, to increase the sales performance of our independent distributors, and to successfully compete with our competitors.

Abbott controls the marketing and sale of our primary medical products into most of the U.S. medical market and, accordingly, we are dependent upon the efforts and priorities of Abbott in promoting and creating a demand for such products in such market. Should these efforts be unsuccessful, our business, financial condition and results of operations may be adversely affected. For example, during fiscal 2014, we were adversely impacted by the timing of purchases of our medical products sold to Abbott as it integrated our products into its sales process and sold its inventory, and in the third and fourth quarters of fiscal 2017, we were similarly negatively impacted by a reduction of orders from Abbott as a result of excess instrument inventory.

In the United States veterinary market, we rely on our national and independent regional distributors. We are also dependent upon the efforts and priorities of these distributors in promoting and creating a demand for our products and do not have full control over the marketing and sale of our products into these markets. Should these efforts be unsuccessful, or should we fail to maintain or effectively manage these relationships, our business, financial condition and results of operations are likely to be adversely affected. For example, during fiscal 2014, our strategy of

increasing demand for our veterinary products through the expansion of our distribution partners, did not lead to the increased demand for our products in the veterinary clinics that we had anticipated resulting in excess channel inventory. The excess channel inventory was the result of our distributors not selling our products to end customers at the same rate as they were purchasing products from us. In response, we took additional steps to more closely monitor and manage channel inventory in an effort to normalize the veterinary product inventories at our distribution partners in the United States. We only began selling through our distributors Henry Schein Animal Health and Patterson Companies, Inc. in the third quarter of fiscal 2015 and our revenues in future quarters may be impacted by the timing of purchases of our products sold by them as these new distributors integrate our products into their sales process. We will continue to closely monitor and manage channel inventory at our distribution partners in the United States.

During fiscal 2017, in the North America veterinary market, we experienced a decrease in the unit sales of veterinary reagent discs sold, primarily attributable to a relatively flat installed base of customers of chemistry analyzers and fluctuation in distribution inventory, as compared to the same period in fiscal 2016. As a result, this reduced our revenue growth and contributed to lower gross profit margins in the veterinary market. Looking forward, as we believe competition in the veterinary market will remain intense, we have implemented and intend to continue implementing new strategies to improve customer retention and monitor our installed base of customers and distribution inventory more closely. Additionally, we plan to continue to introduce new products that are designed to enhance our veterinary product portfolio. For example, in September 2016, we completed the development of our connectivity product, the VetScan FUSE, which is currently in beta-testing. The VetScan FUSE is a web-based integration system that provides connectivity between our point-of-care diagnostic instruments and the veterinary practice management systems. Additionally, in fiscal 2018, we expect to launch the VetScan Canine Pancreatic Lipase Rapid Test, as well as a new point-of-care urine sediment analyzer into the veterinary market in our fourth quarter of fiscal 2018, and a new point-of-care urine chemistry analyzer in our second quarter of fiscal 2018. See ''Total Revenues – Continuing Operations within the Results of Operations'' section below, for a further discussion regarding the change in total revenues in North America.

Critical Accounting Policies, Estimates and Judgments

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and pursuant to the rules and regulations of the Securities and Exchange Commission. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. On an on-going basis, we evaluate our estimates and the sensitivity of these estimates to deviations in the assumptions used in making them. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. However, there can be no assurance that our actual results will not differ from these estimates.

We have identified the policies below as critical because they are not only important to understanding our financial condition and results of operations, but also because application and interpretation of these policies requires both judgment and estimates of matters that are inherently uncertain and unknown. Accordingly, actual results may differ materially from our estimates. The impact and any associated risks related to these policies on our business operations are discussed below. For a more detailed discussion on the application of these and other accounting policies, see the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report.

Revenue Recognition. Our primary customers are distributors and direct customers in both the medical and veterinary markets. Service revenues were primarily generated from veterinary reference laboratory diagnostic and consulting services for veterinarians. Revenues from product sales, net of estimated sales allowances, discounts and rebates, are recognized when (i) evidence of an arrangement exists, (ii) upon shipment of the products or rendering of services to the customer, (iii) the sales price is fixed or determinable and (iv) collection of the resulting receivable is reasonably assured. Rights of return are not provided. Until March 2015, we offered discounts on AVRL services for a specified period as incentives. Discounts were reductions to invoiced amounts within a specified period and were recorded at the time services are performed. Net service revenues were recognized at the time services were performed.

Amounts collected in advance of revenue recognition are recorded as a current or non-current deferred revenue liability based on the time from the balance sheet date to the future date of revenue recognition. We recognize revenue associated with extended maintenance agreements ratably over the life of the contract.

Multiple Element Revenue Arrangements. Our sales arrangements may contain multiple element revenue arrangements in which a customer may purchase a combination of instruments, consumables or extended maintenance agreements. Additionally, we provide incentives in the form of free goods or extended maintenance agreements to customers in connection with the sale of our instruments. We participate in selling arrangements in the veterinary market that include multiple deliverables, such as instruments and consumables. Prior to the sale of our AVRL business to Antech in March 2015, our selling arrangements in the veterinary market had also included service agreements associated with our veterinary reference laboratory. Judgments as to the allocation of consideration from an arrangement to the multiple elements of the arrangement, and the appropriate timing of revenue recognition are critical with respect to these arrangements.

A multiple element arrangement includes the sale of one or more tangible product offerings with one or more associated services offerings, each of which are individually considered separate units of accounting. We allocate revenues to each element in a multiple element arrangement based upon the relative selling price of each deliverable. When applying the relative selling price method, we determine the selling price for each deliverable using vendor-specific objective evidence (''VSOE'') of selling price, if it exists, or third-party evidence (''TPE'') of selling price. If neither VSOE nor TPE of selling price exist for a deliverable, we use our best estimate of selling price for that deliverable. Revenue allocated to each element is then recognized when all revenue recognition criteria are met for each element.

Revenues from our multiple element arrangements are allocated separately to the instruments, consumables, extended maintenance agreements and incentives based on the relative selling price method. Amounts allocated to each element are based on its objectively determined fair value, such as the sales price for the product when it is sold separately. Revenues allocated to each element are then recognized when the basic revenue recognition criteria, as described above, are met for each element. Revenues associated with incentives in the form of free goods are deferred until the goods are shipped to the customer. Revenues associated with incentives in the form of extended maintenance agreements are deferred and recognized ratably over the life of the extended maintenance contract, generally one to three years. Incentives in the form of extended maintenance agreements are our most significant multiple element arrangement.

For our selling arrangements in the veterinary market that include multiple deliverables, such as instruments, consumables or service agreements (prior to the sale of AVRL in March 2015) associated with our veterinary reference laboratory, revenue is recognized upon delivery of the product or performance of the service during the term of the service contract when the basic revenue recognition criteria, as described above, are met for each element. We allocate revenues to each element based on the relative selling price of each deliverable. Amounts allocated to each element are based on its objectively determined fair value, such as the sales price for the product or service when it is sold separately.

Until March 2015, we offered customer incentives consisting of arrangements with customers to include discounts on future sales of services associated with our veterinary reference laboratory. We applied judgment in determining whether future discounts are significant and incremental. When the future discount offered was not considered significant and incremental, we did not account for the discount as an element of the original arrangement. To determine whether a discount was significant and incremental, we looked to the discount provided in comparison to standalone sales of the same product to similar customers, the level of discount provided on other elements in the arrangement, and the significance of the discount to the overall arrangement. If the discount in the multiple element arrangement approximated the discount typically provided in standalone sales, that discount is not considered incremental. During fiscal 2015, our customer incentive programs with future discounts were not significant and in fiscal 2017 and 2016 we did not offer any such incentives.

At March 31, 2017 and 2016, the current portion of deferred revenue was $1.4 million and $1.6 million, respectively, and the non-current portion of deferred revenue was $1.5 million and $2.3 million, respectively. Net current and non-current deferred revenue decreased by $1.0 million from March 31, 2016 to March 31, 2017, primarily attributable to deferred revenue recognized ratably over the life of extended maintenance contracts offered to customers in the form of free services in connection with the sale of our instruments. In October 2013, we changed the standard warranty period on certain instruments from three to five years, which resulted in a decrease in maintenance contracts offered to customers in the form of free services.

Customer Programs. From time to time, we offer customer marketing and incentive programs. Our most significant customer programs are described as follows:

Instrument Trade-In Programs. We periodically offer trade-in programs to customers for trading in an existing instrument to purchase a new instrument and we will either provide incentives in the form of free goods or reduce the sales price of the instrument. These incentives in the form of free goods are recorded based on the relative selling price method according to the policies described above.

Instrument Rental Programs. We periodically offer programs to customers whereby certain instruments are made available to customers for rent or on an evaluation basis. These programs typically require customers to purchase a minimum quantity of consumables during a specified period for which we recognize revenue on the related consumables according to the policies described above. Depending on the program offered, customers may purchase the instrument during the rental or evaluation period. Proceeds from such sale are recorded as revenue according to the policies described above. Rental income, if any, is also recorded as revenue according to the policies described above.

Lease Programs. Starting in fiscal 2016, we entered into sales contracts as the lessor of instruments under sales-type lease agreements with our customers. In the veterinary market, we may offer arrangements to end users for monthly payments of instruments and consumables purchases over a term of six years. Revenues related to multiple-element arrangements are allocated to lease and non-lease elements based on their relative selling prices as prescribed by our revenue recognition policies described above. Lease elements generally include one or multiple veterinary instruments, while non-lease elements generally include the consumables related to the leased instrument.

We estimate the fair value of our leased products for the purposes of lease classification. In accordance with Financial Accounting Standards Board Accounting Standards Codification (“ASC”) Topic 840, Leases (“ASC 840”), we define the fair value of a leased product at lease inception as its normal selling price, reflecting any volume or discounts that may apply. We estimate the fair value of our leased products based upon transacted cash sales prices. Estimating the fair value of our leased products can be subjective and thus subject to significant judgment.

The present value of lease receivables, including accrued interest, was $9.1 million and $2.1 million, as of March 31, 2017 and 2016, respectively. Our short-term and long-term lease receivables are recorded within “Receivables” and “Other Assets,” respectively, on our consolidated balance sheets. Revenues from sales-type lease arrangements is recognized upon shipment of the products to the customer, assuming all other revenue recognition criteria have been met. Revenues from sales-type leases are presented as product revenue. Interest income is recognized monthly over the lease term using the effective-interest method.

Sales Incentive Programs. We periodically offer customer sales incentive programs and we record reductions to revenue related to these programs. Incentives may be provided in the form of rebates to distributors for volume-based purchases or upon meeting other specified requirements, end-user rebates and discounts. A summary of our revenue reductions is described below. Other rebate programs offered to distributors or customers vary from period to period in the medical and veterinary markets and were not significant.

- *Volume-based Incentives*. Volume-based incentives, in the form of rebates, are offered from time to time to distributors and group purchasing organizations upon meeting the sales volume requirements during a qualifying period and are recorded as a reduction to gross revenues during a qualifying period. The pricing rebate program is primarily offered to distributors and group purchasing organizations in the North America veterinary market, upon meeting the sales volume requirements of veterinary products during the qualifying period. Factors used in the rebate calculations include the identification of products sold subject to a rebate during the qualifying period and which rebate percentage applies. Based on these factors and using historical trends, adjusted for current changes, we estimate the amount of the rebate and record the rebate as a deduction to gross revenues when we record the sale of the product. The rebate is recorded as a reserve to offset accounts receivable as settlements are made through offsets to outstanding customer invoices. Settlement of the rebate accruals from the date of sale ranges from one to nine months after sale. Changes in the rebate accrual at the end of each period are based upon distributors and group purchasing organizations meeting the purchase requirements during the quarter.
- *Distributor Rebate Incentives.* From time to time, we offer a customer sales incentive program, whereby distributors are offered a rebate upon meeting certain requirements. We recognize the rebate obligation as a reduction of revenue at the later of the date on which we sell the product or the date the program is

offered. These customer sales incentive programs require management to estimate the rebate amounts to distributors who will qualify for the incentive during the promotional period. We record the estimated liability in other current accrued liabilities on our consolidated balance sheets. Management's estimates are based on historical experience and the specific terms and conditions of the incentive programs.

- *End-User Rebates and Discounts*. From time to time, cash rebates are offered to end-users who purchase certain products or instruments during a promotional period and are recorded as a reduction to gross revenues. Additionally, we periodically offer sales incentives to end-users, in the form of sales discounts, to purchase consumables for a specified promotional period, typically over five years from the sale of our instrument, and we reimburse resellers for the value of the sales discount provided to the end-user. We estimate the amount of the incentive earned by end-users during a quarter and record a liability to the reseller as a reduction to gross revenues. Factors used in the liability calculation of incentives earned by end-users include the identification of qualified end-users under the sales program during the period and using historical trends. Settlement of the liability to the reseller ranges from one to twelve months from the date an end-user earns the incentive.

The following table summarizes the change in total accrued sales incentive programs (in thousands):

	Balance at Beginning of Year[(1)]	Provisions[(2)]	Payments	Balance at End of Year[(1)]
Year Ended March 31, 2017	$5,844	$ 8,520	$(6,829)	$7,535
Year Ended March 31, 2016	$5,865	$ 9,627	$(9,648)	$5,844
Year Ended March 31, 2015	$ 700	$10,230	$(5,065)	$5,865

(1) Balance represent reserves related to volume-based incentives, included as an offset to accounts receivables in the consolidated balance sheets, and accruals for distributor rebate incentives and end-user rebates and discounts, included within current accrued liabilities in the consolidated balance sheets.

(2) Provisions are net revenue reductions recorded and includes differences between estimates and actual incentives earned.

Significant components of our accrued sales incentive programs are as follows: Volume-based incentives charged to gross revenues in fiscal 2017, 2016 and 2015, amounted to $2.0 million, $1.9 million and $0.6 million, respectively. Distributor rebate incentives charged (reversed) in gross revenues in fiscal 2017, 2016 and 2015, amounted to $(0.3 million), $0.1 million and $4.9 million, respectively. End-user rebates and discounts charged to gross revenues in fiscal 2017, 2016 and 2015, amounted to $6.9 million, $7.6 million and $3.7 million, respectively.

Royalty Revenues. Royalties are typically based on licensees' net sales of products that utilize our technology and are recognized as earned in accordance with the contract terms when royalties from licensees can be reliably measured and collectibility is reasonably assured, such as upon the receipt of a royalty statement from the licensee. Our royalty revenue depends on the licensees' use of our technology, and therefore, may vary from period to period and impact our revenues during a quarter. Royalty revenues were not significant in fiscal 2017, 2016 and 2015.

Allowance for Doubtful Accounts. We recognize revenue when collection from the customer is reasonably assured. We maintain an allowance for doubtful accounts based on our assessment of the collectibility of the amounts owed to us by our customers. We regularly review the allowance and consider the following factors in determining the level of allowance required: the customer's payment history, the age of the receivable balance, the credit quality of our customers, the general financial condition of our customer base and other factors that may affect the customers' ability to pay. An additional allowance is recorded based on certain percentages of our aged receivables, using historical experience to estimate the potential uncollectible. Account balances are charged off against the allowance when we believe it is probable the receivable will not be recovered. If our actual collections experience changes, revisions to our allowances may be required, which could adversely affect our operating income.

In the event we determine that a lease receivable may not be paid, we include in our allowance an amount for the outstanding balance related to the lease receivable. We regularly review the adequacy of the allowances for outstanding lease receivables either on an individual or a collective basis. When evaluating the lease receivables, we consider historical experience, credit quality and age of receivable balances, and economic conditions that may affect a customer's ability to pay. Our ongoing consideration of all these factors could result in an increase in our allowance for loss on lease receivables in the future, which could adversely affect our operating results. Lease receivables are charged off at the point when they are considered uncollectible.

Fair Value Measurements. We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use when pricing the asset or liability. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. As of March 31, 2017, our investments in cash equivalents, which we classified as available-for-sale, totaled $0.6 million, using Level 1 inputs because these investments are traded in an active market. The valuations are based on quoted prices of the underlying security that are readily and regularly available in an active market, and accordingly, a significant degree of judgment is not required.

Level 2: Directly or indirectly observable inputs as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment because the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data from actively quoted markets for substantially the full term of the financial instrument. As of March 31, 2017, our available-for-sale investments in corporate bonds and municipal bonds, totaled $7.0 million, using Level 2 inputs, based on market pricing and other observable market inputs for similar securities obtained from various third party data providers.

Level 3: Unobservable inputs that are supported by little or no market data and require the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions. As of March 31, 2017 and 2016, we did not have any Level 3 financial assets or liabilities measured at fair value on a recurring basis.

Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, our own assumptions are developed to reflect those that market participants would use in pricing the asset or liability at the measurement date. At March 31, 2017, we also had $66.7 million in investments classified as held-to-maturity and carried at amortized cost.

Investments in Unconsolidated Affiliates. We use the equity method to account for our investments in entities that we do not control, but have the ability to exercise significant influence over the investee. Equity method investments are recorded at original cost and adjusted periodically to recognize (1) our proportionate share of the investees' net income or losses after the date of investment, (2) additional contributions made and dividends or distributions received, and (3) impairment losses resulting from adjustments to net realizable value. We eliminate all intercompany transactions in accounting for our equity method investments. We record our proportionate share of the investees' net income or losses in ''Interest and other income (expense), net'' on our consolidated statements of income.

We assess the potential impairment of our equity method investments when indicators such as a history of operating losses, a negative earnings and cash flow outlook, and the financial condition and prospects for the investee's business segment might indicate a loss in value. The carrying value of our investments are reviewed quarterly for changes in circumstances or the occurrence of events that suggest our investment may not be recoverable. During fiscal 2017, 2016 and 2015, we have not recorded an impairment charge on our investments. At March 31, 2017 and 2016, our investments in unconsolidated affiliates totaled $2.9 million and $2.7 million, respectively.

In January 2017, we early adopted ASU No. 2016-07, ''Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting'' (''ASU 2016-07''), which eliminates the requirement that an investor retrospectively apply equity method accounting when an investment that it had accounted for by another method initially qualifies for use of the equity method. See Note 7 to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information.

Warranty Reserves. We provide for the estimated future costs to be incurred under our standard warranty obligation on our instruments. Our standard warranty obligation on instruments ranges from one to five years, depending on the specific product. The estimated contractual warranty obligation is recorded when the related revenue is recognized and any additional amount is recorded when such cost is probable and can be reasonably estimated. Cost of revenues reflects estimated warranty expense for instruments sold in the current period and any adjustments in estimated warranty expense for the installed base under our standard warranty obligation based on our quarterly evaluation of service experience. While we engage in product quality programs and processes, including monitoring and evaluating the quality of our suppliers, our estimated accrual for warranty exposure is based on our historical experience as to product failures, estimated product failure rates, estimated repair costs, material usage and freight incurred in repairing the instrument after failure and known design changes under the warranty plan. Effective October 2013, we prospectively changed our standard warranty obligations on certain instruments sold from three to five years. The increase in the standard warranty period did not result in a material impact on our cost of revenues or our accrued warranty costs during fiscal 2017, 2016 and 2015.

We also provide for the estimated future costs to be incurred under our standard warranty obligation on our reagent discs. A provision for defective reagent discs is recorded and classified as a current liability when the related sale is recognized and any additional amount is recorded when such cost is probable and can be reasonably estimated, at which time they are included in cost of revenues. The warranty cost includes the replacement costs and freight of a defective reagent disc.

As of March 31, 2017, our current portion of warranty reserves for instruments and reagent discs totaled $1.7 million and our non-current portion of warranty reserves for instruments totaled $2.7 million, which reflects our estimate of warranty obligations based on the estimated product failure rates, the number of instruments in standard warranty, estimated repair and related costs of instruments, and an estimate of defective reagent discs and replacement and related costs of a defective reagent disc. Total change in accrued warranty reserve from March 31, 2017 to March 31, 2016, was primarily attributed to an increase in instruments in standard warranty and an increase in repair costs.

For fiscal 2017, 2016 and 2015, the provision for warranty expense related to instruments was $2.2 million, $1.2 million and $2.4 million, respectively. During fiscal 2016, we recorded an adjustment to pre-existing warranties of $0.2 million, which reduced our warranty reserves and our cost of revenues, based on our historical experience and our projected performance rate of instruments. The change in the provision for warranty expense related to instruments during fiscal 2017, as compared to fiscal 2016, was primarily attributable to an increase in the number of instruments under standard warranty. The change in the provision for warranty expense related to instruments during fiscal 2016, as compared to fiscal 2015, was primarily attributable to a decrease in the number of instruments under standard warranty. The increase in the provision for warranty expense related to instruments during fiscal 2015, as compared to fiscal 2014 was primarily attributable to an increase in the number of instruments under standard warranty.

For fiscal 2017, 2016 and 2015, the provision for warranty expense related to replacement of defective reagent discs was $0.4 million, $0.4 million and $0.2 million, respectively. The changes in the provision for warranty expense related to reagent discs was primarily due to our judgment of the estimated product failure rate of reagent discs under warranty.

Management periodically evaluates the sufficiency of the warranty provisions and makes adjustments when necessary. If an unusual performance rate related to warranty claims is noted, an additional warranty accrual may be assessed and recorded when a failure event is probable and the cost can be reasonably estimated. We review the historical warranty cost trends and analyze the adequacy of the ending accrual balance of warranty reserves each quarter. The determination of warranty reserves requires us to make estimates of the estimated product failure rate, expected costs to repair or replace the instruments and to replace defective reagent discs under warranty. If actual repair or replacement costs of instruments or replacement costs of reagent discs differ significantly from our estimates, adjustments to cost of revenues may be required. Additionally, if factors change and we revise our assumptions on the product failure rate of instruments or reagent discs, then our warranty reserves and cost of revenues could be materially impacted in the quarter of such revision, as well as in following quarters.

Inventories. We state inventories at the lower of cost or market, cost being determined using standard costs which approximate actual costs using the first-in, first-out method. Inventories include material, labor and manufacturing overhead. We establish provisions for excess, obsolete and unusable inventories after evaluation of future demand of

our products and market conditions. If future demand or actual market conditions are less favorable than those estimated by management or if a significant amount of the material were to become unusable, additional inventory write-downs may be required, which would have a negative effect on our operating income.

Intangible Assets. Intangible assets as of March 31, 2017 and 2016, which consists of customer relationships acquired in our in fiscal 2015 acquisition of QCR, are presented at cost, net of accumulated amortization. The intangible assets are amortized using the straight-line method over their estimated useful lives of 10 years, which approximates the economic benefit. If our underlying assumptions regarding the estimated useful life of an intangible asset change, then the amortization period, amortization expense and the carrying value for such asset would be adjusted accordingly. During fiscal 2017, 2016 and 2015, our changes in estimated useful life of intangible assets were not significant, except as noted below in ''Valuation of Long-Lived Assets.''

Valuation of Long-Lived Assets. We evaluate the carrying value of our long-lived assets, such as property and equipment and amortized intangible assets, whenever events or changes in business circumstances or our planned use of long-lived assets indicate that the carrying amount of an asset may not be fully recoverable or their useful lives are no longer appropriate. We look to current and future profitability, as well as current and future undiscounted cash flows, excluding financing costs, as primary indicators of recoverability. An impairment loss would be recognized when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposal is less than the carrying amount. If impairment is determined to exist, any related impairment loss is calculated based on fair value and long-lived assets are written down to their respective fair values. During fiscal 2017, 2016 and 2015, we recognized impairment charges on long-lived assets of $0, $13,000 and $1.9 million, respectively. The impairment charges on our long-lived assets in fiscal 2015 were related to the property and equipment and intangible assets of our AVRL business, which has been offset against the gain from the sale of AVRL on the consolidated statement of income for fiscal 2015.

Income Taxes. We account for income taxes using the liability method under which deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be recovered.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not to be sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50 percent likely to be realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. At March 31, 2017 and 2016, we had no significant uncertain tax positions. Our policy is to include interest and penalties related to gross unrecognized tax benefits within our provision for income taxes. In fiscal 2017, 2016 and 2015, we did not recognize any interest or penalties related to uncertain tax positions in the consolidated statements of income, and at March 31, 2017 and 2016, we had no accrued interest or penalties.

Share-Based Compensation Expense. We account for share-based compensation arrangements using the fair value method. We recognize share-based compensation expense, net of an estimated forfeiture rate, over the requisite service period of the award to employees and directors. As required by fair value provisions of share-based compensation, employee share-based compensation expense recognized is calculated over the requisite service period of the awards and reduced for estimated forfeitures. The forfeiture rate is estimated based on historical data of our share-based compensation awards that are granted and cancelled prior to vesting and upon historical experience of employee turnover. Changes in estimated forfeiture rates and differences between estimated forfeiture rates and actual experience may result in significant, unanticipated increases or decreases in share-based compensation expense from period to period. To the extent we revise our estimate of the forfeiture rate in the future, our share-based compensation expense could be materially impacted in the quarter of revision, as well as in following quarters.

Prior to fiscal 2007, we granted stock option awards to employees and directors as part of our share-based compensation program. We have not granted any stock options since the beginning of fiscal 2007. We have recognized compensation expense for stock options granted during the requisite service period of the stock option. As of March 31, 2017, we had no unrecognized compensation expense related to stock options granted.

Since fiscal 2007, we have granted restricted stock unit awards to employees and directors as part of our share-based compensation program. Restricted stock unit awards to consultants have been insignificant. Awards of restricted stock units are issued at no cost to the recipient and may have time-based vesting criteria, or a combination of time-based and performance-based vesting criteria, as described below.

Restricted Stock Unit Awards (Time Vesting)

The fair value of restricted stock unit awards with only time-based vesting terms, which we refer to as RSUs, used in our expense recognition method is measured based on the number of shares granted and the closing market price of our common stock on the date of grant. Such value is recognized as an expense over the corresponding requisite service period. The share-based compensation expense is reduced by an estimate of the RSU awards that are expected to be forfeited. The forfeiture estimate is based on historical data and other factors, and compensation expense is adjusted for actual results. As a result, if factors change and we use different assumptions, our share-based compensation expense could be materially different in the future.

Restricted Stock Unit Awards (Performance Vesting)

We also began granting restricted stock unit awards subject to performance vesting criteria, which we refer to as PSUs, to our executive officers starting in fiscal 2013. PSUs consist of the right to receive shares of common stock, subject to achievement of time-based criteria and certain corporate performance-related goals over a specified period, as established by the Compensation Committee of our Board of Directors (the ''Compensation Committee''). For PSUs, we recognize any related share-based compensation expense ratably over the service period based on the most probable outcome of the performance condition. The fair value of our PSUs used in our expense recognition method is measured based on the number of shares granted, the closing market price of our common stock on the date of grant and an estimate of the probability of the achievement of the performance goals. The amount of share-based compensation expense recognized in any one period can vary based on the attainment or expected attainment of the performance goals. If such performance goals are not ultimately met, no compensation expense is recognized and any previously recognized compensation expense is reversed.

In fiscal 2015, 2016 and 2017, the Compensation Committee approved the grant of PSUs described below. These PSUs vest only if both of the following criteria are satisfied: (1) our consolidated income from operations during the fiscal year in which grant occurred, as certified by the Compensation Committee, is in excess of the applicable target amount described below; and (2) the recipient remains in the continuous service of the Company until the applicable vesting date set forth as follows:

- 25% of the shares subject to an award vest in full upon achieving 90% of the consolidated income from operations target described above and continuous service until the third anniversary of the date of grant;
- 25% of the shares subject to an award vest in full upon achieving 90% of the consolidated income from operations target described above and continuous service until the fourth anniversary of the date of grant;
- 25% of the shares subject to an award vest in full upon achieving 100% of the consolidated income from operations target described above and continuous service until the third anniversary of the date of grant; and
- 25% of the shares subject to an award vest in full upon achieving 100% of the consolidated income from operations target described above and continuous service until the fourth anniversary of the date of grant.

Fiscal 2015 Performance RSUs. In April 2014, the Compensation Committee approved the grant of PSUs for 172,000 shares of common stock to our executive officers that contained the foregoing time-based and performance-based vesting terms (the ''FY2015 PSUs''). The aggregate estimated grant date fair value of the FY2015 PSUs was $7.0 million based on the closing market price of our common stock on the date of grant. For the FY2015 PSUs, we determined that the performance targets were met and accordingly, we recorded share-based compensation expense ratably over the vesting terms of the PSUs.

Fiscal 2016 Performance RSUs. In April 2015, the Compensation Committee approved the grant of PSUs for 187,000 shares of common stock to our executive officers and to certain of our employees that contained the foregoing time-based and performance-based vesting terms (the ''FY2016 PSUs''). The aggregate estimated grant date fair value of the FY2016 PSUs was $10.3 million based on the closing market price of our common stock on the date of grant. For the FY2016 PSUs, we determined that the performance targets were met and accordingly, we recorded share-based compensation expense ratably over the vesting terms of the PSUs.

Fiscal 2017 Performance RSUs. In April 2016, the Compensation Committee approved the grant of PSUs for 152,000 shares of common stock to our executive officers and to certain of our employees (the "FY2017 PSUs"), that contained the foregoing time-based and performance-based vesting terms, except that the PSUs granted to our Chief Executive Officer, Mr. Clinton Severson, vest as follows:

- approximately 18% of the shares subject to an award vest in full upon achieving 90% of the consolidated income from operations target described above and continuous service until the third anniversary of the date of grant;
- approximately 18% of the shares subject to an award vest in full upon achieving 90% of the consolidated income from operations target described above and continuous service until the fourth anniversary of the date of grant;
- approximately 32% of the shares subject to an award vest in full upon achieving 100% of the consolidated income from operations target described above and continuous service until the third anniversary of the date of grant; and
- approximately 32% of the shares subject to an award vest in full upon achieving 100% of the consolidated income from operations target described above and continuous service until the fourth anniversary of the date of grant.

Approximately 84,000 and 68,000 shares of common stock of the FY2017 PSUs were granted with performance conditions subject to vesting in full upon achieving 100% and 90%, respectively, of the financial targets described above. The aggregate estimated grant date fair value of the FY2017 PSUs was $6.8 million based on the closing market price of our common stock on the date of grant. On January 25, 2017, the Compensation Committee approved an amendment to our FY2017 PSUs so the performance vesting condition refers to the Company's consolidated income from continuing operations before income tax provision, rather than consolidated income from operations. The service vesting condition and all other terms and conditions of our FY2017 PSUs were not changed.

On December 31, 2016, we reviewed each of the underlying performance targets related to the outstanding FY2017 PSUs and determined that it was not probable that the performance targets of the FY2017 PSUs would be met for the 84,000 shares of common stock. Consequently, upon our determination of non-achievement of the performance condition, with respect to achievement of 100% of the financial target in fiscal 2017, we reversed the cumulative share-based compensation expense related to the original awards in the third quarter of fiscal 2017, resulting in no share-based compensation expense recorded for these awards through December 31, 2016. Additional share-based compensation of $0.6 million would have been recorded during the nine months ended December 31, 2016 had the achievement of performance targets been deemed probable for the 84,000 shares of common stock.

On January 25, 2017, we evaluated the modification of the performance conditions for the FY2017 PSUs and determined that the performance conditions for the 84,000 shares of common stock was a Type III modification or "Improbable to Probable" pursuant to ASC 718 as the awards, on the date of modification, were no longer probable of being achieved in fiscal 2017. Because the 84,000 shares of common stock of the FY2017 PSUs granted were improbable of vesting prior to the modification of the performance conditions, the original grant date fair value is no longer used to measure compensation cost for the awards. In accordance with ASC 718, the fair value of the 84,000 shares of common stock of the modified FY2017 PSUs was re-measured with a measurement date of January 25, 2017, and an aggregate grant date fair value of $4.0 million. As we determined that the performance conditions of the modified award would be met for the 84,000 shares of common stock as of March 31, 2017, we recorded share-based compensation expense during fiscal 2017, ratably, beginning on January 25, 2017 over the vesting terms of the modified FY2017 PSUs.

For the remaining 68,000 shares of common stock of the FY2017 PSUs, we evaluated the modification of the performance conditions for the FY2017 PSUs and determined it was a Type I modification or "Probable to Probable" pursuant to ASC 718. Accordingly, we recorded share-based compensation expense during fiscal 2017, ratably, beginning on the original grant date over the vesting terms of the PSUs, as we determined that the performance targets approved by the Compensation Committee in April 2016 would be met.

Fiscal 2018 Performance RSUs. In April 2017, the Compensation Committee approved the grant of PSUs for 137,000 shares of common stock to our executive officers and to certain of our employees that contained the foregoing time-based and performance-based vesting terms (the "FY2018 PSUs").

- 50% of the shares subject to an award vest in full upon achieving 90% of a consolidated income from continuing operations before income tax provision target and continuous service until the third anniversary of the date of grant; and
- 50% of the shares subject to an award vest in full upon achieving 90% of a consolidated income from continuing operations before income tax provision target and continuous service until the fourth anniversary of the date of grant.

The aggregate estimated grant date fair value of the FY2018 PSUs was $6.3 million based on the closing market price of our common stock on the date of grant.

Share-based compensation expense has had a material impact on our earnings per share and on our consolidated financial statements for fiscal 2017, 2016 and 2015. The impact of share-based compensation expense on our consolidated financial results is disclosed in Note 16 to the Consolidated Financial Statements in Part II, Item 8 of this report. We expect that share-based compensation will materially impact our consolidated financial statements in the foreseeable future. As of March 31, 2017, our total unrecognized compensation expense related to RSUs and PSUs granted to employees and directors totaled $26.8 million, which expense is expected to be recognized over a weighted average service period of 1.7 to 1.9 years. Excluding forfeitures, we estimate expense recognition of RSUs and PSUs with time-based vesting criteria over the requisite service period of the award, for awards granted and unvested as of March 31, 2017 as follows: $12.8 million in fiscal 2018, $11.1 million in fiscal 2019, $7.1 million in fiscal 2020 and $1.4 million in fiscal 2021.

Results of Operations

Previously reported financial information has been revised to reflect the reclassification of our AVRL business within our veterinary market segment as discontinued operations. See Note 3 to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information.

Total Revenues – Continuing Operations

Revenues by Product Category. The following table and the discussion that follows, presents revenues by product category and represents our results from continuing operations during fiscal 2017, 2016 and 2015 (in thousands, except percentages):

	Year Ended March 31,			Change 2016 to 2017		Change 2015 to 2016	
Revenues by Product Category	**2017**	**2016**	**2015**	**Dollar Change**	**Percent Change**	**Dollar Change**	**Percent Change**
Instruments[(1)]	$ 39,257	$ 43,042	$ 48,649	$ (3,785)	(9)%	$ (5,607)	(12)%
Percentage of total revenues	17%	20%	24%				
Consumables[(2)]	175,346	165,025	144,446	10,321	6%	20,579	14%
Percentage of total revenues	77%	75%	71%				
Other products[(3)]	12,617	10,760	9,348	1,857	17%	1,412	15%
Percentage of total revenues	6%	5%	5%				
Product sales, net	227,220	218,827	202,443	8,393	4%	16,384	8%
Percentage of total revenues	100%	100%	100%				
Development and licensing revenues	—	74	150	(74)	(100)%	(76)	(51)%
Percentage of total revenues	—%	<1%	<1%				
Total revenues	$227,220	$218,901	$202,593	$ 8,319	4%	$16,308	8%

(1) Instruments include chemistry analyzers, hematology instruments, VS*pro* specialty analyzers and i-STAT analyzers.

(2) Consumables include reagent discs, hematology reagent kits, VS*pro* specialty cartridges, i-STAT cartridges and rapid tests.

(3) Other products include products using the Orbos process and extended maintenance agreements.

Revenues by Geographic Region. The following table and the discussion that follows, presents our revenues by geographic region and represents our results from continuing operations during fiscal 2017, 2016 and 2015 (in thousands, except percentages):

Revenues by Geographic Region	Year Ended March 31, 2017	2016	2015	Change 2016 to 2017 Dollar Change	Percent Change	Change 2015 to 2016 Dollar Change	Percent Change
North America	$181,853	$175,019	$163,308	$6,834	4%	$11,711	7%
Percentage of total revenues	80%	80%	81%				
Europe	32,764	31,262	30,422	1,502	5%	840	3%
Percentage of total revenues	14%	14%	15%				
Asia Pacific and rest of the world	12,603	12,620	8,863	(17)	—%	3,757	42%
Percentage of total revenues	6%	6%	4%				
Total revenues	$227,220	$218,901	$202,593	$8,319	4%	$16,308	8%

Fiscal 2017 Compared to Fiscal 2016

North America. During fiscal 2017, total revenues in North America increased by 4%, or $6.8 million, as compared to fiscal 2016. The change in total revenues in North America was primarily attributable to the following:

- Total revenues from our Piccolo chemistry analyzers and medical reagent discs in North America increased by 1%, or $0.1 million, primarily attributable to an increase in medical reagent discs sold to Abbott, resulting from an expanded installed base of Piccolo chemistry analyzers, partially offset by a decrease in the unit sales of Piccolo chemistry analyzers sold to Abbott.
- Total sales of our VetScan chemistry analyzers and veterinary reagent discs in North America increased by 1%, or $0.7 million, primarily attributable to an increase in the unit sales of VetScan chemistry analyzers resulting from an increase in sales-type lease agreements with our customers, partially offset by a decrease in the unit sales of veterinary reagent discs sold due to a relatively flat installed base of customers of chemistry analyzers and fluctuation in distribution inventory.
- Total sales of our VetScan hematology instruments and hematology reagent kits in North America increased by 9%, or $2.3 million, primarily attributable to an increase in the unit sales of hematology reagent kits due to our supply agreement with Banfield Pet Hospitals starting in the first quarter of fiscal 2017, partially offset by a decrease in the unit sales of VetScan hematology instruments sold to various distributors.
- Total sales of our VetScan VS*pro* specialty analyzers and related consumables, VetScan i-STAT analyzers and related consumables and VetScan rapid tests in North America increased by 6%, or $1.9 million, primarily attributable to an increase in revenues from VetScan rapid tests, due to an increase in the unit sales of VetScan Canine Heartworm Rapid Test Kit and VetScan Feline FeLV/FIV Rapid Test and the release of the VetScan VUE in the first quarter of fiscal 2017, an app-based automated rapid assay test reader used with our VetScan rapid tests.
- Revenues from other products in North America increased by 25%, or $2.0 million, primarily attributable to an increase in other veterinary products sold.

Europe. During fiscal 2017, total revenues in Europe increased by 5%, or $1.5 million, as compared to fiscal 2016, primarily attributable to an increase in revenues from VetScan chemistry analyzers and VetScan hematology instruments sold in the United Kingdom, partially offset by a decrease in revenues from Piccolo chemistry analyzers sold to various distributors and the impact of a lower exchange rate between the GBP and U.S. dollar, as compared to the same period last year.

Asia Pacific and rest of the world. During fiscal 2017, total revenues in Asia Pacific and rest of the world remain unchanged from fiscal 2016. Revenues from Piccolo chemistry analyzers and medical reagent discs decreased by 39%, or $1.5 million, primarily attributable to the impact of sales of Piccolo chemistry analyzers to Fuzhou Kelian Medical Devices, Ltd., a point-of-care diagnostics distributor based in China, in the third quarter of fiscal 2016, partially offset by an increase in the unit sales of veterinary reagent discs to various distributors.

Significant concentrations. During fiscal 2017, four distributors, MWI Veterinary Supply, Inc., Henry Schein, Inc., Patterson Companies, Inc. and Abbott Point of Care, Inc., accounted for 21%, 14%, 11% and 10%, respectively, of our total worldwide revenues. Starting in fiscal 2016, our revenues from Henry Schein, Inc., include both Henry

Schein, Inc. and scil animal care company GmbH, as a result of Henry Schein Inc.'s acquisition of scil animal care company GmbH in Europe. Starting in the second quarter of fiscal 2016, our revenues from Patterson Companies, Inc. include both Patterson's veterinary business and Animal Health International, Inc., as a result of Patterson's acquisition of Animal Health International, Inc.

Fiscal 2016 Compared to Fiscal 2015

North America. During fiscal 2016, total revenues in North America increased by 7%, or $11.7 million, as compared to fiscal 2015. The change in total revenues in North America was primarily attributable to the following:

- Total revenues from our Piccolo chemistry analyzers and medical reagent discs in North America increased by 3%, or $0.6 million, primarily attributable to an increase in medical reagent discs sold to Abbott, resulting from an expanded installed base of Piccolo chemistry analyzers, partially offset by a decrease in the unit sales of Piccolo chemistry analyzers sold to Abbott, which were higher in the third quarter of fiscal 2015 due to the Ebola epidemic outbreak in late 2014.
- Total sales of our VetScan chemistry analyzers and veterinary reagent discs in North America increased by 2%, or $1.9 million, primarily attributable to an increase in the unit sales of veterinary reagent discs due to an expanded installed base of VetScan chemistry analyzers. The increase was partially offset by (a) a decrease in the unit sales of VetScan chemistry analyzers due to higher sales in the prior period to VCA's Animal Hospitals resulting from a product supply agreement that we entered into in May 2014 and (b) higher sales of VetScan chemistry analyzers in the third quarter of fiscal 2015 from initial stocking orders to two additional distributors, Henry Schein Animal Health and Patterson Companies, Inc., starting in the third quarter of fiscal 2015.
- Total sales of our VetScan hematology instruments and hematology reagent kits in North America increased by 8%, or $1.9 million, primarily attributable an increase in the unit sales of hematology reagent kits due to an expanded installed base of hematology instruments.
- Total sales of our VetScan VS*pro* specialty analyzers and related consumables, VetScan i-STAT analyzers and related consumables and VetScan rapid tests in North America increased by 31%, or $7.3 million, primarily attributable to (a) higher sales of our VetScan Feline FeLV/FIV Rapid Test, which we introduced in fiscal 2015, (b) an increase in the unit sales of VetScan Canine Heartworm Rapid Test Kit and (c) an increase in the sales of VetScan rapid tests resulting from two additional distributors, Henry Schein Animal Health and Patterson Companies, Inc., starting in the third quarter of fiscal 2015.

Europe. During fiscal 2016, total revenues in Europe increased by 3%, or $0.8 million, as compared to fiscal 2015, primarily attributable to an increase in rental income from veterinary instruments rented by customers in the United Kingdom starting in the third quarter of fiscal 2015, resulting from our acquisition of QCR and Trio Diagnostics. The increase was partially offset by a decrease in revenues from veterinary reagent discs due to the impact of a lower exchange rate between the Euro and U.S. dollar.

Asia Pacific and rest of the world. During fiscal 2016, total revenues in Asia Pacific and rest of the world increased by 42%, or $3.8 million, as compared to fiscal 2015. Revenues from Piccolo chemistry analyzers and medical reagent discs increased by 160%, or $2.4 million, primarily attributable to sales of Piccolo chemistry analyzers to Fuzhou Kelian Medical Devices, Ltd., a point-of-care diagnostics distributor based in China. Revenues from veterinary instruments increased by 28%, or $0.7 million, primarily attributable to an increase in the unit sales of VetScan chemistry analyzers and VetScan hematology instruments to various distributors. Revenues from veterinary consumables increased by 13%, or $0.6 million, primarily attributable to an increase in the unit sales of veterinary reagent discs to a distributor.

Significant concentrations. During fiscal 2016, three distributors in the United States, MWI, Patterson Companies, Inc. and Abbott, accounted for 20%, 11% and 10%, respectively, and one distributor in both the United States and Europe, Henry Schein, Inc., accounted for 13% of our total worldwide revenues. Two distributors in the United States, MWI and Abbott, accounted for 19% and 11%, respectively, of our total worldwide revenues in fiscal 2015.

Segment Results – Continuing Operations

Total Revenues, Cost of Revenues and Gross Profit by Segment. We identify our reportable segments as those customer groups that represent more than 10% of our combined revenue or gross profit or loss of all reported

operating segments. We manage our business on the basis of the following two reportable segments: (i) the medical market and (ii) the veterinary market, which are based on the products sold by market and customer group.

Certain reclassifications have been made to prior fiscal year amounts to conform to the current fiscal year presentation in the segment categories. These reclassifications did not result in any change on our consolidated revenues, cost of revenues or gross profit. The Company made changes to the presentation of reportable segments to reflect changes in the way its decision maker evaluates the performance of its operations and allocates resources.

Fiscal 2017 Compared to Fiscal 2016

The following table and the discussion that follows presents revenues, cost of revenues, gross profit and percentage of revenues by operating segments and from certain unallocated items and represents our results from continuing operations for fiscal 2017 and 2016 (in thousands, except percentages):

	Year Ended March 31,				Change	
	2017	Percent of Revenues[1]	2016	Percent of Revenues[1]	Dollar Change	Percent Change
Revenues:						
Medical Market	$ 36,602	100%	$ 37,845	100%	$(1,243)	(3)%
Percentage of total revenues	16%		17%			
Veterinary Market	186,661	100%	177,667	100%	8,994	5%
Percentage of total revenues	82%		81%			
Other[2]	3,957		3,389		568	17%
Percentage of total revenues	2%		2%			—
Total revenues	227,220		218,901		8,319	4%
Cost of revenues:						
Medical Market	19,909	54%	20,223	53%	(314)	(2)%
Veterinary Market	81,249	44%	75,296	42%	5,953	8%
Other[2]	217		130		87	67%
Total cost of revenues	101,375		95,649		5,726	6%
Gross profit:						
Medical Market	16,693	46%	17,622	47%	(929)	(5)%
Veterinary Market	105,412	56%	102,371	58%	3,041	3%
Other[2]	3,740		3,259		481	15%
Gross profit	$125,845		$123,252		$ 2,593	2%

(1) The percentage reported is based on revenues by operating segment.

(2) Represents unallocated items, not specifically identified to any particular business segment.

Medical Market

Revenues for Medical Market Segment

During fiscal 2017, total revenues in the medical market decreased by 3%, or $1.2 million, as compared to fiscal 2016. The change in the medical market segment was primarily attributable to the following:

- Total revenues from Piccolo chemistry analyzers decreased by 38%, or $3.9 million, during fiscal 2017 as compared to fiscal 2016, primarily attributable to (a) a decrease in the unit sales of Piccolo chemistry analyzers sold in North America to Abbott, (b) a decrease in revenues from Piccolo chemistry analyzers sold to various distributors in Europe and (c) the impact of sales of Piccolo chemistry analyzers to Fuzhou Kelian Medical Devices, Ltd., a point-of-care diagnostics distributor based in China, in the third quarter of fiscal 2016.
- Total revenues from medical reagent discs increased by 10%, or $2.6 million, during fiscal 2017 as compared to fiscal 2016, primarily attributable to an increase in the sales volume of medical reagent discs sold in North America to Abbott, resulting from an expanded installed base of Piccolo chemistry analyzers.

Gross Profit for Medical Market Segment

Gross profit for the medical market segment decreased by 5%, or $0.9 million, during fiscal 2017 as compared to fiscal 2016. Gross profit percentages for the medical market segment during fiscal 2017 and 2016 were 46% and

47%, respectively. In absolute dollars, the net decrease in gross profit was primarily attributable to a decrease in the unit sales of Piccolo chemistry analyzers, partially offset an increase in the unit sales of medical reagent discs.

Veterinary Market

Revenues for Veterinary Market Segment

During fiscal 2017, total revenues in the veterinary market increased by 5%, or $9.0 million, as compared to fiscal 2016. The change in the veterinary market segment was primarily attributable to the following:

- Total revenues from veterinary instruments increased by less than 1%, or $0.1 million, during fiscal 2017 as compared to fiscal 2016. The increase was primarily attributable to an increase in the unit sales of VetScan chemistry analyzers in North America resulting from an increase in sales-type lease agreements with our customers and an increase in revenues from VetScan chemistry analyzers and VetScan hematology instruments sold in the United Kingdom, partially offset by a decrease in the unit sales of VetScan hematology instruments sold to various distributors in North America.
- Total revenues from consumables in the veterinary market increased by 6%, or $7.8 million, during fiscal 2017 as compared to fiscal 2016, primarily attributable to an increase in the unit sales of hematology reagent kits sold in North America due to our supply agreement with Banfield Pet Hospitals starting in the first quarter of fiscal 2017 and an increase in revenues from VetScan rapid tests, primarily due to an increase in the unit sales of VetScan Canine Heartworm Rapid Test Kits and VetScan Feline FeLV/FIV Rapid Tests and the release of the VetScan VUE in the first quarter of fiscal 2017, an app-based automated rapid assay test reader used with our VetScan rapid tests. These increases were partially offset by a decrease in the unit sales of veterinary reagent discs sold in North America due to a relatively flat installed base of customers of chemistry analyzers and fluctuation in distribution inventory.
- Total revenues from other products in the veterinary market increased by 20%, or $1.1 million, during fiscal 2017 as compared to fiscal 2016, primarily attributable to an increase in other veterinary products sold in North America.

Gross Profit for Veterinary Market Segment

Gross profit for the veterinary market segment increased by 3%, or $3.0 million, during fiscal 2017 as compared to fiscal 2016. Gross profit percentages for the veterinary market segment during fiscal 2017 and 2016 were 56% and 58%, respectively. In absolute dollars, the net increase in gross profit was primarily attributable to an increase in the unit sales of VetScan chemistry analyzers, VetScan hematology reagent kits and VetScan rapid tests and lower manufacturing costs on VetScan hematology instruments due in part to fluctuations in the Euro exchange rates, partially offset by a decrease in the average selling prices of VetScan chemistry analyzers, VetScan hematology instruments and VetScan hematology reagent kits. The gross profit percentage was impacted by changes in our product mix.

Other

Our other category primarily consists of products sold using our patented Orbos Discrete Lyophilization Process. The change in gross profit in our other category was not significant during fiscal 2017, as compared to fiscal 2016.

Fiscal 2016 Compared to Fiscal 2015

The following table and the discussion that follows presents revenues, cost of revenues, gross profit and percentage of revenues by operating segments and from certain unallocated items and represents our results from continuing operations for fiscal 2016 and 2015 (in thousands, except percentages):

	Year Ended March 31,				Change	
	2016	Percent of Revenues[1]	2015	Percent of Revenues[1]	Dollar Change	Percent Change
Revenues:						
Medical Market	$ 37,845	100%	$ 35,364	100%	$ 2,481	7%
Percentage of total revenues	17%		17%			
Veterinary Market	177,667	100%	164,018	100%	13,649	8%
Percentage of total revenues	81%		81%			
Other[2]	3,389		3,211		178	6%
Percentage of total revenues	2%		2%			—
Total revenues	218,901		202,593		16,308	8%
Cost of revenues:						
Medical Market	20,223	53%	18,905	53%	1,318	7%
Veterinary Market	75,296	42%	74,577	45%	719	1%
Other[2]	130		141		(11)	(8)%
Total cost of revenues	95,649		93,623		2,026	2%
Gross profit:						
Medical Market	17,622	47%	16,459	47%	1,163	7%
Veterinary Market	102,371	58%	89,441	55%	12,930	14%
Other[2]	3,259		3,070		189	6%
Gross profit	$123,252		$108,970		$14,282	13%

(1) The percentage reported is based on revenues by operating segment.

(2) Represents unallocated items, not specifically identified to any particular business segment.

Medical Market

Revenues for Medical Market Segment

During fiscal 2016, total revenues in the medical market increased by 7%, or $2.5 million, as compared to fiscal 2015. The change in the medical market segment was primarily attributable to the following:

- Total revenues from Piccolo chemistry analyzers decreased by 4%, or $0.4 million, during fiscal 2016 as compared to fiscal 2015, primarily attributable to a decrease in the unit sales of Piccolo chemistry analyzers sold to Abbott, which were higher in the third quarter of fiscal 2015 due to the Ebola epidemic outbreak in late 2014. The decrease was partially offset by sales of Piccolo chemistry analyzers to Fuzhou Kelian Medical Devices, Ltd., a point-of-care diagnostics distributor based in China, during the third quarter of fiscal 2016.
- Total revenues from medical reagent discs increased by 14%, or $3.1 million, during fiscal 2016 as compared to fiscal 2015, primarily attributable to an increase in the sales volume of medical reagent discs sold in North America to Abbott, resulting from an expanded installed base of Piccolo chemistry analyzers.

Gross Profit for Medical Market Segment

Gross profit for the medical market segment increased by 7%, or $1.2 million, during fiscal 2016 as compared to fiscal 2015. Gross profit percentages for the medical market segment during fiscal 2016 and 2015 were 47% and 47%, respectively. In absolute dollars, the increase in gross profit was primarily attributable to an increase in the unit sales of medical reagent discs, partially offset by lower average selling prices of Piccolo chemistry analyzers. The gross profit percentage was impacted by an increase in the unit sales of medical reagent discs, which have a higher margin contribution.

Veterinary Market

Revenues for Veterinary Market Segment

During fiscal 2016, total revenues in the veterinary market increased by 8%, or $13.6 million, as compared to fiscal 2015. The change in the veterinary market segment was primarily attributable to the following:

- Total revenues from veterinary instruments decreased by 14%, or $5.2 million, during fiscal 2016 as compared to fiscal 2015, primarily attributable to (a) a decrease in the unit sales of VetScan chemistry analyzers due to higher sales in the prior period to VCA's Animal Hospitals resulting from a product supply agreement that we entered into in May 2014 and (b) higher sales of VetScan chemistry analyzers in the third quarter of fiscal 2015 from initial stocking orders to two additional distributors, Henry Schein Animal Health and Patterson Companies, Inc., starting in the third quarter of fiscal 2015. These decreases were partially offset by an increase in the unit sales of VetScan chemistry analyzers and VetScan hematology instruments to various distributors in Asia Pacific and rest of the world.
- Total revenues from consumables in the veterinary market increased by 14%, or $17.5 million, during fiscal 2016 as compared to fiscal 2015, primarily attributable to (a) an increase in the unit sales of veterinary reagent discs and hematology reagent kits in North America due to an expanded instrument installed base, (b) an increase in the unit sales of veterinary reagent discs to a distributor in Asia Pacific and rest of the world, (c) higher sales of our VetScan Feline FeLV/FIV Rapid Test, which we introduced in fiscal 2015, (d) an increase in the unit sales of VetScan Canine Heartworm Rapid Test Kit and (e) an increase in the sales of VetScan rapid tests in North America resulting from two additional distributors, Henry Schein Animal Health and Patterson Companies, Inc., starting in the third quarter of fiscal 2015. These increases were partially offset by a decrease in revenues from veterinary reagent discs due to the impact of a lower exchange rate between the Euro and U.S. dollar.
- Total revenues from other products in the veterinary market increased by 32%, or $1.4 million, during fiscal 2016 as compared to fiscal 2015, primarily attributable to an increase in rental income from veterinary instruments rented by customers in the United Kingdom starting in the third quarter of fiscal 2015, resulting from our acquisition of QCR and Trio Diagnostics.

Gross Profit for Veterinary Market Segment

Gross profit for the veterinary market segment increased by 14%, or $12.9 million, during fiscal 2016 as compared to fiscal 2015. Gross profit percentages for the veterinary market segment during fiscal 2016 and 2015 were 58% and 55%, respectively. In absolute dollars, the net increase in gross profit was primarily attributable to (a) an increase in the unit sales of veterinary reagent discs, VetScan hematology reagent kits and VetScan rapid tests and (b) lower manufacturing costs of veterinary reagent discs. The increase in gross profit percentage was impacted by changes in our product mix and an increase in the unit sales of veterinary reagent discs, which have a higher margin contribution.

Other

Our other category primarily consists of products sold using our patented Orbos Discrete Lyophilization Process. The change in gross profit in our other category was not significant during fiscal 2016, as compared to fiscal 2015.

Cost of Revenues – Continuing Operations

The following table and the discussion that follows presents our cost of revenues and represents our results from continuing operations for fiscal 2017, 2016 and 2015 (in thousands, except percentages):

	Year Ended March 31,			Change 2016 to 2017		Change 2015 to 2016	
	2017	2016	2015	Dollar Change	Percent Change	Dollar Change	Percent Change
Cost of revenues	$101,375	$95,649	$93,623	$5,726	6%	$2,026	2%
Percentage of total revenues	45%	44%	46%				

Cost of revenues includes the cost of materials, direct labor costs, costs associated with manufacturing, assembly, packaging, warranty repairs, test and quality assurance for our instruments and consumables and manufacturing overhead, including costs of personnel and equipment associated with manufacturing support.

Fiscal 2017 Compared to Fiscal 2016

The increase in cost of revenues, in absolute dollars, during fiscal 2017, as compared to fiscal 2016, was impacted by an increase in the unit sales of medical reagent discs, VetScan chemistry analyzers, VetScan hematology reagent kits and VetScan rapid tests, partially offset by a decrease in the unit sales of Piccolo chemistry analyzers and lower manufacturing costs on VetScan hematology instruments due in part to fluctuations in the Euro exchange rates. Cost of revenues, as a percentage of total revenues, during fiscal 2017 as compared to fiscal 2016, was primarily due to changes in our product mix.

Fiscal 2016 Compared to Fiscal 2015

The increase in cost of revenues, in absolute dollars, during fiscal 2016, as compared to fiscal 2015, was primarily attributable to an increase in the unit sales of medical and veterinary reagent discs and VetScan rapid tests, partially offset by a decrease in the unit sales of Piccolo and VetScan chemistry analyzers. The decrease in cost of revenues, as a percentage of total revenues, during fiscal 2016 as compared to fiscal 2015, was primarily due to changes in our product mix and an increase in the unit sales of medical and veterinary reagent discs, which have a higher margin contribution.

For our manufacturing operations, while we have an ongoing cost improvement program to reduce material and component costs and are implementing design changes and process improvements, any cost reductions and design and process improvements may be partially offset by increases in other manufacturing costs in subsequent periods.

Gross Profit – Continuing Operations

The following table and the discussion that follows presents our gross profit and represents our results from continuing operations for fiscal 2017, 2016 and 2015 (in thousands, except percentages):

	Year Ended March 31,			Change 2016 to 2017		Change 2015 to 2016	
	2017	2016	2015	Dollar Change	Percent Change	Dollar Change	Percent Change
Total gross profit	$125,845	$123,252	$108,970	$2,593	2%	$14,282	13%
Total gross margin	55%	56%	54%				

Fiscal 2017 Compared to Fiscal 2016

Gross profit in fiscal 2017 increased by 2%, or $2.6 million, as compared to fiscal 2016, primarily attributable to an increase in the unit sales of medical reagent discs, VetScan chemistry analyzers, VetScan hematology reagent kits and VetScan rapid tests and lower manufacturing costs on VetScan hematology instruments due in part to fluctuations in the Euro exchange rates, partially offset by a decrease in the unit sales of Piccolo chemistry analyzers and a decrease in the average selling prices of VetScan chemistry analyzers, VetScan hematology instruments and VetScan hematology reagent kits. The gross profit percentage was impacted by changes in our product mix in the veterinary market.

Fiscal 2016 Compared to Fiscal 2015

Gross profit in fiscal 2016 increased by 13%, or $14.3 million, as compared to fiscal 2015, primarily attributable to (a) an increase in the unit sales of medical and veterinary reagent discs, VetScan hematology reagent kits and VetScan rapid tests and (b) lower manufacturing costs of veterinary reagent discs, partially offset by lower average selling prices of Piccolo chemistry analyzers. The increase in gross margin was impacted by changes in our product mix and an increase in the unit sales of medical and veterinary reagent discs, which have a higher margin contribution.

Research and Development – Continuing Operations

The following table and the discussion that follows presents our research and development expenses and represents our results from continuing operations for fiscal 2017, 2016 and 2015 (in thousands, except percentages):

	Year Ended March 31,			Change 2016 to 2017		Change 2015 to 2016	
	2017	2016	2015	Dollar Change	Percent Change	Dollar Change	Percent Change
Research and development expenses	$19,795	$18,388	$16,327	$1,407	8%	$2,061	13%
Percentage of total revenues	9%	8%	8%				

Research and development expenses consist of personnel costs (including salaries, benefits and share-based compensation expense), consulting expenses and materials and related expenses associated with the development of new tests and test methods, clinical trials, product improvements and optimization and enhancement of existing products and expenses related to regulatory and quality assurance. Our research and development expenses include a mix of internal development and external collaboration efforts.

Research and development expenses are primarily based on the project activities planned and the level of spending depends on budgeted expenditures. Research and development expenses for the periods presented above are related primarily to new product development and enhancement of existing products in both the medical and veterinary markets, including the development of electronic connectivity technology and additional projects related to high sensitivity immunoassay.

Fiscal 2017 Compared to Fiscal 2016

Research and development expenses increased by 8%, or $1.4 million, in fiscal 2017 as compared to fiscal 2016. The increase was primarily attributable to expenses related to new product development and enhancement of existing products in both the medical and veterinary markets. Share-based compensation expense included in research and development expenses during fiscal 2017 and 2016 was $2.3 million and $2.1 million, respectively.

Fiscal 2016 Compared to Fiscal 2015

Research and development expenses increased by 13%, or $2.1 million, in fiscal 2016 as compared to fiscal 2015. The increase was primarily attributable to expenses related to new product development and enhancement of existing products in both the medical and veterinary markets. Share-based compensation expense included in research and development expenses during fiscal 2016 and 2015 was $2.1 million and $1.6 million, respectively.

We anticipate the dollar amount of research and development expenses to increase in fiscal 2018 from fiscal 2017 but remain consistent as a percentage of total revenues, as we complete new products and enhance existing products for both the medical and veterinary markets.

Sales and Marketing – Continuing Operations

The following table and the discussion that follows presents our sales and marketing expenses and represents our results from continuing operations for fiscal 2017, 2016 and 2015 (in thousands, except percentages):

	Year Ended March 31,			Change 2016 to 2017		Change 2015 to 2016	
	2017	2016	2015	Dollar Change	Percent Change	Dollar Change	Percent Change
Sales and marketing expenses	$45,249	$42,526	$42,147	$2,723	6%	$379	1%
Percentage of total revenues	20%	19%	21%				

Sales and marketing expenses consist of personnel costs (including salaries, benefits and share-based compensation expense), commissions and travel-related expenses for personnel engaged in selling, costs associated with advertising, lead generation, marketing programs, trade shows and services related to customer and technical support.

Fiscal 2017 Compared to Fiscal 2016

Sales and marketing expenses in fiscal 2017 increased by 6%, or $2.7 million, as compared to fiscal 2016, primarily attributable to increased costs related to headcount and promotional and marketing spending to support our growth in both North America and internationally. Share-based compensation expense included in sales and marketing expenses during fiscal 2017 and 2016 was $2.9 million and $3.0 million, respectively.

Fiscal 2016 Compared to Fiscal 2015

Sales and marketing expenses in fiscal 2016 increased by 1%, or $0.4 million, as compared to fiscal 2015, primarily attributable to increased promotional and marketing spending and increased spending due to our acquisition of QCR and Trio Diagnostics in the third quarter of fiscal 2015, partially offset by a decrease in employee bonus and commission expense based on meeting lower company performance targets during fiscal 2016. Share-based compensation expense included in sales and marketing expenses during fiscal 2016 and 2015 was $3.0 million and $2.4 million, respectively.

General and Administrative – Continuing Operations

The following table and the discussion that follows presents our general and administrative expenses and represents our results from continuing operations for fiscal 2017, 2016 and 2015 (in thousands, except percentages):

	Year Ended March 31,			Change 2016 to 2017		Change 2015 to 2016	
	2017	2016	2015	Dollar Change	Percent Change	Dollar Change	Percent Change
General and administrative expenses	$16,314	$15,984	$16,192	$330	2%	$(208)	(1)%
Percentage of total revenues	7%	7%	8%				

General and administrative expenses consist of personnel costs (including salaries, benefits and share-based compensation expense), and expenses for outside professional services related to general corporate functions, including accounting and legal, and other general and administrative expenses.

Fiscal 2017 Compared to Fiscal 2016

General and administrative expenses in fiscal 2017 increased by 2%, or $0.3 million, as compared to fiscal 2016, primarily attributable to increased spending on professional services to support our growing operations, partially offset by a decrease in personnel costs related to employee bonus expense based on meeting lower company performance targets during fiscal 2017 and share-based compensation expense. Share-based compensation expense included in general and administrative expenses during fiscal 2017 and 2016 was $4.4 million and $4.6 million, respectively.

Fiscal 2016 Compared to Fiscal 2015

General and administrative expenses in fiscal 2016 decreased by 1%, or $0.2 million, as compared to fiscal 2015, primarily attributable to (a) a decrease in employee bonus expense based on meeting lower company performance targets during fiscal 2016 and (b) higher costs in the third quarter of fiscal 2015 due to our acquisition of QCR and Trio, partially offset by an increase in share-based compensation expense. Share-based compensation expense included in general and administrative expenses during fiscal 2016 and 2015 was $4.6 million and $3.6 million, respectively.

Interest and Other Income (Expense), Net – Continuing Operations

The following table and the discussion that follows presents our interest and other income (expense), net and represents our results from continuing operations for fiscal 2017, 2016 and 2015 (in thousands, except percentages):

	Year Ended March 31,			Change	
	2017	2016	2015	2016-2017	2015-2016
Interest and other income (expense), net	$6,625	$793	$(1,262)	$5,832	$2,055

Interest and other income (expense), net consists primarily of interest earned on cash and cash equivalents and investments, foreign currency exchange gains and losses and our equity in net income (loss) of investments in unconsolidated affiliates.

Fiscal 2017 Compared to Fiscal 2016

Interest and other income (expense), net increased in fiscal 2017, as compared to fiscal 2016, primarily attributable to a pre-tax gain of $6.1 million ($3.8 million after tax) on the sale of our equity method investment, SMB. See Note 7 to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information.

Fiscal 2016 Compared to Fiscal 2015

Interest and other income (expense), net primarily consisted of foreign currency gains and (losses) of $0.1 million and $(1.8 million) for fiscal 2016 and fiscal 2015, respectively, primarily attributable to foreign currency exchange rate fluctuations.

Income Tax Provision – Continuing Operations

The following table and the discussion that follows presents our income tax provision and represents our results from continuing operations for fiscal 2017, 2016 and 2015 (in thousands, except percentages):

	Year Ended March 31,		
	2017	**2016**	**2015**
Income tax provision	$18,333	$16,073	$12,239
Effective tax rate	36%	34%	37%

Fiscal 2017 Compared to Fiscal 2016

For fiscal 2017 and 2016, our income tax provision was $18.3 million, based on an effective tax rate of 36%, and $16.1 million, based on an effective tax rate of 34%, respectively. The dollar increase in the income tax provision during fiscal 2017, as compared to fiscal 2016, was attributable to higher pre-tax income. The increase in the effective tax rate during fiscal 2017, as compared to fiscal 2016, was primarily attributable to lower foreign tax credits during fiscal 2017 and the impact of the benefit from the retroactive reinstatement of the federal research credit on December 18, 2015, when the federal research credit was permanently extended, retroactive to January 1, 2015.

We expect our effective tax rate will be approximately 36% for federal, foreign and various state tax jurisdictions in fiscal 2018, compared to an effective tax rate of 36% in fiscal 2017.

Fiscal 2016 Compared to Fiscal 2015

For fiscal 2016 and 2015, our income tax provision was $16.1 million, based on an effective tax rate of 34%, and $12.2 million, based on an effective tax rate of 37%, respectively. The dollar increase in the income tax provision during fiscal 2016, as compared to fiscal 2015, was attributable to higher pre-tax income. The decrease in the effective tax rate during fiscal 2016, as compared to fiscal 2015, was impacted by the retroactive reinstatement of federal research and development tax credits, foreign tax credits which reduce federal income tax expenses and a reduction in non-deductible compensation.

We are subject to income taxes in the U.S. and various foreign jurisdictions. Accordingly, we are subject to a variety of examinations by taxing authorities in these locations. We did not have any unrecognized tax benefits as of March 31, 2017 and March 31, 2016. During fiscal 2017, 2016 and 2015, we did not recognize any interest or penalties related to unrecognized tax benefits. During fiscal 2017, the state of California commenced an examination of our tax returns for fiscal years 2014 and 2015. As of March 31, 2017, there had been no proposed assessments and we are unable to estimate the range of possible outcomes at this time.

Discontinued Operations

On March 18, 2015, we entered into an asset purchase agreement (''APA'') with Antech pursuant to which we sold substantially all of the assets of our AVRL business. The sale transaction closed on March 31, 2015. The total purchase price under the APA was $21.0 million in cash. During the fourth quarter of fiscal 2015, we recognized and received $20.1 million in cash proceeds and we recorded a gain on sale of discontinued operations, net of tax, of $7.7 million. During the fourth quarter of fiscal 2016, we recorded a pre-tax gain of $0.9 million ($0.6 million after-tax) on sale of discontinued operations, upon meeting certain conditions by the first anniversary of the closing date.

Results from discontinued operations, net of tax, were net losses of $63,000, $3,000 and $1.2 million in fiscal 2017, 2016 and 2015, respectively. See Note 3 to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information.

Liquidity and Capital Resources – Continuing and Discontinued Operations

Cash, Cash Equivalents and Investments

The following table summarizes our cash, cash equivalents and short-term and long-term investments at March 31, 2017, 2016 and 2015, (in thousands, except percentages):

	March 31,		
	2017	2016	2015
Cash and cash equivalents	$ 91,332	$ 88,323	$107,015
Short-term investments	51,561	41,474	26,109
Long-term investments	22,171	22,458	24,181
Total cash, cash equivalents and investments	$165,064	$152,255	$157,305
Percentage of total assets	54%	56%	58%

At March 31, 2017, we had net working capital of $199.7 million compared to $183.0 million at March 31, 2016.

Cash Flow Changes

Cash provided by (used in) operating, investing and financing activities during fiscal 2017, 2016 and 2015 were as follows (in thousands):

	Year Ended March 31,		
	2017	2016	2015
Net cash provided by operating activities	$ 33,152	$ 28,056	$ 36,396
Net cash provided by (used in) investing activities	(15,903)	(20,237)	10,093
Net cash used in financing activities	(13,619)	(26,627)	(10,962)
Effect of exchange rate changes on cash and cash equivalents	(621)	116	(2,101)
Net increase (decrease) in cash and cash equivalents	$ 3,009	$(18,692)	$ 33,426

Cash and cash equivalents at March 31, 2017 were $91.3 million compared to $88.3 million at March 31, 2016. The increase in cash and cash equivalents during fiscal 2017 was primarily due to net cash provided by operating activities of $33.2 million, proceeds from maturities and redemptions of investments of $46.4 million and proceeds from sale of an equity method investment of $8.5 million. These increases were partially offset by purchases of investments of $56.9 million, purchases of property and equipment of $10.2 million, an investment in a privately-held company of $3.0 million, payments made for tax withholdings related to net share settlements of restricted stock units of $2.2 million and payment of cash dividends totaling $11.7 million.

Our consolidated statements of cash flows includes the effect of exchange rate changes on cash and cash equivalents and the net gains (losses) arising from transactions denominated in a currency other than the functional currency of a location and the remeasurement of assets and liabilities of our wholly-owned subsidiaries, using the U.S. dollar as the functional currency.

Cash Flows from Operating Activities

During fiscal 2017, we generated $33.2 million in cash from operating activities, compared to $28.1 million in fiscal 2016. The cash provided by operating activities during fiscal 2017 was primarily the result of net income of $32.7 million during fiscal 2017, adjusted for the effects of non-cash adjustments including depreciation and amortization of $7.3 million and share-based compensation expense of $11.1 million, partially offset by a decrease of $0.3 million related to excess tax benefits from share-based awards and the following changes in assets and liabilities.

- Receivables, net increased by $5.4 million, from $35.1 million as of March 31, 2016 to $40.6 million as of March 31, 2017, primarily attributable to the timing of collections activities during the fourth quarter of fiscal 2017.
- Inventories increased by $3.9 million from $35.1 million as of March 31, 2016 to $39.0 million as of March 31, 2017, primarily due to an increase in the inventory levels of our finished goods as of March 31, 2017.

- Prepaid expenses and other current assets decreased by $1.4 million, from $6.4 million as of March 31, 2016 to $5.0 million as of March 31, 2017, primarily attributable to the timing of estimated income taxes.
- Current net deferred tax assets increased by $0.8 million, from $4.8 million as of March 31, 2016 to $5.6 million as of March 31, 2017, primarily as a result of an increase in the deferred tax credit for intercompany elimination of profits included in inventory.
- Non-current net deferred tax assets increased by $0.5 million, from $3.9 million as of March 31, 2016 to $4.4 million as of March 31, 2017, primarily as a result of the timing for the deduction of share-based compensation expenses.
- Other assets increased by $5.7 million from $2.0 million as of March 31, 2016 to $7.6 million, as of March 31, 2017, primarily attributable to long-term receivables due to sales-type lease agreements with our customers.
- Accrued payroll and related expenses increased by $1.3 million, from $8.3 million as of March 31, 2016 to $9.6 million as of March 31, 2017, primarily attributable to the timing of quarterly bonus qualifiers achieved and payments in fiscal 2017.
- Accrued taxes increased by $1.0 million, from $1.1 million as of March 31, 2016 to $2.2 million as of March 31, 2017, primarily due to the timing of estimated income tax payments.
- Other accrued liabilities, current, increased by $1.6 million, from $9.4 million as of March 31, 2016 to $11.0 million as of March 31, 2017 and other liabilities, non-current, increased by $0.4 million, from $0.9 million as of March 31, 2016 to $1.3 million as of March 31, 2017. The net current and non-current other liabilities increased primarily attributable to an increase in liabilities related to the types of customer sales incentive programs offered during a promotional period, partially offset by our installment payment obligation related to our November 2014 acquisition of QCR and Trio.
- As of March 31, 2017 and 2016, the current portion of deferred revenue was $1.4 million and $1.6 million, respectively, and the non-current portion of deferred revenue was $1.5 million and $2.3 million, respectively. Net current and non-current deferred revenue decreased by $1.0 million from March 31, 2016 to March 31, 2017, primarily attributable to deferred revenue recognized ratably over the life of extended maintenance contracts offered to customers in the form of free services in connection with the sale of our instruments. In October 2013, we prospectively changed the standard warranty obligations on certain instruments sold from three to five years, which resulted in a decrease in maintenance contracts offered to customers in the form of free services in connection with the sale of our instruments.
- As of March 31, 2017 and 2016, the current portion of warranty reserve was $1.7 million and $1.3 million, respectively, and the non-current portion of warranty reserve was $2.7 million and $1.9 million, respectively. Net current and non-current warranty reserve increased by $1.2 million. The change in current and non-current warranty reserve from March 31, 2016 to March 31, 2017 is primarily due to an increase in the number of instruments in standard warranty and an increase in estimated repair costs. Warranty reserve is primarily based on our standard warranty obligations on certain instruments from three to five years and is estimated based on (a) the number of instruments in standard warranty, estimated product failure rates and estimated repair costs and (b) an estimate of defective reagent discs and replacement costs of reagent discs. Management periodically evaluates the sufficiency of the warranty provisions and makes adjustments when necessary. If an unusual performance rate related to warranty claims is noted, an additional warranty accrual may be assessed and recorded when a failure event is probable and the cost can be reasonably estimated.

We expect that cash provided by operating activities may fluctuate in future periods as a result of a number of factors, including fluctuations in our operating results, timing of product sales, accounts receivable collections performance, inventory and supply chain management, and the timing and amount of payments. Furthermore, we anticipate that we will incur incremental costs to support our future operations, including research and design costs related to the continuing development of our current and future products; clinical trials for our current and future products, expansion of our international operations and acquisition of capital equipment for our manufacturing facility.

Cash Flows from Investing Activities

Net cash used in investing activities during fiscal 2017 totaled $15.9 million, compared to net cash used of $20.2 million during fiscal 2016. Changes in net cash used in investing activities were attributable to the following:

- Cash used in investing activities during fiscal 2017 was primarily due to purchases of investments in certificates of deposit, commercial paper, corporate bonds and municipal bonds totaling $56.9 million during fiscal 2017. The cash used in investing activities was partially offset by proceeds from maturities and redemptions of investments in certificates of deposit, commercial paper, corporate bonds and municipal bonds of $46.4 million during fiscal 2017.
- Cash proceeds from the sale of a 15% equity ownership interest in Scandinavian Micro Biodevices APS (“SMB”) of $8.5 million during fiscal 2017. In connection with the sale, we recorded a pre-tax gain of $6.1 million ($3.8 million after tax) during fiscal 2017.
- Our capital expenditures totaled $10.2 million during fiscal 2017. Purchases of capital equipment primarily relate to increasing our manufacturing capacity, support our growth and transfers of equipment from inventory to property and equipment, primarily attributable to our instrument rental program. We expect to continue to make significant capital expenditures as necessary in the normal course of our business.
- Cash used in our investment in a privately-held company was $3.0 million during fiscal 2017.
- Cash used to satisfy our installment payment obligation of $0.8 million during fiscal 2017 related to our November 2014 acquisition of QCR and Trio.

Cash Flows from Financing Activities

Net cash used in financing activities during fiscal 2017 totaled $13.6 million, compared to net cash used of $26.6 million during fiscal 2016. Cash used in financing activities during fiscal 2017 was primarily due to payments made for tax withholdings related to net share settlements of restricted stock units of $2.2 million and cash dividend payments of $11.7 million, offset in part by net cash provided by financing activities from excess tax benefits from share-based awards of $0.3 million.

Dividend Payments

During fiscal 2017, 2016 and 2015, our total quarterly dividend payout was $11.7 million, $10.0 million and $9.0 million, respectively. The amount of quarterly dividends declared with respect to the Company’s common stock during the past two fiscal years appears in Note 22 to the Consolidated Financial Statements in Part II, Item 8 of this report.

On April 26, 2017, our Board of Directors declared a quarterly cash dividend of $0.14 per share on our outstanding common stock to be paid on June 15, 2017 to all shareholders of record as of the close of business on June 1, 2017. Future declarations of quarterly dividends and the establishment of future record and payment dates are subject to the final determination of our Board of Directors.

Share Repurchase Program

Between August 2011 and July 2013, our Board of Directors authorized the repurchase of up to a total of $67.3 million of our common stock. In July 2016, our Board of Directors approved a $30.0 million increase to our existing share repurchase program for an aggregate of $97.3 million. As of March 31, 2017, $54.0 million was available to purchase common stock under our share repurchase program.

Since the share repurchase program began, through March 31, 2017, we have repurchased 1.6 million shares of our common stock at a total cost of $43.3 million, including commission expense. During fiscal 2017 and fiscal 2015, we did not repurchase any shares of our common stock. During fiscal 2016, we repurchased 325,000 shares of our common stock at a total cost of $13.0 million and an average per share cost including commission expense of $40.18. The repurchases are made from time to time on the open market at prevailing market prices or in negotiated transactions off the market. Repurchased shares are retired.

Financial Condition

We believe that our cash and cash equivalents, investments and expected cash flows from operations will be sufficient to fund our operations, capital requirements, share repurchase program and anticipated quarterly dividends for at least

the next twelve months. Our future capital requirements will largely depend upon the increased customer demand and market acceptance of our point-of-care diagnostic products. However, our sales for any future periods are not predictable with a significant degree of certainty. Regardless, we may seek to raise additional funds to pursue strategic opportunities.

Contractual Obligations

As of March 31, 2017, our contractual obligations for succeeding fiscal years are as follows (in thousands):

	Payments Due by Period				
	Total	2018	2019-2020	2021-2022	After 2022
Long-term debt obligations	$ 415	$ 118	$ 220	$ 77	$ —
Operating lease obligations	25,375	2,694	5,347	5,509	11,825
Purchase obligations	5,555	5,555	—	—	—
Total	$31,345	$8,367	$5,567	$5,586	$11,825

Long-term Debt Obligations. Long-term debt obligations include current and non-current portion of long-term debt and interest payments associated with notes payable to the Community Redevelopment Agency of the City of Union City. See Note 12 to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information.

Operating Lease Obligations. Operating lease obligations comprised our principal facility and various leased facilities and equipment under operating lease agreements, which expire on various dates from fiscal 2018 through fiscal 2026. Our principal facilities located in Union City, California are leased under a non-cancelable operating lease agreement, which expires in fiscal 2026. See Note 14 to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information.

Purchase Obligations. Our purchase commitments comprise of supply and inventory related agreements. See Note 14 to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information.

Contingencies

We are involved from time to time in various litigation matters in the normal course of business. There can be no assurance that existing or future legal proceedings arising in the ordinary course of business or otherwise will not have a material adverse effect on our business, consolidated financial position, results of operations or cash flows.

Off-Balance Sheet Arrangements

As of March 31, 2017, we did not have any off-balance sheet arrangements, as defined in Item 303 of Regulation S-K promulgated under the Securities Act of 1933. In addition, we identified no variable interests in any variable interest entities.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 1, ‘‘Description of Business and Summary of Significant Accounting Policies,’’ of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our financial position is exposed to a variety of risks related to changes in interest rates and foreign currency rates and investment in a privately held company. As a matter of management policy, we do not currently enter into transactions involving derivative financial instruments.

Interest Rate Risk

Our investment objective is to invest excess cash in cash equivalents and in various types of investments to maximize yields without significantly increased risk. At March 31, 2017, our short-term and long-term investments totaled $51.6 million and $22.2 million, respectively, consisting of investments in certificates of deposit, commercial paper, corporate bonds and municipal bonds. For our securities classified as available-for-sale, we record these investments at fair market value with unrealized gains or losses resulting from changes in fair value reported as a separate

component of accumulated other comprehensive loss, net of any tax effects, in shareholders' equity. The fair value of our investment portfolio is subject to change as a result of changes in market interest rates and investment risk related to the issuers' credit worthiness. Changes in market interest rates would not be expected to have a material impact on the fair value of these assets at March 31, 2017, as the assets consisted of highly liquid securities.

We are exposed to the impact of interest rate changes with respect to our short-term and long-term investments. As of March 31, 2017, we had $66.7 million in investments classified as held-to-maturity and carried at amortized cost. We have the ability to hold the investments classified as held-to-maturity in our investment portfolio at March 31, 2017 until maturity and therefore, we believe we have no material exposure to interest rate risk. As of March 31, 2017, our investments classified as available-for-sale totaled $7.0 million, consisting primarily of fixed income securities and thus changes in interest rates would not have a material effect on our business, operating results or financial condition. We have not experienced any significant loss on our investment portfolio during fiscal 2017, 2016 and 2015.

Foreign Currency Rate Fluctuations

We operate primarily in the United States and a majority of our revenues, cost of revenues, operating expenses and capital purchasing activities are transacted in U.S. dollars. However, we are exposed to foreign currency risks that arise from normal business operations. These risks are primarily related to remeasuring local currency balances and results of our foreign subsidiaries, into U.S. dollars and third-party transactions denominated in a currency other than the U.S. dollar. As currency exchange rates change, remeasurement of the accounts of our foreign subsidiaries into U.S. dollars affects year-over-year comparability of operating results.

The functional currency of our wholly-owned subsidiaries is in U.S. dollars. Foreign currency denominated account balances of our subsidiaries are remeasured into U.S. dollars at the end-of-period exchange rates for monetary assets and liabilities, and historical exchange rates for nonmonetary assets. The effects of foreign currency transactions, and of remeasuring the financial condition into the functional currency, resulted in foreign currency gains and losses, which were included in "Interest and other income (expense), net" on our consolidated statements of income. For our sales denominated in foreign currencies, we are exposed to foreign currency exchange rate fluctuations on revenue and collection of receivables. During fiscal 2017, our revenues were negatively impacted by foreign currency exchange rates, which reduced revenues by approximately $1.9 million, compared to the prior fiscal year. Continued change in the values of the Euro, the British pound sterling and other foreign currencies against the U.S. Dollar could have an impact on our business, financial condition and results of operations.

Our most significant third-party transactions denominated in foreign currency are inventory purchases of hematology products from Diatron MI PLC, which are primarily denominated in Euros. To the extent the U.S. dollar strengthens against the Euro currency, the translation of the foreign currency denominated transactions may result in reduced cost of revenues and operating expenses. Similarly, our cost of revenues and operating expenses will increase if the U.S. dollar weakens against the Euro currency. We considered the historical trends in currency exchange rates and determined that it was reasonably possible that changes in exchange rates of 10% for our foreign currency denominated transactions could be experienced in the near term. If the U.S. dollar weakened or strengthened by 10% against the Euro, the impact of changes in the exchange rate would not have had a material effect on our business, operating results or financial condition for the year ended March 31, 2017. To date, we have not engaged in any foreign currency hedging transactions. As our international operations grow, we will continue to reassess our approach to managing the risks relating to fluctuations in currency rates.

Investments in Privately Held Companies

In February 2011, we purchased a 15% equity ownership interest in SMB, a privately-held developer and manufacturer of point-of-care diagnostic products for veterinary use, for $2.8 million in cash. SMB, based in Farum, Denmark, has been the original equipment manufacturer of the Abaxis VetScan VS*pro* point-of-care specialty analyzer since 2008. The investment was recorded in "Investments in unconsolidated affiliates" in our consolidated balance sheets and we used the equity method to account for our investment in this entity because we did not control it, but had the ability to exercise significant influence over it. In August 2016, we sold our 15% equity ownership interest in SMB in connection with Zoetis Inc.'s acquisition of SMB. The total purchase price for our equity method investment in SMB was approximately $9.7 million in cash, subject to a holdback for certain adjustments that may occur. The holdback payment is expected to be released 18 months following the closing date. In connection with the sale, we received a cash payment of $8.5 million and recorded a pre-tax gain of $6.1 million ($3.8 million after tax) on the sale of our equity method investment during fiscal 2017.

In June 2016, we invested a total of $3.0 million in a privately-held company. Our investment was initially recorded under the under the cost method as we did not exercise significant influence over the investee's operating or financial activities. The investment is inherently risky and we could lose our entire investment in this company. To date, we have not recorded an impairment charge on this investment. In January 2017, we entered into a letter agreement with our investee. Under the terms of the letter agreement, the privately-held company will, pending negotiation and execution of a definitive agreement, commence chemistry development activities for us using its intellectual product and technology. As consideration for these development efforts, we will pay a total of up to $1.5 million to the investee, in the form of an upfront payment of $0.3 million in January 2017, and any remaining obligation to the investee is contingent upon the achievement of certain development milestones. As a result of our ability to exercise significant influence over operating and financial policies in our investment, which we do not control, we accounted for our investment using the equity method on a prospective basis beginning in January 2017 based on our early adoption of ASU 2016-07.

Item 8. Financial Statements and Supplementary Data

ABAXIS, INC.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Abaxis, Inc.

We have audited the accompanying consolidated balance sheets of Abaxis, Inc. and its subsidiaries (the ''Company'') as of March 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2017. Our audits also included the financial statement schedule listed in the Index to this Annual Report on Form 10-K at Part IV Item 15(a) 2. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Abaxis, Inc. and its subsidiaries as of March 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material aspects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013 Framework)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 30, 2017, expressed an unqualified opinion thereon.

/s/ BPM LLP

San Jose, California
May 30, 2017

ABAXIS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	March 31,	
ASSETS	**2017**	**2016**
Current assets:		
Cash and cash equivalents	$ 91,332	$ 88,323
Short-term investments	51,561	41,474
Receivables (net of allowances of $272 in 2017 and $479 in 2016)	40,568	35,148
Inventories	39,010	35,131
Prepaid expenses and other current assets	4,997	6,351
Net deferred tax assets, current	5,644	4,810
Current assets of discontinued operations	66	961
Total current assets	233,178	212,198
Long-term investments	22,171	22,458
Investments in unconsolidated affiliates	2,850	2,705
Property and equipment, net	34,260	26,842
Intangible assets, net	1,171	1,324
Net deferred tax assets, non-current	4,392	3,903
Other assets	7,624	1,950
Total assets	$305,646	$271,380
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,517	$ 7,292
Accrued payroll and related expenses	9,606	8,349
Accrued taxes	2,151	1,145
Current liabilities of discontinued operations	85	112
Other accrued liabilities	11,006	9,393
Deferred revenue	1,415	1,600
Warranty reserve	1,663	1,281
Total current liabilities	33,443	29,172
Non-current liabilities:		
Deferred revenue	1,460	2,274
Warranty reserve	2,695	1,927
Net deferred tax liabilities	234	384
Notes payable, less current portion	278	379
Other non-current liabilities	1,312	932
Total non-current liabilities	5,979	5,896
Total liabilities	39,422	35,068
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Preferred stock, no par value: 5,000,000 shares authorized; no shares issued and outstanding in 2017 and 2016	—	—
Common stock, no par value: 35,000,000 shares authorized; 22,540,000 and 22,408,000 shares issued and outstanding in 2017 and 2016, respectively	135,932	127,016
Retained earnings	130,304	109,303
Accumulated other comprehensive loss	(12)	(7)
Total shareholders' equity	266,224	236,312
Total liabilities and shareholders' equity	$305,646	$271,380

See accompanying Notes to Consolidated Financial Statements.

ABAXIS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Year Ended March 31,		
	2017	**2016**	**2015**
Revenues	$227,220	$218,901	$202,593
Cost of revenues	101,375	95,649	93,623
Gross profit	125,845	123,252	108,970
Operating expenses:			
Research and development	19,795	18,388	16,327
Sales and marketing	45,249	42,526	42,147
General and administrative	16,314	15,984	16,192
Total operating expenses	81,358	76,898	74,666
Income from operations	44,487	46,354	34,304
Interest and other income (expense), net	6,625	793	(1,262)
Income from continuing operations before income tax provision	51,112	47,147	33,042
Income tax provision	18,333	16,073	12,239
Income from continuing operations	32,779	31,074	20,803
Discontinued operations (Note 3)			
Loss from discontinued operations, net of tax	(63)	(3)	(1,154)
Gain on sale of discontinued operations, net of tax	—	559	7,682
Net income	$ 32,716	$ 31,630	$ 27,331
Net income per share:			
Basic			
Continuing operations	$ 1.46	$ 1.37	$ 0.92
Discontinued operations	(0.01)	0.03	0.29
Basic net income per share	$ 1.45	$ 1.40	$ 1.21
Diluted			
Continuing operations	$ 1.44	$ 1.36	$ 0.91
Discontinued operations	—	0.02	0.29
Diluted net income per share	$ 1.44	$ 1.38	$ 1.20
Shares used in the calculation of net income per share:			
Weighted average common shares outstanding - basic	22,515	22,661	22,497
Weighted average common shares outstanding - diluted	22,797	22,883	22,787
Cash dividends declared per share	$ 0.52	$ 0.44	$ 0.40

See accompanying Notes to Consolidated Financial Statements.

ABAXIS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended March 31,		
	2017	**2016**	**2015**
Net income	$32,716	$31,630	$27,331
Other comprehensive income (loss):			
Net change in unrealized gain (loss) on investments	(8)	2	(5)
Tax provision (benefit) on other comprehensive income (loss)	(3)	1	(2)
Other comprehensive income (loss), net of tax	(5)	1	(3)
Comprehensive income	$32,711	$31,631	$27,328

See accompanying Notes to Consolidated Financial Statements.

ABAXIS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount			
Balances at March 31, 2014	22,308,000	$124,603	$ 69,318	$ (5)	$193,916
Common stock issued under stock option exercises	2,000	31	—	—	31
Common stock issued in settlement of restricted stock units, net of shares withheld for employee taxes	203,000	(3,026)	—	—	(3,026)
Warrant exercises	26,000	78	—	—	78
Dividends to shareholders	—	—	(9,006)	—	(9,006)
Share-based compensation	—	9,759	—	—	9,759
Compensation expense recognized on accelerated vesting of warrants	—	168	—	—	168
Excess tax benefits from share-based awards and other tax adjustments	—	946	—	—	946
Net income	—	—	27,331	—	27,331
Other comprehensive income (loss), net of tax	—	—	—	(3)	(3)
Balances at March 31, 2015	22,539,000	132,559	87,643	(8)	220,194
Common stock issued in settlement of restricted stock units, net of shares withheld for employee taxes	190,000	(5,250)	—	—	(5,250)
Warrant exercises	4,000	12	—	—	12
Repurchases of common stock, net	(325,000)	(13,040)	—	—	(13,040)
Dividends to shareholders	—	—	(9,970)	—	(9,970)
Share-based compensation	—	11,114	—	—	11,114
Excess tax benefits from share-based awards and other tax adjustments	—	1,621	—	—	1,621
Net income	—	—	31,630	—	31,630
Other comprehensive income (loss), net of tax	—	—	—	1	1
Balances at March 31, 2016	22,408,000	127,016	109,303	(7)	236,312
Common stock issued in settlement of restricted stock units, net of shares withheld for employee taxes	132,000	(2,234)	—	—	(2,234)
Dividends to shareholders	—	—	(11,715)	—	(11,715)
Share-based compensation	—	11,126	—	—	11,126
Excess tax benefits from share-based awards and other tax adjustments	—	24	—	—	24
Net income	—	—	32,716	—	32,716
Other comprehensive income (loss), net of tax	—	—	—	(5)	(5)
Balances at March 31, 2017	22,540,000	$135,932	$130,304	$(12)	$266,224

See accompanying Notes to Consolidated Financial Statements.

ABAXIS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended March 31,		
	2017	**2016**	**2015**
Cash flows from operating activities:			
Net income	$ 32,716	$ 31,630	$ 27,331
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,340	6,697	8,486
Investment premium amortization, net	666	1,180	635
Gain on sale of discontinued operations, net of tax	—	(559)	(7,682)
Net loss on disposals of property and equipment	115	103	8
Impairment loss of intangible assets	—	13	—
Foreign exchange (gain) loss	627	(149)	1,794
Share-based compensation expense	11,079	11,100	9,787
Excess tax benefits from share-based awards	(330)	(1,621)	(961)
Deferred income taxes	(1,319)	1,317	(3,954)
Equity in net (income) loss of unconsolidated affiliates	184	(22)	(37)
Gain on sale of equity method investment	(6,053)	—	—
Changes in assets and liabilities:			
Receivables, net	(4,564)	(4,914)	(1,306)
Inventories	(8,184)	74	(10,135)
Prepaid expenses and other current assets	1,386	(1,912)	787
Other assets	(5,674)	(1,829)	(55)
Accounts payable	238	(443)	116
Accrued payroll and related expenses	1,257	(3,081)	6,776
Accrued taxes	760	(4,065)	(1,294)
Other liabilities	2,757	(4,848)	5,514
Deferred revenue	(999)	(667)	(702)
Warranty reserve	1,150	52	1,288
Net cash provided by operating activities	33,152	28,056	36,396
Cash flows from investing activities:			
Purchases of available-for-sale investments	(4,401)	(2,731)	—
Purchases of held-to-maturity investments	(52,513)	(61,049)	(36,804)
Proceeds from maturities and redemptions of available-for-sale investments	4,300	—	6,498
Proceeds from maturities and redemptions of held-to-maturity investments	42,140	48,959	26,969
Purchases of property and equipment	(10,171)	(5,185)	(6,077)
Proceeds from disposals of property and equipment	—	—	25
Acquisitions, net of cash acquired	(785)	(1,131)	(618)
Cash paid for investment in unconsolidated affiliate	(2,999)	—	—
Proceeds from sale of equity method investment	8,526	—	—
Proceeds from sale of discontinued operations	—	900	20,100
Net cash provided by (used in) investing activities	(15,903)	(20,237)	10,093
Cash flows from financing activities:			
Proceeds from the exercise of stock options	—	—	31
Tax withholdings related to net share settlements of restricted stock units	(2,234)	(5,250)	(3,026)
Excess tax benefits from share-based awards	330	1,621	961
Repurchases of common stock	—	(13,040)	—
Proceeds from the exercise of warrants	—	12	78
Dividends paid	(11,715)	(9,970)	(9,006)
Net cash used in financing activities	(13,619)	(26,627)	(10,962)
Effect of exchange rate changes on cash and cash equivalents	(621)	116	(2,101)
Net increase (decrease) in cash and cash equivalents	3,009	(18,692)	33,426
Cash and cash equivalents at beginning of year	88,323	107,015	73,589
Cash and cash equivalents at end of year	$ 91,332	$ 88,323	$107,015
Supplemental disclosure of cash flow information:			
Cash paid for income taxes, net of refunds	$ 16,901	$ 19,927	$ 15,888
Supplemental disclosure of non-cash flow information:			
Change in unrealized gain (loss) on investments, net of tax	$ (5)	$ 1	$ (3)
Transfers of equipment between inventory and property and equipment, net	$ 4,549	$ 987	$ 2,295
Net change in capitalized share-based compensation	$ 47	$ 14	$ (29)
Common stock withheld for employee taxes in connection with share-based compensation	$ 2,234	$ 5,250	$ 3,026
Repayment of notes payable by credits from municipal agency	$ 101	$ 101	$ 101
Settlement of preexisting business relationship in connection with acquisition	$ —	$ —	$ 931
Installment payment obligation accrued related to acquisition	$ —	$ —	$ 2,336

See accompanying Notes to Consolidated Financial Statements.

NOTE 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Abaxis, Inc. (''Abaxis,'' the ''Company,'' ''our,'' ''us,'' or ''we''), incorporated in California in 1989, develops, manufactures and markets portable blood analysis systems that are used in a broad range of medical specialties in human or veterinary patient care to provide clinicians with rapid blood constituent measurements. We conduct business worldwide and manage our business on the basis of the following two reportable segments: the medical market and the veterinary market.

Basis of Presentation

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of Abaxis and our wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

Discontinued Operations. On March 18, 2015, we entered into an Asset Purchase Agreement with Antech Diagnostics, Inc. (''Antech'') pursuant to which we sold substantially all of the assets of our Abaxis Veterinary Reference Laboratories (''AVRL'') business. The sale transaction closed on March 31, 2015. The historical operating results of our AVRL business are retrospectively adjusted and presented as discontinued operations in our consolidated balance sheets and consolidated statements of income for all periods presented. See Note 3, ''Discontinued Operations'' for additional information. Unless noted otherwise, all discussions herein with respect to the Company's audited consolidated financial statements relate to the Company's continuing operations.

Reclassifications. Certain reclassifications have been made to prior periods' consolidated financial statements to conform to the current period presentation. These reclassifications did not result in any change in previously reported net income or shareholders' equity.

Summary of Significant Accounting Policies

Management Estimates. The preparation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, the reported amounts of revenues and expenses during the reporting period, and related disclosures. Significant management estimates made in preparing the consolidated financial statements relate to allowance for doubtful accounts, sales and other allowances, estimated selling price of our products, valuation of inventory, fair value of investments, fair value and useful lives of intangible assets, income taxes, valuation allowance for deferred tax assets, share-based compensation, legal exposures and warranty reserves. Our management bases their estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Our actual results may differ materially from these estimates.

Cash and Cash Equivalents. Cash equivalents consist of highly liquid investments with original or remaining maturities of three months or less at the time of purchase that are readily convertible into cash. The fair value of these investments was determined by using quoted prices for identical investments in active markets which are measured at Level 1 inputs under Financial Accounting Standards Board (''FASB'') Accounting Standards Codification (''ASC'') 820, ''Fair Value Measurements and Disclosures.'' The carrying value of cash equivalents approximates fair value due to their relatively short-term nature.

Investments. We hold both short-term and long-term investments and our portfolio primarily consists of certificates of deposit, commercial paper, corporate bonds and municipal bonds. Short-term investments have maturities of one year or less. All other investments with maturity dates greater than one year are classified as long-term. Our investments are accounted for as either available-for-sale or held-to-maturity. Investments classified as available-for-sale are reported at fair value at the balance sheet date, and temporary differences between cost and fair value are presented as a separate component of accumulated other comprehensive income (loss), net of any related tax effect, in shareholders' equity. Investments classified as held-to-maturity are based on the Company's positive intent and ability to hold to maturity and these investments are carried at amortized cost.

Realized gains and losses from investments are included in "Interest and other income (expense), net," computed using the specific identification cost method. We assess whether an other-than-temporary impairment loss on our investments has occurred due to declines in fair value or other market conditions. Declines in fair value that are determined to be other-than-temporary, if any, are recorded as charges against "Interest and other income (expense), net" in the consolidated statements of income. We did not recognize any impairment loss on investments during fiscal 2017, 2016 or 2015.

Concentration of Credit Risks and Certain Other Risks. Financial instruments that potentially subject us to a concentration of credit risk consist primarily of cash, cash equivalents, investments and receivables. We place our cash, cash equivalents and investments with high credit quality financial institutions that are regularly monitored by management. Deposits held with banks may exceed the amount of the insurance provided by the federal government on such deposits. To date, the Company has not experienced any losses on such deposits. We also have short and long-term investments in certificates of deposit, commercial paper, corporate bonds and municipal bonds, which can be subject to certain credit risk. However, we mitigate the risks by investing in high-grade instruments, limiting our exposure to any one issuer, and monitoring the ongoing creditworthiness of the financial institutions and issuers.

We sell our products to distributors and direct customers located primarily in North America, Europe and other countries. Credit is extended to our customers and we generally do not require our customers to provide collateral for purchases on credit. Credit risks are mitigated by our credit evaluation process and monitoring the amounts owed to us, taking appropriate action when necessary. Starting in fiscal 2016, we entered into sales contracts as the lessor of instruments under sales-type lease agreements with our customers, whereby we retain a security interest in certain of the underlying assets and monitor the amounts owed to us. Collection of receivables may be affected by changes in economic or other industry conditions and may, accordingly, impact our overall credit risk. We maintain an allowance for doubtful accounts, but historically have not experienced any material losses related to an individual customer or group of customers in any particular industry or geographic area. Concentration of credit risk with respect to accounts receivable is primarily limited to certain distributors to whom we make significant sales. Three distributors accounted for 26%, 13% and 10%, respectively, of our total receivable balance as of March 31, 2017. Two distributors accounted for 25% and 14%, respectively, of our total receivable balance as of March 31, 2016.

We are subject to certain risks and uncertainties and believe that changes in any of the following areas could have a material adverse effect on our future financial position or results of operations: continued Food and Drug Administration compliance or regulatory changes; uncertainty regarding health care reforms; fundamental changes in the technology underlying blood testing; the ability to develop new products and services that are accepted in the marketplace; competition, including, but not limited to, pricing and products or product features and services; the adequate and timely sourcing of inventories; foreign currency fluctuations; litigation, product liability or other claims against Abaxis; the ability to attract and retain key employees; stock price volatility due to general economic conditions or future issuances and sales of our stock; changes in legal and accounting regulations and standards; and changes in tax regulations.

Fair Value Measurements. We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, we consider the principal or most advantageous market in which we would transact and consider assumptions that market participants would use when pricing the asset or liability. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Directly or indirectly observable inputs as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment because the input assumptions used in the models, such as interest rates and

volatility factors, are corroborated by readily observable data from actively quoted markets for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that are supported by little or no market data and require the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

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. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Our financial instruments include cash, cash equivalents, investments, receivables, accounts payable and certain other accrued liabilities. The fair value of cash, cash equivalents, receivables, accounts payable and certain other accrued liabilities are valued at their carrying value, which approximates fair value due to their short maturities. See Note 5, ''Fair Value Measurements'' for further information on fair value measurement of our financial and nonfinancial assets and liabilities.

Inventories. Inventories include material, labor and manufacturing overhead, and are stated at the lower of standard cost (which approximates actual cost using the first-in, first-out method) or market. Provisions for excess, obsolete and unusable inventories are determined primarily by management's evaluation of future demand of our products and market conditions. We account for the provisions of excess, obsolete and unusable inventories as a charge to cost of revenues, and a new, lower-cost basis for that inventory is established and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Investments in Unconsolidated Affiliates. We use the equity method to account for our investments in entities that we do not control investee's operating and financial policies, but have the ability to exercise significant influence over the investee. Equity method investments are recorded at original cost and adjusted periodically to recognize (1) our proportionate share of the investees' net income or losses after the date of investment, (2) additional contributions made and dividends or distributions received, and (3) impairment losses resulting from adjustments to net realizable value. We eliminate all intercompany transactions in accounting for our equity method investments. During fiscal 2017, 2016 and 2015, we recorded our proportionate share of our investees' net income or loss in ''Interest and other income (expense), net'' on the consolidated statements of income.

We assess the potential impairment of our equity method investments when indicators such as a history of operating losses, a negative earnings and cash flow outlook, and the financial condition and prospects for the investee's business segment might indicate a loss in value. We did not recognize any impairment loss on investments in unconsolidated affiliates during fiscal 2017, 2016 or 2015.

In January 2017, we early adopted Accounting Standards Update (''ASU'') No. 2016-07, ''Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting'' (''ASU 2016-07''), which eliminates the requirement that an investor retrospectively apply equity method accounting when an investment that it had accounted for by another method initially qualifies for use of the equity method. See Note 7, ''Investments in Unconsolidated Affiliates'' for further information on investments in unconsolidated affiliates.

Property and Equipment. Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is calculated using the straight-line method using the estimated useful lives of the assets. The table below provides estimated useful lives of property and equipment by asset classification.

Asset Classification	Estimated Useful Life
Machinery and equipment	2-15 years
Furniture and fixtures	3-8 years
Computer equipment	2-7 years
Building	25 years
Leasehold improvements	Shorter of estimated useful life or remaining lease term

Construction in progress primarily consists of purchased material and internal payroll and related costs used in the development of production lines. We did not capitalize interest on constructed assets during fiscal 2017, 2016 or 2015 due to immateriality.

Property and equipment includes instruments transferred from inventory and held for loan or evaluation or demonstration purposes to customers. Units held for loan, evaluation or demonstration purposes are carried at cost and depreciated over their estimated useful lives of three to five years. Depreciation expense related to these instruments is recorded in cost of revenues or in the respective operating expense line based on the function and purpose for which it is being used. Proceeds from the sale of evaluation units are recorded as revenue. Transfers of equipment between inventory to property and equipment, net, during fiscal 2017, 2016 and 2015 were $4.5 million, $1.0 million and $2.3 million, respectively,

Intangible Assets. Intangible assets as of March 31, 2017 and 2016, consisted of customer relationships acquired in our fiscal 2015 acquisition of QCR, are presented at cost, net of accumulated amortization. The intangible assets are amortized using the straight-line method over their estimated useful lives of 10 years, which approximates the economic benefit. If our underlying assumptions regarding the estimated useful life of an intangible asset change, then the amortization period, amortization expense and the carrying value for such asset would be adjusted accordingly. During fiscal 2017, 2016 and 2015, our changes in estimated useful life of intangible assets were not significant, except as noted below in ''Valuation of Long-Lived Assets.''

Valuation of Long-Lived Assets. We evaluate the carrying value of our long-lived assets, such as property and equipment and amortized intangible assets, whenever events or changes in business circumstances or our planned use of long-lived assets indicate that the carrying amount of an asset may not be fully recoverable or their useful lives are no longer appropriate. We look to current and future profitability, as well as current and future undiscounted cash flows, excluding financing costs, as primary indicators of recoverability. An impairment loss would be recognized when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposal is less than the carrying amount. If impairment is determined to exist, any related impairment loss is calculated based on fair value and long-lived assets are written down to their respective fair values. During fiscal 2017, 2016 and 2015, we recognized impairment charges on consolidated long-lived assets of $0, $13,000 and $1.9 million, respectively. The impairment charges on our consolidated long-lived assets in fiscal 2015 were related to the property and equipment and intangible assets of the AVRL business, which has been offset against the gain from the sale of AVRL on the consolidated statement of income for fiscal 2015.

Revenue Recognition. Revenues from product sales and services, net of estimated sales allowances, discounts and rebates, are recognized when the following four criteria are met:

- Evidence of an arrangement exists: Persuasive evidence of an arrangement with a customer that reflects the terms and conditions to deliver products or render services must exist in order to recognize revenue.
- Upon shipment of the products or rendering of services to the customer: Delivery is considered to occur at the time of shipment of products to a distributor or direct customer, as title and risk of loss have been transferred to the distributor or direct customer on delivery to the common carrier. Rights of return are not provided. For services, delivery was considered to occur as the service was provided. Service revenues were primarily generated from veterinary reference laboratory diagnostic and consulting services for veterinarians. Net service revenues were recognized at the time services were performed.
- Fixed or determinable sales price: When the sales price is fixed or determinable that amount is recognized as revenue.
- Collection is reasonably assured: Collection is deemed probable if a customer is expected to be able to pay amounts under the arrangement as those amounts become due. Revenue is recognized when collectibility of the resulting receivable is reasonably assured.

Amounts collected in advance of revenue recognition are recorded as a current or non-current deferred revenue liability based on the time from the balance sheet date to the future date of revenue recognition. We recognize revenue associated with extended maintenance agreements ratably over the life of the contract. Until March 2015, we offered discounts on AVRL services for a specified period as incentives. Discounts were reductions to invoiced amounts within a specified period and were recorded at the time services are performed.

Multiple Element Revenue Arrangements. Our sales arrangements may contain multiple element revenue arrangements in which a customer may purchase a combination of instruments, consumables or extended maintenance agreements. Additionally, we provide incentives in the form of free goods or extended maintenance agreements to customers in connection with the sale of our instruments. We participate in selling arrangements in the veterinary market that include multiple deliverables, such as instruments and consumables. Prior to the sale of our

AVRL business to Antech in March 2015, our selling arrangements in the veterinary market had also included service agreements associated with our veterinary reference laboratory. Judgments as to the allocation of consideration from an arrangement to the multiple elements of the arrangement, and the appropriate timing of revenue recognition are critical with respect to these arrangements.

A multiple element arrangement includes the sale of one or more tangible product offerings with one or more associated services offerings, each of which are individually considered separate units of accounting. We allocate revenues to each element in a multiple element arrangement based upon the relative selling price of each deliverable. When applying the relative selling price method, we determine the selling price for each deliverable using vendor-specific objective evidence (''VSOE'') of selling price, if it exists, or third-party evidence (''TPE'') of selling price. If neither VSOE nor TPE of selling price exist for a deliverable, we use our best estimate of selling price for that deliverable. Revenues allocated to each element are then recognized when all revenue recognition criteria are met for each element.

Revenues from our multiple element arrangements are allocated separately to the instruments, consumables, extended maintenance agreements and incentives based on the relative selling price method. Amounts allocated to each element are based on its objectively determined fair value, such as the sales price for the product when it is sold separately. Revenues allocated to each element are then recognized when the basic revenue recognition criteria, as described above, are met for each element. Revenues associated with incentives in the form of free goods are deferred until the goods are shipped to the customer. Revenues associated with incentives in the form of extended maintenance agreements are deferred and recognized ratably over the life of the extended maintenance contract, generally one to three years.

For our selling arrangements in the veterinary market that include multiple deliverables, such as instruments, consumables or service agreements (prior to the sale of AVRL in March 2015) associated with our veterinary reference laboratory, revenue is recognized upon delivery of the product or performance of the service during the term of the service contract when the basic revenue recognition criteria, as described above, are met for each element. We allocate revenues to each element based on the relative selling price of each deliverable. Amounts allocated to each element are based on its objectively determined fair value, such as the sales price for the product or service when it is sold separately.

Until March 2015, we offered customer incentives consisting of arrangements with customers to include discounts on future sales of services associated with our veterinary reference laboratory. We applied judgment in determining whether future discounts are significant and incremental. When the future discount offered was not considered significant and incremental, we did not account for the discount as an element of the original arrangement. To determine whether a discount was significant and incremental, we looked to the discount provided in comparison to standalone sales of the same product to similar customers, the level of discount provided on other elements in the arrangement, and the significance of the discount to the overall arrangement. If the discount in the multiple element arrangement approximated the discount typically provided in standalone sales, that discount is not considered incremental. During fiscal 2015, our customer incentive programs with future discounts were not significant and in fiscal 2017 and 2016 we did not offer any such incentives.

Customer Programs. From time to time, we offer customer marketing and incentive programs. Our most significant customer programs are described as follows:

Instrument Trade-In Programs. We periodically offer trade-in programs to customers for trading in an existing instrument to purchase a new instrument and we will either provide incentives in the form of free goods or reduce the sales price of the instrument. These incentives in the form of free goods are recorded based on the relative selling price method according to the policies described above.

Instrument Rental Programs. We periodically offer programs to customers whereby certain instruments are made available to customers for rent or on an evaluation basis. These programs typically require customers to purchase a minimum quantity of consumables during a specified period for which we recognize revenue on the related consumables according to the policies described above. Depending on the program offered, customers may purchase the instrument during the rental or evaluation period. Proceeds from such sale are recorded as revenue according to the policies described above. Rental income, if any, is also recorded as revenue according to the policies described above.

Lease Programs. Starting in fiscal 2016, we entered into sales contracts as the lessor of instruments under sales-type lease agreements with our customers. In the veterinary market, we may offer arrangements to end users for monthly payments of instrument and consumable purchases over a term of six years. Revenues related to multiple-element arrangements are allocated to lease and non-lease elements based on their relative selling prices as prescribed by our revenue recognition policies described above. Lease elements generally include one or multiple veterinary instruments, while non-lease elements generally include the consumables related to the leased instrument.

We estimate the fair value of our leased products for the purposes of lease classification. In accordance with FASB ASC Topic 840, Leases ("ASC 840"), we define the fair value of a leased product at lease inception as its normal selling price, reflecting any volume or discounts that may apply. We estimate the fair value of our leased products based upon transacted cash sales prices. Estimating the fair value of our leased products can be subjective and thus subject to significant judgment.

The present value of lease receivables, including accrued interest, was $9.1 million and $2.1 million, as of March 31, 2017 and 2016, respectively. Our short-term and long-term lease receivables are recorded within "Receivables" and "Other Assets," respectively, on our consolidated balance sheets. Revenue from sales-type lease arrangements is recognized upon shipment of the products to the customer, assuming all other revenue recognition criteria have been met. Revenues from sales-type leases are presented as product revenue. Interest income is recognized monthly over the lease term using the effective-interest method.

Sales Incentive Programs. We periodically offer customer sales incentive programs and we record reductions to revenue related to these programs. Incentives may be provided in the form of rebates to distributors for volume-based purchases or upon meeting other specified requirements, end-user rebates and discounts. A summary of our revenue reductions is described below. Other rebate programs offered to distributors or customers vary from period to period in the medical and veterinary markets and were not significant.

- *Volume-based Incentives*. Volume-based incentives, in the form of rebates, are offered from time to time to distributors and group purchasing organizations upon meeting the sales volume requirements during a qualifying period and are recorded as a reduction to gross revenues during a qualifying period. The pricing rebate program is primarily offered to distributors and group purchasing organizations in the North America veterinary market, upon meeting the sales volume requirements of veterinary products during the qualifying period. Factors used in the rebate calculations include the identification of products sold subject to a rebate during the qualifying period and which rebate percentage applies. Based on these factors and using historical trends, adjusted for current changes, we estimate the amount of the rebate and record the rebate as a deduction to gross revenues when we record the sale of the product. The rebate is recorded as a reserve to offset accounts receivable as settlements are made through offsets to outstanding customer invoices. Settlement of the rebate accruals from the date of sale ranges from one to nine months after sale. Changes in the rebate accrual at the end of each period are based upon distributors and group purchasing organizations meeting the purchase requirements during the quarter.
- *Distributor Rebate Incentives.* From time to time, we offer a customer sales incentive program, whereby distributors are offered a rebate upon meeting certain requirements. We recognize the rebate obligation as a reduction of revenue at the later of the date on which we sell the product or the date the program is offered. These customer sales incentive programs require management to estimate the rebate amounts to distributors who will qualify for the incentive during the promotional period. We record the estimated liability in other current accrued liabilities on our consolidated balance sheets. Management's estimates are based on historical experience and the specific terms and conditions of the incentive programs.
- *End-User Rebates and Discounts*. From time to time, cash rebates are offered to end-users who purchase certain products or instruments during a promotional period and are recorded as a reduction to gross revenues. Additionally, we periodically offer sales incentives to end-users, in the form of sales discounts, to purchase consumables for a specified promotional period, typically over five years from the sale of our instrument, and we reimburse resellers for the value of the sales discount provided to the end-user. We estimate the amount of the incentive earned by end-users during a quarter and record a liability to the reseller as a reduction to gross revenues. Factors used in the liability calculation of incentives earned by end-users include the identification of qualified end-users under the sales program during the period and using historical trends. Settlement of the liability to the reseller ranges from one to twelve months from the date an end-user earns the incentive.

Royalty Revenues. Royalties are typically based on licensees' net sales of products that utilize our technology and are recognized as earned in accordance with the contract terms when royalties from licensees can be reliably measured and collectibility is reasonably assured, such as upon the receipt of a royalty statement from the licensee. Our royalty revenue depends on the licensees' use of our technology, and therefore, may vary from period to period and impact our revenues during a quarter. Royalty revenues were not significant in fiscal 2017, 2016 and 2015.

Allowance for Doubtful Accounts. We recognize revenue when collection from the customer is reasonably assured. We maintain an allowance for doubtful accounts based on our assessment of the collectibility of the amounts owed to us by our customers. We regularly review the allowance and consider the following factors in determining the level of allowance required: the customer's payment history, the age of the receivable balance, the credit quality of our customers, the general financial condition of our customer base and other factors that may affect the customers' ability to pay. An additional allowance is recorded based on certain percentages of our aged receivables, using historical experience to estimate the potential uncollectible. Account balances are charged off against the allowance when we believe it is probable the receivable will not be recovered.

In the event we determine that a lease receivable may not be paid, we include in our allowance an amount for the outstanding balance related to the lease receivable. We regularly review the adequacy of the allowances for outstanding lease receivables either on an individual or a collective basis. When evaluating the lease receivables, we consider historical experience, credit quality and age of receivable balances, and economic conditions that may affect a customer's ability to pay. Our ongoing consideration of all these factors could result in an increase in our allowance for loss on lease receivables in the future, which could adversely affect our operating results. Lease receivables are charged off at the point when they are considered uncollectible.

Shipping and Handling. In a sale transaction we recognize amounts billed to customers for shipping and handling as revenue. Shipping and handling costs incurred for inventory purchases and product shipments are recorded in cost of revenues.

Research and Development Expenses. Research and development expenses, including internally developed software costs, are expensed as incurred and include expenses associated with new product research and regulatory activities. Our products include certain software applications that are resident in the product. The costs to develop such software have not been capitalized as we believe our current software development processes are completed concurrent with the establishment of technological feasibility of the software.

Advertising Expenses. Costs of advertising, which are recognized as sales and marketing expenses, are generally expensed in the period incurred. Advertising expenses in the consolidated statements of income were $0.7 million, $0.7 million and $0.9 million for fiscal 2017, 2016 and 2015, respectively.

Income Taxes. We account for income taxes using the liability method under which deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be recovered.

We recognize and measure benefits for uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken in a tax return by determining if the weight of evidence indicates that it is more likely than not that the tax position will be sustained upon audit, including resolution of any related appeals or litigation processes. For tax positions that are more likely than not to be sustained upon audit, the second step is to measure the tax benefit as the largest amount that is more than 50 percent likely to be realized upon settlement. Significant judgment is required to evaluate uncertain tax positions. At March 31, 2017 and 2016, we had no significant uncertain tax positions. Our policy is to include interest and penalties related to gross unrecognized tax benefits within our provision for income taxes. For fiscal 2017, 2016 and 2015, we did not recognize any interest or penalties related to uncertain tax positions in the consolidated statements of income, and at March 31, 2017 and 2016, we had no accrued interest or penalties.

Share-Based Compensation Expense. We account for share-based compensation in accordance with ASC 718, "Compensation-Stock Compensation." We recognize share-based compensation expense, net of an estimated forfeiture rate, over the requisite service period of the award to employees and directors. As required by fair value provisions of share-based compensation, employee share-based compensation expense recognized is calculated over

the requisite service period of the awards and reduced for estimated forfeitures. The forfeiture rate is estimated based on historical data of our share-based compensation awards that are granted and cancelled prior to vesting and upon historical experience of employee turnover. For restricted stock units, share-based compensation expense is based on the fair value of our stock at the grant date and recognized net of an estimated forfeiture rate, over the requisite service period of the award.

Net Income Per Share. Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted average number of common shares that would have been outstanding during the period assuming the issuance of common shares for all potential dilutive common shares outstanding using the treasury stock method. Dilutive potential common shares outstanding include outstanding stock options, restricted stock units and warrants.

Comprehensive Income. Comprehensive income generally represents all changes in shareholders' equity during a period, resulting from net income and transactions from non-owner sources. Comprehensive income consists of net income and the net-of-tax amounts for unrealized gain (loss) on available-for-sale investments (difference between the cost and fair market value). For the periods presented, the accumulated other comprehensive income (loss) consisted of the unrealized gains or losses on the Company's available-for-sale investments, net of tax.

Foreign Currency. The U.S. dollar is the functional currency for our international subsidiaries. Foreign currency transactions of our subsidiaries are remeasured into U.S. dollars at the end-of-period exchange rates for monetary assets and liabilities, and historical exchange rates for nonmonetary assets. Accordingly, the effects of foreign currency transactions, and of remeasuring the financial condition into the functional currency resulted in foreign currency gains and (losses), which were included in ''Interest and other income (expense), net'' on the consolidated statements of income and were $(0.6 million), $0.1 million and $(1.8 million) for fiscal 2017, 2016 and 2015, respectively.

Recently Issued Accounting Standards

Revenue from Contracts with Customers: In May 2014, the FASB issued ASU No. 2014-09, ''Revenue from Contracts with Customers (Topic 606)'' (''ASU 2014-09''), which supersedes the revenue recognition requirements in ASC 606, ''Revenue Recognition.'' ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. On July 9, 2015, the FASB decided to delay the effective date of the new standard by one year.

The new guidance allows for the standard and all subsequent amendments to be applied either retrospectively to each prior reporting period presented or retrospectively as a cumulative-effect adjustment as of the date of adoption. ASU 2014-09 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are continuing to evaluating the impact of the adoption of this standard and all subsequent amendments on our consolidated financial statements and have not elected a transition method.

Simplifying the Measurement of Inventory: In July 2015, the FASB issued ASU No. 2015-11, ''Simplifying the Measurement of Inventory (Topic 330)'' (''ASU 2015-11''), which amends the guidelines for the measurement of inventory. Under the amendments, an entity should measure inventory valued using a first-in, first-out or average cost method at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. We plan to adopt this guidance as of April 1, 2017, the required effective date, and do not expect this guidance to have a significant impact on our consolidated financial statements.

Balance Sheet Classification of Deferred Taxes: In November 2015, the FASB issued ASU No. 2015-17, ''Balance Sheet Classification of Deferred Taxes (Topic 740)'' (''ASU 2015-17''), which amends the accounting guidance related to balance sheet classification of deferred taxes. The amendment requires that deferred tax assets and liabilities be classified as noncurrent in the statement of financial position, thereby simplifying the current guidance that requires an entity to separate deferred tax assets and liabilities into current and noncurrent amounts. ASU 2015-17 is effective beginning in the first quarter of fiscal year 2018. We plan to adopt this guidance as of April 1,

2017, the required effective date, on a prospective basis. The adoption of this accounting standard will result in the reclassification of current net deferred tax assets to non-current net deferred tax assets on the consolidated balance sheets for our quarter ending June 30, 2017, our first fiscal quarter of fiscal 2018. Other than this reclassification, the adoption of this accounting standard update is not expected to have any other significant impact on our consolidated financial statements.

Recognition and Measurement of Financial Assets and Financial Liabilities: In January 2016, the FASB issued ASU No. 2016-01, ''Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)'' (''ASU 2016-01''), which changes accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. In addition, it clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. ASU 2016-01 is effective beginning in the first quarter of fiscal year 2019. Early adoption is permitted. We are evaluating the impact of the adoption of this standard on our consolidated financial statements.

Leases: In February 2016, the FASB issued ASU No. 2016-02, ''Leases (Topic 842)'' (''ASU 2016-02''), which amends a number of aspects of lease accounting, including requiring lessees to recognize almost all leases with a term greater than one year as a right-of-use asset and corresponding liability, measured at the present value of the lease payments. ASU 2016-02 is effective for us beginning in the first quarter of fiscal year 2020 and is required to be adopted using a modified retrospective approach. Early adoption is permitted. We are evaluating the impact of the adoption of this standard on our consolidated financial statements.

Employee Share-Based Payment Accounting: In March 2016, the FASB issued ASU No. 2016-09, ''Improvements to Employee Share-Based Payment Accounting (Topic 718)'' (''ASU 2016-09''), which simplifies several aspects of employee share-based payment accounting, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. Under this standard, excess tax benefits and tax deficiencies related to share based payment awards will be recognized as income tax benefit or expense in the reporting period in which they occur (previously such amounts were recognized in additional paid-in capital). Additionally, the amendments also provide an alternative to estimate award forfeitures instead of recording at the time of forfeiture. ASU 2016-09 will become effective for us beginning in the first quarter of fiscal year 2018. We plan to adopt this guidance as of April 1, 2017, the required effective date. We believe the impact of recording excess tax benefits in income taxes in our consolidated statement of income may be material. The magnitude of such impact is dependent upon our future stock price in relation to the fair value of stock awards on grant date and our future grants of stock awards. The impact of the tax benefits related to share-based payments may vary significantly each quarter based on the timing of actual settlement activity. See Note 16, ''Equity Compensation Plans and Share-based Compensation'' for disclosure of our historical accounting treatment of excess tax benefits.

Investments – Equity Method and Joint Ventures: In March 2016, the FASB issued ASU No. 2016-07, ''Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting'' (''ASU 2016-07''). The amendments in this ASU eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. We elected to early adopt ASU 2016-07 effective January 1, 2017. The impact of this amendment on our consolidated financial statements was not significant. See Note 7, ''Investments in Unconsolidated Affiliates'' for information on equity method investments.

Financial Instruments - Credit Losses: In June 2016, the FASB issued ASU No. 2016-13, ''Financial Instruments - Credit Losses (Topic 326)'' (''ASU 2016-13''), which will change the impairment model for most financial assets and require additional disclosures. The amended guidance requires financial assets that are measured at amortized cost be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets. The amended guidance also requires us to

consider historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount in estimating credit losses. ASU 2016-13 is effective for us commencing in the first quarter of fiscal 2019 and will be applied through a cumulative-effect adjustment to retained earnings at the beginning of the year of adoption. Early adoption is permitted. We are evaluating the impact of the adoption of this standard on our consolidated financial statements.

Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments: In August 2016, the FASB issued ASU No. 2016-15, ''Statement of Cash Flows (Topic 230)'' (''ASU 2016-15''), to provide clarification on cash flow classification related to eight specific issues including contingent consideration payments made after a business combination and distributions received from equity method investees. ASU 2016-15 is effective beginning in the first quarter of fiscal year 2019 on a retrospective basis. Early adoption is permitted. We are evaluating the impact of the adoption of this standard on our consolidated financial statements.

NOTE 2. ACQUISITIONS

In November 2014, we entered into Share Purchase Agreements, through our wholly-owned subsidiary, pursuant to which, we acquired 100% of the outstanding stock of Quality Clinical Reagents Limited (''QCR'') and Trio Diagnostics (Ireland) Ltd (''Trio''), both based in the United Kingdom. QCR and Trio are distributors of laboratory instrumentation and consumables to the veterinary profession in the United Kingdom. Our primary reason for the acquisitions was to continue servicing and supplying Abaxis veterinary products to our customer base. The acquisition date fair value of the purchase consideration was $6.5 million, which included the following (in thousands):

Cash	$3,196
Installment payment obligations[1]	2,336
Settlement of preexisting business relationship at fair value	931
Total	$6,463

(1) The installment payment obligation is denominated in British pounds (''GBP'') and the amount in the table above is based on the GBP to U.S. dollar exchange rate at the acquisition date.

During the third quarter of fiscal 2016, we paid the first installment obligation of GBP 750,000, or $1.1 million, based on the GBP to U.S. dollar exchange rate on the date of payment. We paid the remaining installment obligation of GBP 750,000 less post-closing indemnification obligations of certain of the sellers totaling $0.8 million during the third quarter of fiscal 2017, based on the GBP to U.S. dollar exchange rate on the date of payment. Additionally, the post-closing indemnification obligations totaled $0.1 million, based on the GBP to U.S. dollar exchange rate at the obligation date, which we recorded in ''Interest and other income (expense), net'' on the consolidated statements of income. The Share Purchase Agreements contain certain customary representations and warranties. Additionally, in connection with the acquisition, we recorded a settlement of the preexisting business relationship related to accounts receivable due from QCR and Trio that existed on the acquisition date. The book value of the accounts receivable approximated their fair value due to their short-term nature and no gain or loss was recorded.

The following table summarizes the acquisition date fair value of net tangible assets acquired and liabilities assumed from QCR and Trio (in thousands):

	Fair Value
Net tangible assets acquired	$5,248
Intangible assets:	
Customer relationships	1,535
Tradename	16
Deferred tax liabilities	(336)
Total	$6,463

The useful lives for the customer relationships and tradename intangible assets acquired in the acquisition are ten years and two years, respectively, and are amortized on a straight-line basis. See Note 9, ''Intangible Assets, Net'' for additional information.

We evaluated certain assets and liabilities related to the QCR and Trio acquisition during the measurement period, which terminated 12 months from the acquisition date. Changes to amounts recorded as assets or liabilities and corresponding adjustments to the purchase price allocation were insignificant.

Abaxis UK, our wholly-owned subsidiary in the United Kingdom, was formed by our acquisition of QCR and Trio in November 2014. Our consolidated financial statements include the operating results of our business combination and the consolidation of Abaxis UK from the date of acquisition.

NOTE 3. DISCONTINUED OPERATIONS

On March 18, 2015, we entered into an asset purchase agreement (''APA'') with Antech pursuant to which we sold substantially all of the assets of our AVRL business. The sale transaction closed on March 31, 2015. The total purchase price under the APA was $21.0 million in cash. During the fourth quarter of fiscal 2015, we received $20.1 million in cash proceeds and we recorded a gain on sale of discontinued operations, net of tax of $7.7 million. During the fourth quarter of fiscal 2016, we recorded $0.6 million, net of tax, as a gain on sale of discontinued operations, upon meeting certain conditions by the first anniversary of the closing date in March 2016.

In accordance with ASC 205, ''Presentation of Financial Statements – Discontinued Operations,'' a business is classified as a discontinued operation when: (i) the operations and cash flows of the business can be clearly distinguished and have been or will be eliminated from our ongoing operations; (ii) the business has either been disposed of or is classified as held for sale; and (iii) the Company will not have any significant continuing involvement in the operations of the business after the disposal transactions. In accordance with the accounting guidance, the AVRL business represents a separate asset group and the sale of assets in this business qualifies as a discontinued operation.

In connection with the sale of our AVRL business, we recognized a pre-tax gain of $12.3 million ($7.7 million after-tax) on the sale of discontinued operations during fiscal 2015, and a pre-tax gain of $0.9 million ($0.6 million after-tax) on the sale of discontinued operations during fiscal 2016. The pre-tax gain on this sale reflects the excess of the sum of the cash proceeds received over the costs incurred in connection with the sale of AVRL. During the fourth quarter of fiscal 2015, we recorded costs of $7.8 million related to cash payments for employee-related costs, including severance, contract termination and other associated costs. In connection with the transaction, we recorded disposal of and an impairment charge on long-lived assets of $1.9 million during fiscal 2015. These items partially offset the cash proceeds that we received in accordance with the terms of the APA. The following table summarizes the components of the gain recognized in fiscal 2016 and 2015 (in thousands):

	Year Ended March 31,	
	2016	2015
Cash proceeds received or realized	$900	$20,100
Less: Book value of net assets sold	—	(618)
Less: Costs incurred directly attributable to the transaction	—	(5,211)
Net proceeds from sale of discontinued operations	900	14,271
Less: Disposal and impairment of long-lived assets	—	(1,941)
Gain on sale of discontinued operations	900	12,330
Income tax expense	341	4,648
Net gain on sale of discontinued operations	$559	$ 7,682

The results from discontinued operations were as follows (in thousands):

	Year Ended March 31,		
	2017	2016	2015
Discontinued operations:			
Revenues	$ 713	$ 760	$14,202
Cost of revenues	713	985	12,614
Gross profit (loss)	—	(225)	1,588
Operating expenses	101	(91)	3,442
Other income (expense), net	—	127	—
Loss before income tax provision	(101)	(7)	(1,854)
Income tax benefit	(38)	(4)	(700)
Net loss of discontinued operations	$ (63)	$ (3)	$ (1,154)
Gain on sale of discontinued operations, net of tax	$ —	$ 559	$ 7,682

The current and non-current assets and liabilities of discontinued operations were as follows (in thousands):

	March 31,	
	2017	2016
Receivables, net	$66	$949
Prepaid expenses and other current assets	—	12
Total current assets of discontinued operations	$66	$961
Other current liabilities	$85	$112
Total current liabilities of discontinued operations	$85	$112

NOTE 4. INVESTMENTS

Our investments are classified as either available-for-sale or held-to-maturity. The following table summarizes available-for-sale and held-to-maturity investments as of March 31, 2017 and 2016 (in thousands):

	Available-for-Sale Investments			
March 31, 2017	Amortized Cost	Gross Unrealized Gain	Gross Unrealized (Loss)	Fair Value
Corporate bonds	$6,381	$—	$ (4)	$6,377
Municipal bonds	678	—	(16)	662
Total available-for-sale investments	$7,059	$—	$(20)	$7,039

	Held-to-Maturity Investments			
March 31, 2017	Amortized Cost	Gross Unrecognized Gain	Gross Unrecognized (Loss)	Fair Value
Certificates of deposit	$ 3,735	$ 1	$ (1)	$ 3,735
Commercial paper	5,588	—	(3)	5,585
Corporate bonds	57,009	—	(186)	56,823
Municipal bonds	361	—	(1)	360
Total held-to-maturity investments	$66,693	$ 1	$(191)	$66,503

March 31, 2016	Available-for-Sale Investments Amortized Cost	Gross Unrealized Gain	Gross Unrealized (Loss)	Fair Value
Corporate bonds	$7,037	$—	$(12)	$7,025
Total available-for-sale investments	$7,037	$—	$(12)	$7,025

March 31, 2016	Held-to-Maturity Investments Amortized Cost	Gross Unrecognized Gain	Gross Unrecognized (Loss)	Fair Value
Certificates of deposit	$ 2,737	$ 3	$ —	$ 2,740
Commercial paper	12,455	—	(6)	12,449
Corporate bonds	41,715	—	(117)	41,598
Total held-to-maturity investments	$56,907	$ 3	$(123)	$56,787

The amortized cost of our held-to-maturity investments approximates their fair value. As of March 31, 2017 and 2016, we did not have other-than-temporary impairment in the fair value of any individual security classified as held-to-maturity or available-for-sale. As of March 31, 2017 and 2016, we had unrealized losses on available-for-sale investments, net of related income taxes of $12,000 and $7,000, respectively. Redemptions of investments in accordance with the callable provisions during fiscal 2017, 2016 and 2015 were $0, $0 and $1.3 million, respectively.

The following table summarizes the amortized cost and fair value of our investments, classified by stated maturity as of March 31, 2017 and 2016 (in thousands):

	March 31, 2017		March 31, 2017	
	Available-for-Sale Investments		Held-to-Maturity Investments	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	$6,381	$6,377	$45,184	$45,124
Due in 1 to 3 years	678	662	21,509	21,379
Total investments	$7,059	$7,039	$66,693	$66,503

	March 31, 2016		March 31, 2016	
	Available-for-Sale Investments		Held-to-Maturity Investments	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in less than one year	$4,314	$4,311	$37,163	$37,128
Due in 1 to 2 years	2,723	2,714	19,744	19,659
Total investments	$7,037	$7,025	$56,907	$56,787

NOTE 5. FAIR VALUE MEASUREMENTS

The following table summarizes financial assets, measured at fair value on a recurring basis, by level of input within the fair value hierarchy as of March 31, 2017 and 2016 (in thousands):

	As of March 31, 2017			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$584	$ —	$—	$ 584
Available-for-sale investments:				
Corporate bonds	—	6,377	—	6,377
Municipal bonds	—	662	—	662
Total assets at fair value	$584	$7,039	$—	$7,623

	As of March 31, 2016			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$9,834	$ —	$—	$ 9,834
Available-for-sale investments:				
Corporate bonds	—	7,025	—	7,025
Total assets at fair value	$9,834	$7,025	$—	$16,859

As of March 31, 2017 and 2016, our Level 1 financial assets consisted of money market mutual funds. Our cash equivalents are highly liquid instruments with original or remaining maturities of three months or less at the time of purchase that are readily convertible into cash. The fair value of our Level 1 financial assets is based on quoted market prices of the underlying security.

As of March 31, 2017 and 2016, our Level 2 financial assets primarily consisted of corporate bonds. For our Level 2 financial assets, we review trading activity and pricing for these investments as of the measurement date. When sufficient quoted pricing for identical securities is not available, we use market pricing and other observable market inputs for similar securities obtained from third party data providers. These inputs represent quoted prices for similar assets in active markets or these inputs have been derived from observable market data.

As of March 31, 2017 and 2016, we did not have any Level 1 and Level 2 financial liabilities or Level 3 financial assets or liabilities measured at fair value on a recurring basis. We did not have any transfers between Level 1 and Level 2 or transfers in or out of Level 3 during fiscal 2017, 2016 and 2015.

NOTE 6. INVENTORIES

Components of inventories at March 31, 2017 and 2016 were as follows (in thousands):

	March 31,	
	2017	2016
Raw materials	$16,567	$15,737
Work-in-process	4,212	6,039
Finished goods	18,231	13,355
Inventories	$39,010	$35,131

NOTE 7. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

In February 2011, we purchased a 15% equity ownership interest in Scandinavian Micro Biodevices APS (''SMB''), a developer and manufacturer of point-of-care diagnostic products for veterinary use, for $2.8 million in cash. SMB, based in Farum, Denmark, has been the original equipment manufacturer of the Abaxis VetScan VS*pro* point-of-care specialty analyzer since 2008. We accounted for our investment in SMB using the equity method due to our significant influence over SMB's operations.

In August 2016, we sold our 15% equity ownership interest in SMB in connection with Zoetis Inc.'s acquisition of SMB. The total purchase price for our equity method investment in SMB was approximately $9.7 million in cash, subject to a holdback for certain adjustments that may occur. The holdback payment is expected to be released 18 months following the closing date. In connection with the sale, we received a cash payment of $8.5 million and recorded a pre-tax gain of $6.1 million ($3.8 million after tax) on the sale of our equity method investment during fiscal 2017.

As of March 31, 2017 and 2016, the carrying value of our equity method investment in SMB was $0 and $2.7 million, respectively. Our allocated portions of SMB's net income (loss) during fiscal 2017, 2016 and 2015, were $(34,000), $22,000 and $37,000, respectively. Our proportionate share of SMB's net income or loss is recorded in ''Interest and other income (expense), net'' on the consolidated statements of income.

In June 2016, we invested a total of $3.0 million in a privately-held company. Our investment was initially recorded under the cost method as we did not exercise significant influence over the investee's operating or financial activities. The carrying value of our cost method investment was reviewed quarterly for changes in circumstances or the occurrence of events that suggest our investment may not be recoverable. The fair value of cost method investments was not adjusted if there were no identified events or changes in circumstances that may have a material adverse effect on the fair value of the investment. In January 2017, we entered into a letter agreement with our investee. Under the terms of the letter agreement, the privately-held company will, pending negotiation and execution of a definitive agreement, commence chemistry development activities for us using its intellectual product and technology. As consideration for these development efforts, we will pay a total of up to $1.5 million to the investee, in the form of an upfront payment of $0.3 million in January 2017, and any remaining obligation to the investee is contingent upon the achievement of certain development milestones. As a result of our ability to exercise significant influence over operating and financial policies in our investment, which we do not control, we accounted for our investment using the equity method on a prospective basis beginning in January 2017 based on our early adoption of ASU 2016-07. In the fourth quarter of fiscal 2017, we recorded our allocated portion of net loss in an equity method investment in a privately-held company of $0.2 million during fiscal 2017. As of March 31, 2017 and 2016, the carrying value of our equity method investment in a privately-held company was $2.9 million and $0, respectively.

NOTE 8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at March 31, 2017 and 2016 consisted of the following (in thousands):

	March 31,	
	2017	2016
Property and equipment at cost:		
Machinery and equipment	$ 41,874	$ 37,352
Furniture and fixtures	4,149	3,878
Computer equipment	7,882	6,593
Building and leasehold improvements	14,871	11,663
Construction in progress	9,815	6,858
	78,591	66,344
Accumulated depreciation and amortization	(44,331)	(39,502)
Property and equipment, net	$ 34,260	$ 26,842

Depreciation and amortization expense for property and equipment from continuing operations amounted to $7.2 million, $6.5 million and $6.3 million in fiscal 2017, 2016 and 2015, respectively. Depreciation and amortization expense for property and equipment from discontinued operations amounted to $0, $0 and $0.9 million in fiscal 2017, 2016 and 2015, respectively.

In connection with the sale of assets of our AVRL business in March 2015, we recorded an impairment charge of $1.6 million to reduce the carrying value of certain property and equipment to its estimated net realizable value (fair value less costs to sell) during the fourth quarter of fiscal 2015.

NOTE 9. INTANGIBLE ASSETS, NET

Intangible assets, net, at March 31, 2017 and 2016 consisted of the following (in thousands):

	Balance, March 31, 2017		
	Cost	Accumulated Amortization	Net Book Value
Customer relationships	$1,535	$364	$1,171
Total intangible assets	$1,535	$364	$1,171

	Balance, March 31, 2016		
	Cost	Accumulated Amortization	Net Book Value
Customer relationships	$1,535	$211	$1,324
Total intangible assets	$1,535	$211	$1,324

In November 2014, in connection with our acquisition of 100% of the outstanding stock of QCR and Trio, both based in the United Kingdom, we acquired intangible assets related to customer relationships and tradename, which are amortized on a straight-line basis over its useful lives of ten years and two years, respectively. During fiscal 2016, we recorded an impairment charge of $13,000 to reduce the carrying value of the intangible assets related to tradename to its estimated net realizable value (fair value less costs to sell).

In January 2009, we entered into a license agreement with Inverness Medical Switzerland GmbH (predecessor to Alere Switzerland GmbH (''Alere''), pursuant to which we licensed co-exclusively certain worldwide patent rights. We paid a $5.0 million up-front license fee to Alere in January 2009, which was recorded as an intangible asset on the consolidated balance sheets. The related intangible asset was fully amortized during the fourth quarter of fiscal 2015. Effective February 2015, we terminated our license agreement with Alere as the licensed patents that we used had expired.

In connection with the sale of the assets of our AVRL business in March 2015, we determined that our other intangible assets were impaired and accordingly, we recorded an impairment charge of $0.4 million during the fourth quarter of fiscal 2015. Our other intangible assets were acquired by issuing warrants to Kansas State University Institute for Commercialization (formerly known as National Institute for Strategic Technology Acquisition and Commercialization) in January 2011 and October 2011.

Amortization expense for intangible assets from continuing operations, included in cost of revenues or in the respective operating expense line based on the function and purpose for which it is being used, amounted to $0.2 million, $0.2 million and $1.2 million in fiscal 2017, 2016 and 2015, respectively. Based on our intangible assets subject to amortization as of March 31, 2017, the estimated amortization expense for succeeding years is as follows (in thousands):

	Estimated Future Annual Amortization Expense						
		Fiscal Year Ending March 31,					
	Total	2018	2019	2020	2021	2022	Thereafter
Amortization expense	$1,171	$154	$154	$154	$154	$154	$401

NOTE 10. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following (in thousands):

	March 31,	
	2017	2016
Non-current lease receivables	$7,476	$1,712
Other assets	148	238
Total other non-current assets	$7,624	$1,950

Non-current lease receivables represent sales-type leases resulting from the sale of our products and are typically collateralized by a security interest in certain of the underlying assets. Starting in fiscal 2016, we entered into sales contracts as the lessor of instruments with end users for monthly payments of instrument and consumable purchases over a term of six years. The present value of total short-term and long-term lease receivables, including accrued interest, was $9.1 million and $2.1 million, as of March 31, 2017 and 2016, respectively. Our short-term and long-term lease receivables are recorded within ''Receivables'' and ''Other Assets,'' respectively, on our consolidated balance sheets. Interest income is recognized monthly over the lease term using the effective-interest method.

Future minimum lease payments to us on lease receivables as of March 31, 2017 is summarized as follows (in thousands):

Fiscal Year	Amount
2018	$ 1,659
2019	1,736
2020	1,704
2021	1,667
2022	1,658
Thereafter	711
Total	9,135
Less: Current portion	(1,659)
Non-current lease receivable	$ 7,476

NOTE 11. WARRANTY RESERVES

We provide for the estimated future costs to be incurred under our standard warranty obligation on our instruments and reagent discs.

Instruments. Our standard warranty obligation on instruments ranges from one to five years, depending on the specific product. The estimated contractual warranty obligation is recorded when the related revenue is recognized and any additional amount is recorded when such cost is probable and can be reasonably estimated. Cost of revenues reflects estimated warranty expense for instruments sold in the current period and any adjustments in estimated warranty expense for the installed base under our standard warranty obligation based on our quarterly evaluation of service experience. The estimated accrual for warranty exposure is based on historical experience as to product failures, estimated product failure rates, estimated repair costs, material usage and freight incurred in repairing the instrument after failure and known design changes under the warranty plan. Management periodically evaluates the sufficiency of the warranty provisions and makes adjustments when necessary. If an unusual performance rate related to warranty claims is noted, an additional warranty accrual may be assessed and recorded when a failure event is probable and the cost can be reasonably estimated. During fiscal 2016, we recorded an adjustment to pre-existing warranties of $0.2 million, which reduced our warranty reserves and our cost of revenues, based on our historical experience and our projected performance rate of instruments.

Reagent Discs. We record a provision for defective reagent discs when the related sale is recognized and any additional amount is recorded when such cost is probable and can be reasonably estimated. The warranty cost includes the replacement costs and freight of a defective reagent disc. For fiscal 2017, 2016 and 2015, the provision for warranty expense related to replacement of defective reagent discs was $0.4 million, $0.4 million and $0.2 million, respectively. The balance of accrued warranty reserve related to replacement of defective reagent discs as of March 31, 2017 and 2016 was $0.6 million and $0.5 million, respectively, which was classified as a current liability on the consolidated balance sheets.

We evaluate our estimates for warranty reserves on an ongoing basis and believe we have the ability to reasonably estimate warranty costs. However, unforeseeable changes in factors may impact the estimate for warranty and such changes could cause a material change in our warranty reserve accrual in the period in which the change was identified.

The change in our accrued warranty reserve during fiscal 2017, 2016 and 2015 is summarized as follows (in thousands):

	Year Ended March 31,		
	2017	2016	2015
Balance at beginning of period	$ 3,208	$ 3,156	$ 1,868
Provision for warranty expense	2,621	1,615	2,647
Warranty costs incurred	(1,471)	(1,340)	(1,359)
Adjustment to pre-existing warranties	—	(223)	—
Balance at end of period	4,358	3,208	3,156
Non-current portion of warranty reserve	2,695	1,927	1,733
Current portion of warranty reserve	$ 1,663	$ 1,281	$ 1,423

NOTE 12. BORROWINGS

Notes Payable. We have a ten year loan agreement with the Community Redevelopment Agency of the City of Union City (''the Agency'') whereby the Agency provides us with an unsecured loan of up to $1.0 million, primarily to purchase capital equipment. The loan was effective January 2011, bears interest at 5.0% and is payable quarterly. As of March 31, 2017, our short-term and long-term notes payable balances were $0.1 million and $0.3 million, respectively, and as of March 31, 2016, our short-term and long-term notes payable balances were $0.1 million and $0.4 million, respectively. The short-term balance was recorded in ''Other accrued liabilities'' on the consolidated balance sheets. The entire outstanding balance of the note is payable in full on the earlier of: (i) December 2020, or (ii) the date Abaxis ceases operations in Union City, California. The Agency also has the right to accelerate the maturity date and declare all balances immediately due and payable upon an event of default as defined in the loan agreement. We evaluate covenants in our loan agreement on a quarterly basis, and we were in compliance with such covenants as of March 31, 2017.

In accordance with the terms of the loan agreement, the Agency will provide Abaxis with an annual credit that can be applied against the accrued interest and outstanding principal balance on a quarterly basis. The Agency determines the annual credit based on certain taxes paid by Abaxis to the City of Union City, California for a specified period, as defined in the loan agreement. We anticipate that our annual credits from the Agency will be used to fully repay our notes payable due to the Agency. We may carry forward unused quarterly credits to apply against our outstanding balance in a future period. Credits applied to repay our notes payable and accrued interest are recorded in ''Interest and other income (expense), net'' on the consolidated statements of income.

NOTE 13. OTHER CURRENT ACCRUED LIABILITIES

Other current accrued liabilities at March 31, 2017 and 2016 consisted of the following (in thousands):

	March 31,	
	2017	2016
Accrued liabilities for customer sales incentive programs	$ 7,181	$4,973
Installment payment obligation accrued related to acquisition	—	1,077
Other current accrued liabilities	3,825	3,343
Total other current accrued liabilities	$11,006	$9,393

As of March 31, 2017 and 2016, accrued liabilities for customer sales incentive programs consisted primarily of (i) a liability to distributors or end-users for cash rebates upon meeting certain requirements during a qualifying period and (ii) a liability to resellers for incentives that we estimate at the time of initial sale and adjust as earned by end-users during a specified promotional period.

As of March 31, 2016, we recorded $1.1 million (or GBP 750,000), based on the GBP to U.S. dollar exchange rate on such date, in other current accrued liabilities in the consolidated balance sheet, related to an installment payment obligation to acquire QCR and Trio in November 2014. We paid the remaining installment obligation of GBP 750,000

less post-closing indemnification obligations of certain of the sellers totaling $0.8 million during the third quarter of fiscal 2017, based on the GBP to U.S. dollar exchange rate on the date of payment, related to our acquisition of QCR and Trio in November 2014. See Note 2, ''Acquisitions'' for additional information on our acquisition of QCR and Trio.

Other current accrued liabilities included notes payable and various expenses that we accrued for transaction taxes and professional costs.

NOTE 14. COMMITMENTS AND CONTINGENCIES

Leases

As of March 31, 2017, our contractual obligations for our operating lease obligations for succeeding years are as follows (in thousands):

	Payments Due by Period						
		Due in Fiscal					
	Total	2018	2019	2020	2021	2022	Thereafter
Operating lease obligations. . .	$25,375	$2,694	$2,704	$2,643	$2,673	$2,836	$11,825

Our operating lease obligations comprised our principal facility and various leased facilities and equipment under operating lease agreements, which expire on various dates from fiscal 2018 through fiscal 2026. Our principal facilities located in Union City, California is under a non-cancelable operating lease agreement, which expires in fiscal 2026. The monthly rental payments on principal facilities lease increase based on a predetermined schedule and accordingly, we recognize rent expense on a straight-line basis over the life of the lease. Rent expense from continuing operations under operating leases was $2.9 million, $2.3 million and $2.0 million for fiscal 2017, 2016 and 2015, respectively. Rent expense from discontinued operations under operating leases was $12,000, $0, and $0.2 million for fiscal 2017, 2016 and 2015, respectively.

Commitments

We have purchase commitments, consisting of supply and inventory related agreements, totaling approximately $5.6 million as of March 31, 2017. These purchase order commitments primarily include our purchase obligations to purchase from Diatron of Hungary through fiscal 2018.

See Note 7, ''Investments in Unconsolidated Affiliates'' for information on commitments due in connection with our investment in a privately-held company.

See Note 24, ''Subsequent Events'' for information on commitments due in connection with a joint development agreement with the diagnostics division of a medical products company that we entered into after March 31, 2017.

Litigation

We are involved from time to time in various litigation matters in the normal course of business. There can be no assurance that existing or future legal proceedings arising in the ordinary course of business or otherwise will not have a material adverse effect on our business, consolidated financial position, results of operations or cash flows.

NOTE 15. EMPLOYEE BENEFIT PLAN

We have established the Abaxis 401(k) Plan (the ''401(k) Plan''), a tax deferred savings plan, for the benefit of qualified employees. The 401(k) Plan is designed to provide employees with an accumulation of funds at retirement. Qualified employees may elect to have salary reduction contributions made to the plan on a bi-weekly basis. We may make quarterly contributions to the plan at the discretion of our Board of Directors either in cash or in common stock. Our matching contributions, on a consolidated basis, to the tax deferred savings plan totaled $0.5 million, $0.7 million and $0.7 million in fiscal 2017, 2016 and 2015, respectively. In fiscal 2017, 2016 and 2015, our matching contributions were made in cash. We did not have any matching contributions in the form of common stock in fiscal 2017, 2016 and 2015.

NOTE 16. EQUITY COMPENSATION PLANS AND SHARE-BASED COMPENSATION

Equity Compensation Plans

Our share-based compensation plan is described below.

2014 Equity Incentive Plan. Our 2014 Equity Incentive Plan (as amended, the ''2014 Plan''), which was approved by our shareholders on October 22, 2014, is the successor to and continuation of the 2005 Equity Incentive Plan (the ''2005 Plan''). The terms of the 2014 Plan provide for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, other stock awards and performance awards that may be settled in cash, stock or other property. At its October 22, 2014 effective date, the total number of shares of the Company's common stock available for issuance under the 2014 Plan was 1,712,409 shares, which was equal to the sum of (i) the shares remaining available for issuance pursuant to the exercise of options or issuance or settlement of stock awards that had not previously been granted under the 2005 Plan, as of the effective date of the 2014 Plan and (ii) the Returning Shares (as defined below), as of the effective date of the 2014 Plan. The ''Returning Shares'' are shares subject to outstanding stock awards granted under the 2005 Plan (the ''2005 Available Pool''), as of the effective date of the 2014 Plan, (i) expire or terminate for any reason prior to exercise or settlement, (ii) are forfeited, cancelled or otherwise returned to us because of the failure to meet a contingency or condition required for the vesting of such shares, or (iii) are reacquired or withheld (or not issued) by us to satisfy a tax withholding obligation in connection with a stock award or to satisfy the purchase price or exercise price of a stock award.

On October 26, 2016, our shareholders approved an amendment to the 2014 Plan to, among other things, (i) increase the aggregate number of shares of common stock reserved for issuance under the 2014 Plan by 900,000 shares and (ii) update the means of adjustment when calculating the attainment of performance goals for performance awards under the 2014 Plan for purposes of the requirements of Section 162(m) of the Internal Revenue Code.

2005 Equity Incentive Plan. Our 2005 Plan was originally approved by our shareholders in October 2005 and restated and amended our 1998 Stock Option Plan. Our 2005 Plan allowed for the grant of stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance cash awards, performance shares, performance units, deferred compensation awards or other share-based awards to employees, directors and consultants. Our 2005 Plan was succeeded by our 2014 Plan upon adoption of our 2014 Plan on October 22, 2014, and no additional awards may be made under our 2005 Plan. However, as described above, the 2005 Available Pool became available for issuance under the 2014 Plan and Returning Shares may become available under the 2014 Plan from time to time.

As of March 31, 2017, the 2014 Plan provided for the issuance of a maximum of 2,612,409 shares, of which 1,307,000 shares of common stock were available for future issuance under the 2014 Plan pursuant to stock awards that had not previously been granted. Shares that are canceled or forfeited from an award and shares withheld in satisfaction of tax withholding obligations are again available for issue under the 2014 Plan.

We issue new shares of common stock from our authorized shares for share-based awards upon the exercise of stock options or vesting of restricted stock units.

Share-Based Compensation

Share-based compensation expense and related stock option and restricted stock unit award activity is presented on a consolidated basis, unless otherwise presented as continuing or discontinued operations.

The following table summarizes total share-based compensation expense, net of tax, related to restricted stock units for fiscal 2017, 2016 and 2015, which is included in our consolidated statements of income (in thousands, except per share data):

	Year Ended March 31,		
	2017	2016	2015
Cost of revenues[1]	$ 1,453	$ 1,261	$ 1,409
Research and development	2,349	2,056	1,574
Sales and marketing[2]	2,851	3,189	3,156
General and administrative	4,426	4,594	3,648
Share-based compensation expense before income taxes	11,079	11,100	9,787
Income tax benefit	(3,834)	(3,903)	(3,293)
Total share-based compensation expense after income taxes	$ 7,245	$ 7,197	$ 6,494
Net impact of share-based compensation on:			
Basic net income per share	$ 0.32	$ 0.32	$ 0.29
Diluted net income per share	$ 0.32	$ 0.31	$ 0.28

(1) Cost of revenues reported in the table include share-based compensation expense from continuing and discontinued operations. Share-based compensation expense included in cost of revenues from continuing operations during fiscal 2017, 2016 and 2015, was $1.5 million, $1.1 million and $1.1 million, respectively, and from discontinued operations during fiscal 2017, 2016 and 2015, was $0, $0.1 million and $0.3 million, respectively.

(2) Sales and marketing expenses reported in the table include share-based compensation expense from continuing and discontinued operations. Share-based compensation expense included in sales and marketing expenses from continuing operations during fiscal 2017, 2016 and 2015 was $2.9 million, $3.0 million and $2.4 million, respectively, and from discontinued operations during fiscal 2017, 2016 and 2015 was $0, $0.2 million and $0.7 million, respectively.

Share-based compensation has been classified in the consolidated statements of income or capitalized on the consolidated balance sheets in the same manner as cash compensation paid to employees. Capitalized share-based compensation costs at March 31, 2017, 2016 and 2015 were $0.2 million, $0.1 million and $0.1 million, respectively, which were included in inventories on our consolidated balance sheets.

Cash Flow Impact

Cash flows resulting from excess tax benefits are classified as a part of cash flows from financing activities. Excess tax benefits are realized tax benefits from tax deductions for exercised stock options and vested restricted stock units in excess of the deferred tax asset attributable to share-based compensation expense for such share-based awards. Excess tax benefits are considered realized when the tax deductions reduce taxes that otherwise would be payable. Excess tax benefits classified as a financing cash inflow for fiscal 2017, 2016 and 2015 were $0.3 million, $1.6 million and $0.9 million, respectively.

Stock Options

Prior to fiscal 2007, we granted stock option awards to employees and directors as part of our share-based compensation program. Option awards to consultants were insignificant. Options granted to employees and directors generally expire ten years from the grant date. Options granted to employees generally become exercisable over a period of four years based on cliff-vesting terms and continuous employment. Options granted to non-employee directors generally become exercisable over a period of one year based on monthly vesting terms and continuous service. We have not granted any stock options since the beginning of fiscal 2007. We have recognized compensation expense for stock options granted during the requisite service period of the stock option. As of March 31, 2017 and 2016, we had no unrecognized compensation expense related to stock options granted. As of March 31, 2017, there were no stock options outstanding.

Stock Option Activity

Stock option activity under all stock plans is summarized as follows:

	Number of Shares	Weighted Average Exercise Price Per Share
Outstanding at March 31, 2014		
(2,000 shares exercisable at a weighted average exercise price of $13.24 per share)	2,000	$13.24
Granted	—	—
Exercised	(2,000)	13.24
Canceled or forfeited	—	—
Outstanding at March 31, 2015	—	$ —

During fiscal 2017 and 2016, there were no stock options granted, exercised, canceled or forfeited. As of March 31, 2017, 2016 and 2015, there were no stock options outstanding or exercisable. Total intrinsic value of stock options exercised during fiscal 2017, 2016 and 2015 was $0, $0 and $92,000, respectively. Cash proceeds from stock options exercised during fiscal 2017, 2016 and 2015 were $0, $0 and $31,000, respectively.

Restricted Stock Units

Since fiscal 2007, we have granted restricted stock unit awards to employees and directors as part of our share-based compensation program. Restricted stock unit awards to consultants were not significant. Awards of restricted stock units are issued at no cost to the recipient and may have time-based vesting criteria, or a combination of time-based and performance-based vesting criteria, as described below. From time to time, restricted stock unit awards granted to employees may be subject to accelerated vesting upon achieving certain performance-based milestones.

The Compensation Committee of our Board of Directors (the ''Compensation Committee'') in its discretion, may provide in the event of a change in control for the acceleration of vesting and/or settlement of the restricted stock unit held by a participant upon such conditions and to such extent as determined by the Compensation Committee. Our Board of Directors has adopted an executive change in control severance plan, which it may terminate or amend at any time, that provides that awards granted to executive officers will accelerate fully on a change of control. The vesting of non-employee director and officer awards granted under the 2014 Plan automatically will also accelerate in full upon a change in control. Beginning in fiscal 2015, the Compensation Committee discontinued the practice of granting such ''single trigger'' acceleration of vesting benefits to new executive officers pursuant to which an executive officer's outstanding stock option(s) and other unvested equity-based instruments would accelerate in full upon the occurrence of a change of control. Starting in fiscal 2015, we grant ''double-trigger'' acceleration arrangements to new executive officers, which requires both the occurrence of a change of control and the termination by us (or our successor) for any reason other than cause, death or disability within 18 months following such change of control date, with the termination constituting a separation in service and subject to execution of a valid and effective release of claims against us, for the acceleration of vesting of the executive officer's equity awards in full.

Restricted Stock Unit Awards (Time Vesting)

We grant restricted stock unit awards with only time-based vesting terms, which we refer to as RSUs. The RSUs entitle holders to receive shares of common stock at the end of a specified period of time. For RSUs, vesting is based on continuous employment or service of the holder. Upon vesting, the equivalent number of common shares are typically issued net of tax withholdings. If the service vesting conditions are not met, unvested restricted stock unit awards (time vesting) will be forfeited. Generally, RSUs vest according to one of the following time-based vesting schedules:

- RSU awards to employees: Four-year time-based vesting as follows: five percent vesting after the first year; additional ten percent after the second year; additional 15 percent after the third year; and the remaining 70 percent after the fourth year of continuous employment with the Company.
- RSU awards to non-employee directors: 100 percent vesting after one year of continuous service to the Company.

The fair value of RSUs used in our expense recognition method is measured based on the number of shares granted and the closing market price of our common stock on the date of grant. Such value is recognized as an expense over the corresponding requisite service period. The share-based compensation expense is reduced for an estimate of the RSU awards that are expected to be forfeited. The forfeiture estimate is based on historical data and other factors, and compensation expense is adjusted for actual results. As of March 31, 2017, the total unrecognized compensation expense related to RSU awards granted amounted to $17.9 million, which is expected to be recognized over a weighted average service period of 1.9 years.

Restricted Stock Unit Awards (Performance Vesting)

We grant restricted stock unit awards subject to performance vesting criteria, which we refer to as PSUs, to our executive officers and to certain employees. PSUs consist of the right to receive shares of common stock, subject to achievement of time-based criteria and certain corporate performance-related goals over a specified period, as established by the Compensation Committee. For PSUs, we recognize any related share-based compensation expense ratably over the service period based on the most probable outcome of the performance condition. The fair value of our PSUs used in our expense recognition method is measured based on the number of shares granted, the closing market price of our common stock on the date of grant and an estimate of the probability of the achievement of the performance goals. The amount of share-based compensation expense recognized in any one period can vary based on the attainment or expected attainment of the performance goals. If such performance goals are not ultimately met, no compensation expense is recognized and any previously recognized compensation expense is reversed. If it becomes probable that the performance targets will be achieved, a cumulative adjustment will be recorded as if ratable share-based compensation expense had been recorded since the grant date.

In fiscal 2015, 2016 and 2017, the Compensation Committee approved the grant of PSUs described below. These PSUs vest only if both of the following criteria are satisfied: (1) our consolidated income from operations during the fiscal year in which grant occurred, as certified by the Compensation Committee, is in excess of the applicable target amount described below; and (2) the recipient remains in the continuous service of the Company until the applicable vesting date set forth as follows:

- 25% of the shares subject to an award vest in full upon achieving 90% of the consolidated income from operations target described above and continuous service until the third anniversary of the date of grant;
- 25% of the shares subject to an award vest in full upon achieving 90% of the consolidated income from operations target described above and continuous service until the fourth anniversary of the date of grant;
- 25% of the shares subject to an award vest in full upon achieving 100% of the consolidated income from operations target described above and continuous service until the third anniversary of the date of grant; and
- 25% of the shares subject to an award vest in full upon achieving 100% of the consolidated income from operations target described above and continuous service until the fourth anniversary of the date of grant.

Fiscal 2015 Performance RSUs. In April 2014, the Compensation Committee approved the grant of PSUs for 172,000 shares of common stock to our executive officers that contained the foregoing time-based and performance-based vesting terms (the "FY2015 PSUs"). The aggregate estimated grant date fair value of the FY2015 PSUs was $7.0 million based on the closing market price of our common stock on the date of grant. For the FY2015 PSUs, we have determined that the performance targets have been met and accordingly, we recorded share-based compensation expense ratably over the vesting terms of the PSUs.

Fiscal 2016 Performance RSUs. In April 2015, the Compensation Committee approved the grant of PSUs for 187,000 shares of common stock to our executive officers and to certain of our employees that contained the foregoing time-based and performance-based vesting terms (the "FY2016 PSUs"). The aggregate estimated grant date fair value of the FY2016 PSUs was $10.3 million based on the closing market price of our common stock on the date of grant. For the FY2016 PSUs, we have determined that the performance targets have been met and accordingly, we recorded share-based compensation expense ratably over the vesting terms of the PSUs.

Fiscal 2017 Performance RSUs. In April 2016, the Compensation Committee approved the grant of PSUs for 152,000 shares of common stock to our executive officers and to certain of our employees (the "FY2017 PSUs") that contained the foregoing time-based and performance-based vesting terms, except that the PSUs granted to our Chief Executive Officer, Mr. Clinton Severson, vest as follows:

- approximately 18% of the shares subject to an award vest in full upon achieving 90% of the consolidated income from operations target described above and continuous service until the third anniversary of the date of grant;
- approximately 18% of the shares subject to an award vest in full upon achieving 90% of the consolidated income from operations target described above and continuous service until the fourth anniversary of the date of grant;
- approximately 32% of the shares subject to an award vest in full upon achieving 100% of the consolidated income from operations target described above and continuous service until the third anniversary of the date of grant; and
- approximately 32% of the shares subject to an award vest in full upon achieving 100% of the consolidated income from operations target described above and continuous service until the fourth anniversary of the date of grant.

Approximately 84,000 and 68,000 shares of common stock of the FY2017 PSUs were granted with performance conditions subject to vesting in full upon achieving 100% and 90%, respectively, of the financial targets described above. The aggregate estimated grant date fair value of the FY2017 PSUs was $6.8 million based on the closing market price of our common stock on the date of grant. On January 25, 2017, the Compensation Committee approved an amendment to our FY2017 PSUs so the performance vesting condition refers to the Company's consolidated income from continuing operations before income tax provision, rather than consolidated income from operations. The service vesting condition and all other terms and conditions of our FY2017 PSUs were not changed.

On December 31, 2016, we reviewed each of the underlying performance targets related to the outstanding FY2017 PSUs and determined that it was not probable that the performance targets of the FY2017 PSUs would be met for the 84,000 shares of common stock. Consequently, upon our determination of non-achievement of the performance condition, with respect to achievement of 100% of the financial target in fiscal 2017, we reversed the cumulative share-based compensation expense related to the original awards in the third quarter of fiscal 2017, resulting in no share-based compensation expense recorded for these awards through December 31, 2016. Additional share-based compensation of $0.6 million would have been recorded during the nine months ended December 31, 2016 had the achievement of performance targets been deemed probable for the 84,000 shares of common stock.

On January 25, 2017, we evaluated the modification of the performance conditions for the FY2017 PSUs and we determined that the performance conditions for the 84,000 shares of common stock was a Type III modification or ''Improbable to Probable'' pursuant to ASC 718 as the awards, on the date of modification, were no longer probable of being achieved in fiscal 2017. Because the 84,000 shares of common stock of the FY2017 PSUs granted were improbable of vesting prior to the modification of the performance conditions, the original grant date fair value is no longer used to measure compensation cost for the awards. In accordance with ASC 718, the fair value of the 84,000 shares of common stock of the modified FY2017 PSUs was re-measured with a measurement date of January 25, 2017, and an aggregate grant date fair value of $4.0 million. As we determined that the performance conditions of the modified award would be met for the 84,000 shares of common stock as of March 31, 2017, we recorded share-based compensation expense during fiscal 2017, ratably, beginning on January 25, 2017 over the vesting terms of the modified FY2017 PSUs.

For the remaining 68,000 shares of common stock of the FY2017 PSUs, we evaluated the modification of the performance conditions for the FY2017 PSUs and determined it was a Type I modification or ''Probable to Probable'' pursuant to ASC 718. Accordingly, we recorded share-based compensation expense during fiscal 2017, ratably, beginning on the original grant date over the vesting terms of the PSUs, as we determined that the performance targets approved by the Compensation Committee in April 2016 would be met.

Fiscal 2018 Performance RSUs. In April 2017, the Compensation Committee approved the grant of PSUs for 137,000 shares of common stock to our executive officers and to certain of our employees that contained the foregoing time-based and performance-based vesting terms (the ''FY2018 PSUs'').

- 50% of the shares subject to an award vest in full upon achieving 90% of a consolidated income from continuing operations before income tax provision target and continuous service until the third anniversary of the date of grant; and

- 50% of the shares subject to an award vest in full upon achieving 90% of a consolidated income from continuing operations before income tax provision target and continuous service until the fourth anniversary of the date of grant.

The aggregate estimated grant date fair value of the FY2018 PSUs was $6.3 million based on the closing market price of our common stock on the date of grant.

As of March 31, 2017, the total unrecognized compensation expense related to PSU awards granted and expected to vest amounted to $8.9 million, which is expected to be recognized over a weighted average service period of 1.7 years.

Restricted Stock Unit Activity

The following table summarizes restricted stock unit activity during fiscal 2017, 2016 and 2015.

	Time-Based Restricted Stock Units		Performance-Based Restricted Stock Units	
	Number of Shares	Weighted Average Grant Date Fair Value[1]	Number of Shares	Weighted Average Grant Date Fair Value[1]
Unvested at March 31, 2014	774,000	$30.98	113,000	$42.43
Granted	189,000	43.85	172,000	40.82
Vested[2]	(272,000)	27.24	—	—
Canceled and forfeited	(12,000)	30.37	(137,000)	42.15
Unvested at March 31, 2015	679,000	$36.08	148,000	$40.82
Granted	188,000	52.90	187,000	55.08
Vested[2]	(288,000)	30.06	—	—
Canceled and forfeited	(55,000)	36.48	(24,000)	55.08
Unvested at March 31, 2016	524,000	$45.37	311,000	$48.29
Granted	207,000	46.05	152,000	44.54
Vested[2]	(156,000)	41.57	(24,000)	40.82
Canceled and forfeited	(40,000)	47.02	—	—
Unvested at March 31, 2017	535,000	$46.62	439,000	$47.40

(1) The weighted average grant date fair value of restricted stock units is based on the number of shares and the closing market price of our common stock on the date of grant.

(2) The number of restricted stock units vested includes shares that we withheld on behalf of our employees to satisfy the statutory tax withholding requirements.

Total intrinsic value of restricted stock units vested during fiscal 2017, 2016 and 2015 was $8.3 million, $15.3 million and $11.7 million, respectively. The total grant date fair value of restricted stock units vested during fiscal 2017, 2016 and 2015 was $7.5 million, $8.6 million and $7.4 million, respectively.

NOTE 17. SHAREHOLDERS' EQUITY

Share Repurchase Program

Between August 2011 and July 2013, our Board of Directors authorized the repurchase of up to a total of $67.3 million of our common stock. In July 2016, our Board of Directors approved a $30.0 million increase to our existing share repurchase program to a total of $97.3 million. As of March 31, 2017, $54.0 million of our common stock was available for repurchase under our share repurchase program.

Since the share repurchase program began, through March 31, 2017, we have repurchased 1.6 million shares of our common stock at a total cost of $43.3 million, including commission expense. During fiscal 2016, we repurchased 325,000 shares of our common stock at a total cost of $13.0 million and an average per share cost including commission expense of $40.18. During fiscal 2017 and 2015, we did not repurchase any shares of our common stock. The repurchases are made from time to time on the open market at prevailing market prices or in negotiated transactions off the market. Repurchased shares are retired.

Dividend Payments

During fiscal 2017, 2016 and 2015 our total quarterly dividend payout was $11.7 million, $10.0 million and $9.0 million, respectively, and were made from retained earnings. See Note 22, ''Summary of Quarterly Data (Unaudited)'' for further information on quarterly dividends declared on our common stock during the past two fiscal years.

See Note 24, ''Subsequent Events,'' for information regarding cash dividends declared by our Board of Directors after March 31, 2017.

Common Stock Warrants

As of March 31, 2017 and 2016, there were no warrants outstanding. As of March 31, 2015, there were warrants to purchase 4,000 shares of common stock outstanding at a weighted average exercise price of $3.00 per share, expiring in fiscal years 2016 through 2017. During fiscal 2016 and 2015, we issued 4,000 and 26,000, respectively, shares of common stock upon the exercise of vested warrants at an exercise price of $3.00 per share. During fiscal 2017, we did not issue any shares of common stock pursuant to the exercise of vested warrants. In March 2015, the terms of our agreement with Kansas State University Institute for Commercialization were amended and accordingly, the vesting of these outstanding warrants was accelerated. During the fourth quarter of fiscal 2015, we recorded expense of $0.2 million related to the vesting acceleration using the Black-Scholes option-pricing model.

NOTE 18. NET INCOME PER SHARE

The computations for basic and diluted net income from continuing and discontinued operations per share are as follows (in thousands, except share and per share data):

	Year Ended March 31,		
	2017	2016	2015
Income from continuing operations	$ 32,779	$ 31,074	$ 20,803
Loss from discontinued operations, net of tax	(63)	(3)	(1,154)
Gain on sale of discontinued operations, net of tax	—	559	7,682
Net income	$ 32,716	$ 31,630	$ 27,331
Weighted average common shares outstanding:			
Basic	22,515,000	22,661,000	22,497,000
Effect of dilutive securities:			
Stock options	—	—	1,000
Restricted stock units	282,000	221,000	276,000
Warrants	—	1,000	13,000
Diluted	22,797,000	22,883,000	22,787,000
Net income per share:			
Basic			
Continuing operations	$ 1.46	$ 1.37	$ 0.92
Discontinued operations	(0.01)	0.03	0.29
Basic net income per share	$ 1.45	$ 1.40	$ 1.21
Diluted			
Continuing operations	$ 1.44	$ 1.36	$ 0.91
Discontinued operations	—	0.02	0.29
Diluted net income per share	$ 1.44	$ 1.38	$ 1.20

For our PSUs, if the performance criteria are achieved during the period, these awards will be considered outstanding for the purpose of computing diluted net income per share if the effect is dilutive. The performance criteria for our PSUs related to FY2017 PSUs, FY2016 PSUs and FY2015 PSUs were achieved during the applicable performance period, fiscal 2017, 2016 and 2015, respectively, and accordingly, the dilutive effect of the shares were included in the computation of diluted weighted average shares outstanding.

Stock options and warrants are excluded from the computation of diluted weighted average shares outstanding if the exercise price of the stock options and warrants is greater than the average market price of our common stock during the period because the inclusion of these stock options and warrants would be antidilutive to net income per share. There were no stock options and warrants excluded from the computation of diluted weighted average shares outstanding during fiscal 2017, 2016 and 2015.

We excluded the following restricted stock units from the computation of diluted weighted average shares outstanding because the inclusion of these awards would be antidilutive to net income per share.

	Year Ended March 31,		
	2017	2016	2015
Weighted average number of shares underlying antidilutive restricted stock units	2,000	92,000	—

NOTE 19. INCOME TAXES

Income Tax Provision

The components of our income tax provision are summarized as follows (in thousands):

	Year Ended March 31,		
	2017	2016	2015
Continuing operations:			
Current:			
Federal	$16,629	$13,204	$12,065
State	2,237	1,562	1,657
Foreign	841	1,290	64
Total current income tax provision	19,707	16,056	13,786
Deferred:			
Federal	(1,126)	178	(1,363)
State	(192)	(128)	(158)
Foreign	(56)	(33)	(26)
Total deferred income tax provision (benefit)	(1,374)	17	(1,547)
Total income tax provision - continuing operations	$18,333	$16,073	$12,239
Discontinued operations and gain on sale of discontinued operations:			
Current:			
Federal	$ (35)	$ (835)	$ 5,923
State	(3)	(69)	458
Total current income tax provision (benefit)	(38)	(904)	6,381
Deferred:			
Federal	—	1,146	(2,258)
State	—	95	(175)
Total deferred income tax (benefit)	—	1,241	(2,433)
Total income tax provision (benefit) - discontinued operations and gain on sale of discontinued operations	$ (38)	$ 337	$ 3,948

The components of our income before income tax provision are summarized as follows (in thousands):

	Year Ended March 31,		
	2017	2016	2015
Continuing operations:			
United States	$48,069	$43,885	$33,489
Foreign	3,043	3,262	(447)
Total - continuing operations	$51,112	$47,147	$33,042
Discontinued operations:			
United States	$ (101)	$ 893	$10,475

The income tax provision from continuing operations differs from the amount computed by applying the federal statutory income tax rate (35 percent) to income from continuing operations before income tax provision as follows (in thousands):

	Year Ended March 31,		
	2017	2016	2015
Continuing operations:			
Income taxes at federal income tax rate	$17,889	$16,502	$11,565
State income taxes, net of federal benefits	1,284	917	787
Non-deductible compensation	549	543	880
Research and development tax credits	(410)	(607)	(383)
Tax-exempt interest income	(1)	(2)	(6)
Qualified production activities income benefit	(910)	(761)	(866)
Other	(68)	(519)	262
Total income tax provision from continuing operations	$18,333	$16,073	$12,239

During fiscal 2017, 2016 and 2015, we recognized $24,000, $1.6 million and $0.9 million, respectively, of tax deductions related to share-based compensation, on a consolidated basis, in excess of recognized share-based compensation expense (''excess benefits'') that was recorded to shareholders' equity. We record excess benefits to shareholders' equity when the benefits result in a reduction in cash paid for income taxes.

Our policy is to reinvest earnings of our foreign subsidiaries unless such earnings are subject to U.S. taxation. As of March 31, 2017, there are no earnings that have not been subject to U.S. taxation.

Unrecognized Tax Benefits

During fiscal 2017, we did not recognize any interest and penalties related to unrecognized tax benefits. We file income tax returns in the U.S. federal jurisdiction, Germany, United Kingdom, Hong Kong and various state jurisdictions. The statute of limitations is three years for federal and four years for California. Our federal income tax returns are subject to examination for fiscal years 2014 through 2017. Our California income tax returns are subject to examination for fiscal years 2013 through 2017, with the exception of California tax credit carryovers. To the extent there is a research and development tax credit available for carryover to future years, the statute of limitations with respect to the tax credit begins in the year utilized. As a result of the timing for the utilization of California tax credit carryovers, our California research and development tax credits are subject to examination for fiscal years 2011 through 2017. We are subject to examination in Germany for fiscal years 2014 through 2017, in the United Kingdom for fiscal years 2013 through 2017 and in Hong Kong for fiscal year 2017.

Deferred Tax Assets and Liabilities

The following table presents the breakdown between current and non-current net deferred tax assets (liabilities) (in thousands):

	March 31,	
	2017	2016
Deferred tax assets, current	$5,644	$4,810
Deferred tax assets, non-current	4,392	3,903
Deferred tax liabilities, non-current	(234)	(384)
Total net deferred tax assets	$9,802	$8,329

Significant components of our deferred tax assets (liabilities) are as follows (in thousands):

	March 31,	
	2017	2016
Deferred tax assets:		
Research and development tax credit carryforwards	$ 917	$ 830
Capitalized research and development	45	76
Inventory reserves	598	623
Deferred revenue from extended maintenance agreements	1,074	1,446
Warranty reserves	1,659	1,217
Accrued payroll and other accrued expenses	1,715	1,553
Share-based compensation	4,753	3,822
Alternative minimum tax credits	24	24
Tax on deferred intercompany profit	1,221	601
Other	696	665
Total deferred tax assets	12,702	10,857
Deferred tax liabilities:		
Depreciation	(2,518)	(2,135)
Other	(382)	(393)
Total deferred tax liabilities	(2,900)	(2,528)
Net deferred tax assets	$ 9,802	$ 8,329

A valuation allowance against deferred tax assets is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. As of March 31, 2017, 2016 and 2015, we did not have a valuation allowance.

As of March 31, 2017, we had no federal or California net operating loss carryforwards. As of March 31, 2017, our California research and development tax credit carryforwards were $1.4 million. The California research and development tax credit will carryforward indefinitely.

NOTE 20. SEGMENT REPORTING INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by our chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance.

Abaxis develops, manufactures and markets portable blood analysis systems for use in human or veterinary patient care setting to provide clinicians with rapid blood constituent measurements. We identify our reportable segments as those customer groups that represent more than 10% of our combined revenue or gross profit or loss of all reported operating segments. We manage our business on the basis of the following two reportable segments: (i) the medical market and (ii) the veterinary market, which are based on the products sold by market and customer group. For the products that we manufacture and sell, each reportable segment has similar manufacturing processes, technology and shared infrastructures. The accounting policies for segment reporting are the same as for the Company as a whole. We do not segregate assets by segments because our chief operating decision maker, or decision making group, does not use assets as a basis to evaluate a segment's performance.

Medical Market

In the medical market reportable segment, we serve a worldwide customer group consisting of physicians' office practices across multiple specialties, urgent care, outpatient and walk-in clinics (free-standing or hospital-connected), health screening operations, home care providers (national, regional or local), nursing homes, ambulance companies, oncology treatment clinics, dialysis centers, pharmacies, hospital laboratories, military installations (ships, field hospitals and mobile care units), pharmaceutical clinical trials and cruise ship lines. The products manufactured and sold in this segment primarily consist of Piccolo chemistry analyzers and medical reagent discs.

Veterinary Market

In the veterinary market reportable segment, we serve a worldwide customer group consisting of companion animal hospitals, animal clinics with mixed practices of small animals, birds and reptiles, equine and bovine practitioners, veterinary emergency clinics, veterinary referral hospitals, universities, government, pharmaceutical companies, biotechnology companies and private research laboratories. Our veterinary market product offerings include VetScan chemistry analyzers and veterinary reagent discs, VetScan hematology instruments and related reagent kits, VetScan VS*pro* specialty analyzers and related consumables, VetScan i-STAT analyzers and related consumables and VetScan rapid tests.

In March 2015, we entered into an asset purchase agreement with Antech pursuant to which we sold substantially all of the assets of our AVRL business to Antech, see Note 3, ''Discontinued Operations'' for additional information. We have reclassified the assets, liabilities, results of operations and the gain on sale of AVRL in our consolidated balance sheets and statements of income for all periods presented to reflect them as discontinued operations. Previously reported financial information have been revised to reflect the reclassification of AVRL within our veterinary market segment as a discontinued operation.

Total Revenues, Cost of Revenues and Gross Profit by Segment

The table below summarizes revenues, cost of revenues and gross profit from our two operating segments and from certain unallocated items and represents our results from continuing operations for fiscal 2017, 2016 and 2015 (in thousands).

	Year Ended March 31,		
	2017	2016	2015
Revenues:			
Medical Market	$ 36,602	$ 37,845	$ 35,364
Veterinary Market	186,661	177,667	164,018
Other[(1)]	3,957	3,389	3,211
Total revenues	227,220	218,901	202,593
Cost of revenues:			
Medical Market	19,909	20,223	18,905
Veterinary Market	81,249	75,296	74,577
Other[(1)]	217	130	141
Total cost of revenues	101,375	95,649	93,623
Gross profit:			
Medical Market	16,693	17,622	16,459
Veterinary Market	105,412	102,371	89,441
Other[(1)]	3,740	3,259	3,070
Gross profit	$125,845	$123,252	$108,970

(1) Represents unallocated items, not specifically identified to any particular business segment.

NOTE 21. REVENUES BY PRODUCT CATEGORY AND GEOGRAPHIC REGION AND SIGNIFICANT CONCENTRATIONS

Revenue Information

The following is a summary of our revenues by product category and represents our results from continuing operations (in thousands):

Revenues by Product Category	Year Ended March 31, 2017	2016	2015
Instruments[1]	$ 39,257	$ 43,042	$ 48,649
Consumables[2]	175,346	165,025	144,446
Other products[3]	12,617	10,760	9,348
Product sales, net	227,220	218,827	202,443
Development and licensing revenue	—	74	150
Total revenues	$227,220	$218,901	$202,593

(1) Instruments include chemistry analyzers, hematology instruments, VS*pro* specialty analyzers and i-STAT analyzers.

(2) Consumables include reagent discs, hematology reagent kits, VS*pro* specialty cartridges, i-STAT cartridges and rapid tests.

(3) Other products include products using the Orbos process and extended maintenance agreements.

The following is a summary of our revenues by geographic region based on customer location and represents our results from continuing operations (in thousands):

Revenues by Geographic Region	Year Ended March 31, 2017	2016	2015
North America	$181,853	$175,019	$163,308
Europe	32,764	31,262	30,422
Asia Pacific and rest of the world	12,603	12,620	8,863
Total revenues	$227,220	$218,901	$202,593

Significant Concentrations

During fiscal 2017, four distributors, MWI Veterinary Supply, Inc., Henry Schein Animal Health, Patterson Companies, Inc. and Abbott Point of Care, Inc. accounted for 21%, 14% , 11% and 10%, respectively, of our total worldwide revenues.

During fiscal 2016, four distributors, MWI Veterinary Supply, Inc., Henry Schein, Inc., Patterson Companies, Inc. and Abbott Point of Care, Inc. accounted for 20%, 13%, 11% and 10%, respectively, of our total worldwide revenues.

During fiscal 2015, two distributors in the United States, MWI Veterinary Supply, Inc., and Abbott Point of Care, Inc. accounted for 19% and 11%, respectively, of our total worldwide revenues.

Starting in fiscal 2016, our revenues from Henry Schein, Inc., include both Henry Schein, Inc. and scil animal care company GmbH, as a result of Henry Schein Inc.'s acquisition of scil animal care company GmbH in Europe. Starting in the second quarter of fiscal 2016, our revenues from Patterson Companies, Inc. include both Patterson's veterinary business and Animal Health International, Inc., as a result of Patterson's acquisition of Animal Health International, Inc.

Substantially all of our long-lived assets are located in the United States.

NOTE 22. SUMMARY OF QUARTERLY DATA (UNAUDITED)

The following table is a summary of unaudited quarterly data for fiscal 2017 and 2016 (in thousands, except per share data). Previously reported quarterly amounts have been revised to reflect the reclassification of the AVRL business within our veterinary market segment as discontinued operations. See Note 3, "Discontinued Operations" for additional information.

	Quarter Ended			
Fiscal Year Ended March 31, 2017:	**June 30**	**September 30**	**December 31**	**March 31**
Revenues	$57,696	$58,552	$52,772	$58,200
Gross profit	32,001	32,258	29,404	32,182
Income from continuing operations, net of tax	6,890	11,487	6,859	7,543
Gain (loss) from discontinued operations, net of tax	—	(55)	(15)	7
Net income	$ 6,890	$11,432	$ 6,844	$ 7,550
Net income (loss) per share:				
Basic				
Continuing operations	$ 0.31	$ 0.51	$ 0.30	$ 0.33
Discontinued operations	—	—	—	—
Basic net income per share	$ 0.31	$ 0.51	$ 0.30	$ 0.33
Diluted				
Continuing operations	$ 0.30	$ 0.51	$ 0.30	$ 0.33
Discontinued operations	—	(0.01)	—	—
Diluted net income per share	$ 0.30	$ 0.50	$ 0.30	$ 0.33
Cash dividends declared per share	$ 0.12	$ 0.12	$ 0.14	$ 0.14

	Quarter Ended			
Fiscal Year Ended March 31, 2016:	**June 30**	**September 30**	**December 31**	**March 31**
Revenues	$53,090	$55,975	$52,876	$56,960
Gross profit	29,392	31,962	29,602	32,296
Income from continuing operations, net of tax	6,995	7,823	7,954	8,302
Gain (loss) from discontinued operations, net of tax	—	(7)	4	—
Gain on sale of discontinued operations, net of tax	—	—	—	559
Net income	$ 6,995	$ 7,816	$ 7,958	$ 8,861
Net income per share:				
Basic				
Continuing operations	$ 0.31	$ 0.34	$ 0.35	$ 0.37
Discontinued operations	—	—	—	0.02
Basic net income per share	$ 0.31	$ 0.34	$ 0.35	$ 0.39
Diluted				
Continuing operations	$ 0.31	$ 0.34	$ 0.35	$ 0.36
Discontinued operations	—	—	—	0.03
Diluted net income per share	$ 0.31	$ 0.34	$ 0.35	$ 0.39
Cash dividends declared per share	$ 0.11	$ 0.11	$ 0.11	$ 0.11

NOTE 23. RELATED PARTY TRANSACTIONS

In May 2016, we entered into a distribution agreement with Visual Dynamix (the "Agreement"). Dr. Craig Tockman, Abaxis' Vice President of Animal Health Sales and Marketing for North America, is an executive officer of Abaxis, Inc. Mr. Gary Tockman, Dr. Tockman's brother, is the President and owner of Visual Dynamix. Under the Agreement, we agreed to purchase a minimum of 100 units of microscopes or microscopes and camera systems for exclusive worldwide distribution rights. The price per unit is variable and dependent on the volume of units ordered. The initial

term of the Agreement ends in May 2017, and after the initial term, the Agreement renews automatically for successive one-year periods unless terminated by either party based upon a notice of non-renewal of sixty days. During fiscal 2017, we purchased and paid Visual Dynamix $0.5 million for inventory products. We market the products purchased from Visual Dynamix worldwide as the VetScan HDmicroscope.

NOTE 24. SUBSEQUENT EVENTS

On April 26, 2017, our Board of Directors declared a quarterly cash dividend of $0.14 per share on our outstanding common stock to be paid on June 15, 2017 to all shareholders of record as of the close of business on June 1, 2017.

In April 2017, we entered into a joint development agreement with the diagnostics division of a medical products company, whereby we are subject to payments of up to $10.2 million, in consideration of development efforts, over an estimated period of four years. Our payment obligations are contingent upon the achievement of certain development milestones.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated that the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the ''Exchange Act''), as of the end of the period covered by this report. Based on such evaluation, our principal executive officer and principal financial officer, have concluded that, as of the end of such period, our disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in the framework in Internal Control—Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of March 31, 2017.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even an effective system of internal control will provide only reasonable assurance that the objectives of the internal control system are met.

Attestation Report of the Independent Registered Public Accounting Firm

BPM LLP, our independent registered public accounting firm, has issued an audit report on the effectiveness of our internal control over financial reporting as of March 31, 2017, which report is included elsewhere herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Shareholders
of Abaxis, Inc.

We have audited the internal control over financial reporting of Abaxis, Inc. and its subsidiaries (the ''Company'') as of March 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013 Framework)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Abaxis, Inc. and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of March 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013 Framework)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Abaxis, Inc. and its subsidiaries as of March 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2017 and the related financial statement schedule and our report dated May 30, 2017 expressed an unqualified opinion thereon.

/s/ BPM LLP

San Jose, California
May 30, 2017

Item 9B. Other Information

Not applicable.

PART III

The information required by Part III is omitted from this report and will be included in an amendment to this report filed no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be contained in an amendment to this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information required by this item will be contained in an amendment to this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be contained in an amendment to this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be contained in an amendment to this Annual Report on Form 10-K.

Item 14. Principal Accounting Fees and Services

The information required by this item will be contained in an amendment to this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following financial statements, schedules and exhibits are filed as part of this report:

1. Financial Statements - The Financial Statements required by this item are listed on the Index to the Consolidated Financial Statements in Part II, Item 8 of this report, which is incorporated by reference herein.

2. Financial Statement Schedules -
   - Schedule II – Valuation and Qualifying Accounts and Reserves
   - Other financial statement schedules are not included because they are not required or the information is otherwise shown in the consolidated financial statements or notes thereto.

3. Exhibits - The exhibits listed on the accompanying Exhibit Index are filed as part of, or are incorporated by reference into, this report.

(b) See Item 15(a)(3) above.

(c) See Item 15(a)(2) above.

Abaxis, Inc.
Schedule II
Valuation and Qualifying Accounts and Reserves
Years ended March 31, 2017, 2016 and 2015
(In thousands)

Description	Balance at Beginning of Year	Additions Charged to Expenses	Deductions from Allowance Accounts[a]	Balance at End of Year
Total Allowance for Doubtful Accounts[b]:				
Year ended March 31, 2017	$479	$ 43	$(250)	$272
Year ended March 31, 2016	$247	$366	$(134)	$479
Year ended March 31, 2015	$182	$ (24)	$ 89	$247

(a) The deductions related to allowances for doubtful accounts represent net balance of accounts receivable which were written off and recovered.

(b) The allowance for doubtful accounts is presented on a consolidated basis.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on May 30, 2017.

ABAXIS, INC.

By: /s/ Clinton H. Severson

Clinton H. Severson
Chairman of the Board and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENT, that each person whose signature appears below constitutes and appoints Clinton H. Severson and Ross Taylor, and each of them, acting individually, as his attorney-in-fact, each with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Clinton H. Severson Clinton H. Severson	Chief Executive Officer and Director (Principal Executive Officer)	May 30, 2017
/s/ Ross Taylor Ross Taylor	Chief Financial Officer and Vice President of Finance (Principal Financial and Accounting Officer)	May 30, 2017
/s/ Vernon E. Altman Vernon E. Altman	Director	May 30, 2017
/s/ Richard J. Bastiani, Ph.D. Richard J. Bastiani, Ph.D.	Director	May 30, 2017
/s/ Michael D. Casey Michael D. Casey	Director	May 30, 2017
/s/ Henk J. Evenhuis Henk J. Evenhuis	Director	May 30, 2017
/s/ Prithipal Singh, Ph.D. Prithipal Singh, Ph.D.	Director	May 30, 2017

Exhibit Index

Exhibit No.	Description of Document
3.1	Amended and Restated Articles of Incorporation, as amended (filed with the Securities and Exchange Commission on May 30, 2014 as Exhibit 3.1 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2014 and incorporated herein by reference).
3.2	By-laws, as amended (filed with the Securities and Exchange Commission on May 30, 2014 as Exhibit 3.2 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2014 and incorporated herein by reference).
10.1	Lease Agreement with Principal Development Investors, LLC, dated June 21, 2000 (filed with the Securities and Exchange Commission on January 10, 2001 as Exhibit 10.10 to our Registration Statement on Form S-3 and incorporated herein by reference).
10.2*	Amended and Restated Executive Employment Agreement with Mr. Clinton H. Severson, dated October 27, 2010 (filed with the Securities and Exchange Commission on February 9, 2011 as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 and incorporated herein by reference).
10.3*	2005 Equity Incentive Plan, as amended and restated through November 8, 2012 (filed with the Securities and Exchange Commission on February 11, 2013 as Exhibit 10.4 to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2012 and incorporated herein by reference).
10.4*	Form of Notice of Grant of Restricted Stock Units (time vesting) under the 2005 Equity Incentive Plan (filed with the Securities and Exchange Commission on June 14, 2013 as Exhibit 10.7 to our Annual Report on Form 10-K for the year ended March 31, 2013 and incorporated herein by reference).
10.5*	Form of Notice of Grant of Restricted Stock Units (performance vesting) under the 2005 Equity Incentive Plan (filed with the Securities and Exchange Commission on June 14, 2013 as Exhibit 10.8 to our Annual Report on Form 10-K for the year ended March 31, 2013 and incorporated herein by reference).
10.6*	2014 Equity Incentive Plan, as amended (filed with the Securities and Exchange Commission on November 1, 2016 as Exhibit 10.1 to our Current Report on Form 8-K and incorporated herein by reference).
10.7*	Forms of Restricted Stock Unit (time vesting) Grant Notice and Award Agreements under the Abaxis, Inc. 2014 Equity Incentive Plan (filed with the Securities and Exchange Commission on February 9, 2015 as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2014 and incorporated herein by reference).
10.8*	Forms of Restricted Stock Unit (performance vesting) Grant Notice and Award Agreements under the Abaxis, Inc. 2014 Equity Incentive Plan (filed with the Securities and Exchange Commission on February 9, 2015 as Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2014 and incorporated herein by reference).
10.9*	Abaxis, Inc. Executive Change of Control Severance Plan, as amended as of December 23, 2008 (filed with the Securities and Exchange Commission on February 9, 2009 as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 and incorporated herein by reference).
10.10*	Fiscal 2017 Base Salary and Target Bonus for the Named Executive Officers (filed with the Securities and Exchange Commission on April 28, 2016 as a part of our Current Report on Form 8-K and incorporated herein by reference, as amended and filed with the Securities and Exchange Commission on January 31, 2017 as a part of our Current Report on Form 8-K and incorporated herein by reference).
10.11*	Form of Indemnity Agreement entered into by Abaxis, Inc. with each of its directors and executive officers (filed with the Securities and Exchange Commission on June 13, 2008 as Exhibit 10.22 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2008 and incorporated herein by reference).

Exhibit No.	Description of Document
10.12*	Offer Letter Agreement between Abaxis, Inc. and Dean Ross Taylor, dated April 29, 2015 (filed with the Securities and Exchange Commission on May 4, 2015 as Exhibit 99.2 to our Current Report on Form 8-K and incorporated herein by reference).
10.13*	Executive Employment Agreement, dated as of May 1, 2014, with Craig M. Tockman (filed with the Securities and Exchange Commission on August 11, 2014 as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 and incorporated herein by reference).
10.14	First Amendment to Lease Agreement with Principal Development Investors, LLC, dated as of August 28, 2000 (filed with the Securities and Exchange Commission on June 14, 2010 as Exhibit 10.23 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2010 and incorporated herein by reference).
10.15	Second Amendment to Lease Agreement with Principal Development Investors, LLC, dated as of November 20, 2000 (filed with the Securities and Exchange Commission on June 14, 2010 as Exhibit 10.24 with our Annual Report on Form 10-K for the fiscal year ended March 31, 2010 and incorporated herein by reference).
10.16	Third Amendment to Lease Agreement with Crossroads Technology Partners and Nearon Crossroads, LLC, as successors in interest to Principal Development Investors, LLC, dated as of April 10, 2002 (filed with the Securities and Exchange Commission on June 14, 2010 as Exhibit 10.25 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2010 and incorporated herein by reference).
10.17	Fourth Amendment to Lease Agreement with Whipple Road Holdings, LLC, SFP Crossroads, LLC and Woodstock Bowers, LLC, dated March 11, 2010 (filed with the Securities and Exchange Commission on June 14, 2010 as Exhibit 10.26 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2010 and incorporated herein by reference).
10.18	Exclusive Agreement, dated October 26, 2012, by and between Abaxis, Inc. and Abbott Point of Care, Inc. (filed with the Securities and Exchange Commission on July 2, 2013 as Exhibit 10.1 to the Amendment to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2012 and incorporated herein by reference).
10.19	Non-Exclusive Distributor Agreement, dated as of September 28, 2012, by and between MWI Veterinary Supply, Inc. ("MWI") and Abaxis, Inc. (filed with the Securities and Exchange Commission on November 27, 2012 as Exhibit 10.27 to MWI's Annual Report on Form 10-K for the fiscal year ended September 30, 2012 and incorporated herein by reference).
10.20	Amendment to Exclusive Agreement between Abaxis, Inc. and Abbott Point of Care Inc., dated September 30, 2013 (filed with the Securities and Exchange Commission on November 12, 2013 as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and incorporated herein by reference).
10.21+	Asset Purchase Agreement, dated as of March 19, 2015, between Antech Diagnostics, Inc. and Abaxis, Inc. (filed with the Securities and Exchange Commission on June 1, 2015 as Exhibit 10.25 to our Annual Report on Form 10-K for the year ended March 31, 2015 and incorporated herein by reference).
10.22*	Service Agreement between Abaxis Europe GmbH, Abaxis, Inc. and Achim Henkel, dated May 30, 2008 (filed with the Securities and Exchange Commission on July 29, 2015 as Exhibit 10.26 to Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended March 31, 2015 and incorporated herein by reference).
10.23	Fifth Amendment to Lease Agreement, dated as of December 17, 2015, among Abaxis, Inc. and Whipple Road Holdings, LLC, SFP Crossroads, LLC and Woodstock Bowers, LLC (filed with the Securities and Exchange Commission on February 9, 2016 as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2015 and incorporated herein by reference).

Exhibit No.	Description of Document
10.24*	Fiscal 2018 Base Salary and Target Bonus for the Named Executive Officers (filed with the Securities and Exchange Commission on April 26, 2017 as a part of our Current Report on Form 8-K and incorporated herein by reference).
10.25+	Distribution Agreement, dated as of October 1, 2014, between Patterson Management, LP and Abaxis, Inc. (filed with the Securities and Exchange Commission on May 31, 2016 as Exhibit 10.27 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2016 and incorporated herein by reference).
21.1	Subsidiaries of Abaxis, Inc.
23.1	Consent of BPM LLP, Independent Registered Public Accounting Firm
24.1	Power of Attorney (included on the Signature Page hereto).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1#	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2#	Certification of Chief Financial Officer 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.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

+ Confidential treatment of certain portions of this agreement has been granted by the Securities and Exchange Commission.

* Management contract or compensatory plan or arrangement.

This certification is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

Exhibit 21.1

SUBSIDIARIES OF ABAXIS, INC.

The following is a list of subsidiaries of the Registrant, omitting some subsidiaries that, considered in the aggregate, would not constitute a significant subsidiary.

Name	Jurisdiction of Incorporation
Abaxis Asia	Hong Kong
Abaxis Europe GmbH	Germany
Abaxis UK (formerly Quality Clinical Reagents Limited)	England

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-84356, 333-131703, 333-156496, 333-171316, 333-186678, 333-199518 and 333-214680) of Abaxis, Inc. of our reports dated May 30, 2017 relating to the consolidated financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appear in this Annual Report on Form 10-K.

/s/ BPM LLP

San Jose, California
May 30, 2017

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Clinton H. Severson, certify that:

1. I have reviewed this annual report on Form 10-K of Abaxis, 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 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 we 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 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 30, 2017

/s/ Clinton H. Severson

Clinton H. Severson
Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Ross Taylor, certify that:

1. I have reviewed this annual report on Form 10-K of Abaxis, 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 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 we 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 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 30, 2017

/s/ Ross Taylor

Ross Taylor
Chief Financial Officer and Vice President of Finance

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Clinton H. Severson, Chief Executive Officer of Abaxis, Inc. (the ''Registrant''), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report on Form 10-K of the Registrant, to which this certification is attached as an exhibit (the ''Report''), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition of the Registrant at the end of the periods covered by the Report and results of operations of the Registrant for the periods covered by the Report.

Dated: May 30, 2017

By: /s/ Clinton H. Severson
Clinton H. Severson
Chief Executive Officer

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Ross Taylor, Chief Financial Officer of Abaxis, Inc. (the ''Registrant''), do hereby certify in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Annual Report on Form 10-K of the Registrant, to which this certification is attached as an exhibit (the ''Report''), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition of the Registrant at the end of the periods covered by the Report and results of operations of the Registrant for the periods covered by the Report.

Dated: May 30, 2017

By: /s/ Ross Taylor

Ross Taylor
Chief Financial Officer and Vice President of Finance

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

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

FORM 10-K/A

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2017

or

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

Commission File Number 000-19720

ABAXIS, INC.

(Exact name of registrant as specified in its charter)

California	**77-0213001**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
3240 Whipple Road, Union City, California	**94587**
(Address of principal executive offices)	*(Zip code)*

Registrant's telephone number, including area code: **(510) 675-6500**

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange on Which Registered
Common Stock, no par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	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 ☒

The aggregate market value of the voting stock held by non-affiliates of Abaxis as of September 30, 2016, the last business day of the second fiscal quarter, based upon the closing price of such stock on the NASDAQ Global Select Market on September 30, 2016, was $677,280,000. For purposes of this disclosure, 9,412,000 shares of common stock held by persons who hold more than 10% of the outstanding shares of the registrant's common stock and shares held by executive officers and directors of the registrant have been excluded because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily conclusive for any other purpose.

As of May 26, 2017, there were 22,654,000 shares of the registrant's common stock outstanding.

ABAXIS, INC.
EXPLANATORY NOTE

Abaxis, Inc., or Abaxis, is filing this amendment, or the Amendment, to its Annual Report on Form 10-K, for the fiscal year ended March 31, 2017, as filed with the Securities and Exchange Commission, or SEC, on May 30, 2017, which we refer to as the Original 10-K. This Amendment is filed solely for the purpose of including the information required by Part III of Form 10-K.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, in connection with this Amendment, Abaxis' Chief Executive Officer and Chief Financial Officer are providing Exchange Act Rule 13a-14(a) certifications as included herein. Accordingly, Item 15 of Part IV has also been amended to reflect the filing of these new certifications.

Except as described above, this Amendment does not modify or update disclosure in, or exhibits to, the Original 10-K. Furthermore, this Amendment does not change any previously reported financial results, nor does it reflect events occurring after the date of the Original 10-K. Information not affected by this Amendment remains unchanged and reflects the disclosures made at the time the Original 10-K was filed.

Abaxis, Inc.
Annual Report on Form 10-K/A
For The Fiscal Year Ended March 31, 2017

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth information concerning Abaxis' executive officers and directors as of May 31, 2017.

Name	Age	Title
Clinton H. Severson	69	Chairman of the Board and Chief Executive Officer
Vernon E. Altman(1)(3)	71	Director
Richard J. Bastiani, Ph.D.(1)(2)(3)	74	Director
Michael D. Casey(1)(2)(3)	71	Director
Henk J. Evenhuis(1)(3)	74	Director
Prithipal Singh, Ph.D.(1)(2)(3)	78	Director
Kenneth P. Aron, Ph.D.	64	Chief Technology Officer
Achim Henkel	59	Managing Director of Abaxis Europe GmbH
Ross Taylor	53	Chief Financial Officer, Vice President of Finance and Secretary
Craig M. Tockman, DVM	57	Vice President of Animal Health Sales and Marketing for North America
Donald P. Wood	65	President and Chief Operating Officer

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Nominating and Corporate Governance Committee

Clinton H. Severson has served as our Chief Executive Officer and one of our directors since June 1996. He was appointed Chairman of the Board in May 1998. From June 1996 until April 2015, Mr. Severson also served as our President. From February 1989 to May 1996, Mr. Severson served as President and Chief Executive Officer of MAST Immunosystems, Inc., a privately-held medical diagnostic company. Since January 2015, Mr. Severson has served on the Board of Directors of Cutera. Since June 2011, Mr. Severson has served on the Board of Directors of Response Biomedical Corporation. From November 2008 to November 2016, Mr. Severson served on the Board of Directors of Trinity Biotech, a biotechnology company, prior to its acquisition. From November 2006 to February 2012, Mr. Severson served on the Board of Directors of CytoCore, Inc., a biotechnology company. Mr. Severson is also a member of the Board of Directors of a privately-held company. Mr. Severson was selected as a director because of his in-depth knowledge of our operations, financial condition and strategy in his position as our Chief Executive Officer, as well as his extensive senior management experience in medical diagnostics and experience serving on the Boards of Directors of various public and private companies.

Vernon E. Altman joined the Board in April 2011 and has served as our lead independent director since April 2014. Mr. Altman joined the founding group to start Bain & Company, a global business consulting firm, in 1973 and is currently Senior Advisor of Bain & Company. Mr. Altman is Chairman of the Board of Directors of Vobile, Inc. He also served on the Board of Directors of Napster, Inc. prior to its acquisition. Mr. Altman was selected to serve as director because of his vast array of experiences in many different industry segments, including operational, executive leadership and board experience.

Richard J. Bastiani, Ph.D. joined the Board in September 1995. Dr. Bastiani is currently retired. Dr. Bastiani was President of Dendreon, a biotechnology company, from September 1995 to September 1998. From 1971 until 1995, Dr. Bastiani held a number of positions with Syva Company, a diagnostic company, including as President from 1991 until Syva was acquired by a subsidiary of Hoechst AG of Germany in 1995. From 2007 to 2011, Dr. Bastiani served as Chairman of the Board of Directors of Response Biomedical Corporation. From 1998 to 2005, Dr. Bastiani served as Chairman of the Board of Directors of ID Biomedical Corporation, after he was appointed to the Board of Directors of ID Biomedical Corporation in October 1996. Dr. Bastiani is also a member of the Board of Directors of three privately-held companies. Dr. Bastiani was selected as a director because of his extensive leadership experience with biotechnology companies and his in-depth knowledge of our business, strategy and management team, as well as his experience serving as Chairman of the Compensation Committee and on the Boards of Directors of various public and private companies.

Michael D. Casey joined the Board in October 2010. Mr. Casey is currently retired. From September 1997 to February 2002, Mr. Casey served as the Chairman, President, Chief Executive Officer and a director of Matrix Pharmaceutical, Inc., a biotechnology company. From November 1995 to September 1997, Mr. Casey was Executive Vice President at Schein Pharmaceutical, Inc., a biotechnology company. From December 1996 to September 1997, he also served as President of the retail and specialty products division of Schein Pharmaceutical, Inc. From June 1993 to November 1995, he served as President and Chief Operating Officer of Genetic Therapy, Inc., a biotechnology company. Mr. Casey was President of McNeil Pharmaceutical (a unit of Johnson & Johnson) from 1989 to June 1993 and Vice President, Sales and Marketing for Ortho Pharmaceutical Corp. (a subsidiary of Johnson & Johnson) from 1985 to 1989. Mr. Casey has served on the Board of Directors of Celgene Corporation since 2002. Mr. Casey previously served on the Board of Directors of AVI Biopharma, Inc. (now known as Sarepta Therapeutics, Inc.) from 2006 to 2010, Allos Therapeutics, Inc. from 2002 to 2010, Cholestech Corporation from 2001 to 2007, OrthoLogic Corporation from 2004 to 2007, Sicor, Inc. from 2002 to 2004, Bone Care International, Inc. from 2001 to 2005 and Durect Corp. from 2004 to 2013. Mr. Casey was selected to serve as director because of his extensive industry knowledge and experience, including operational, leadership and board experience from his executive positions at pharmaceutical and biotechnology companies.

Henk J. Evenhuis joined the Board in November 2002. Mr. Evenhuis is currently retired. Mr. Evenhuis served as Executive Vice President and Chief Financial Officer of Fair Isaac Corporation, an analytic software company, from October 1999 to October 2002. From 1987 to 1998, he was Executive Vice President and Chief Financial Officer of Lam Research Corporation, a semiconductor equipment manufacturer. He served on the Board of Directors of Credence Systems Corporation from 1993 to 2008. Mr. Evenhuis was selected as a director because of his financial expertise and prior senior leadership experience as a Chief Financial Officer at global technology companies, as well as his experience serving on the boards of various public companies, which provides a strong foundation to serve as Chairman of the Audit Committee.

Prithipal Singh, Ph.D. joined the Board in June 1992. Dr. Singh is currently retired. Prior to retiring, Dr. Singh was the Founder, Chairman and Chief Executive Officer of ChemTrak Inc., a manufacturer of medical diagnostic equipment, from 1988 to 1998. Dr. Singh was an Executive Vice President of Idetec Corporation, an animal health care company, from 1985 to 1988 and a Vice President of Syva Corporation, a diagnostic company, from 1977 to 1985. Dr. Singh was selected as a director because of his insight and experience with biotechnology companies through his prior executive leadership and management positions.

Kenneth P. Aron, Ph.D. has served as our Chief Technology Officer since April 2008. Dr. Aron joined us in February 2000 as Vice President of Research and Development. From April 1998 to November 1999, Dr. Aron was Vice President of Engineering and Technology of Incyte Pharmaceuticals, a genomic information company. From April 1996 to April 1998, Dr. Aron was Vice President of Research, Development and Engineering for Cardiogenesis Corporation, a manufacturer of laser-based cardiology surgical products.

Achim Henkel has served as the Managing Director of our subsidiary, Abaxis Europe GmbH, since its incorporation in 2008. From January 2000 to June 2008, Mr. Henkel served as our Sales and Marketing Manager for Europe, the Middle East and Africa. Starting in October 2014, Mr. Henkel has also served as our Sales and Marketing Manager for Asia. From January 1998 to December 2000, Mr. Henkel served as a consultant to Abaxis.

Ross Taylor has served as our Chief Financial Officer, Vice President of Finance and Secretary since August 2015. Mr. Taylor joined us in October 2014 as Vice President of Business Development and Investor Relations. From 2005 to 2014, Mr. Taylor served as Senior Vice President, Equity Research Analyst at CL King & Associates, an investment banking firm.

Craig M. Tockman, DVM has served as our Vice President of Animal Health Sales and Marketing for North America since April 2014. Dr. Tockman joined in June 2006 as Director of Professional Services and was promoted to Director of Field Operations in October 2013. From 2003 to 2006, Dr. Tockman served on Abaxis' Advisory Board since he joined in 2003 as a founding member.

Donald P. Wood has served as our President and Chief Operating Officer since April 2015. Mr. Wood joined us in October 2007 as Vice President of Operations, served as Chief Operations Officer from April 2009 to April 2014 and served as Chief Operating Officer from April 2014 to April 2015. From April 2003 to September 2007, Mr. Wood was the Vice President of Operations of Cholestech Corporation, a medical products manufacturing company that was subsequently acquired by Inverness Medical Innovations, Inc. in September 2007. From July 2001 to March 2003, Mr. Wood served as Vice President of Bone Health, a business unit of Quidel Corporation, a manufacturing and

marketer of point-of-care diagnostics, and was responsible for Bone Health Product Operations, Device Research and Development, and Sales and Marketing. He also served as Quidel's Vice President of Ultrasound Operations from August 1999 to July 2001. From July 1998 to August 1999, Mr. Wood was the Director of Ultrasound Operations for Metra Biosystems Inc., a developer and manufacturing company of point-of-care products for osteoporosis, prior to Quidel's acquisition of Metra Biosystems Inc.

Term and Number of Directors

All of our directors hold office until the next annual meeting of shareholders of Abaxis and until their successors have been elected and qualified. Our Bylaws authorize our Board of Directors to fix the number of directors at not less than four nor more than seven. The number of authorized directors of Abaxis is currently six.

Each of our executive officers serves at the discretion of the Board of Directors. There are no family relationships among any of our directors or executive officers.

Identification of Audit Committee and Financial Expert

The Audit Committee of the Board of Directors oversees Abaxis' corporate accounting, financial reporting process and systems of internal control and financial controls. The following outside directors comprise the Audit Committee: Mr. Evenhuis, Mr. Altman, Dr. Bastiani, Mr. Casey, and Dr. Singh. Mr. Evenhuis serves as Chairman of the Audit Committee.

The Board has determined that all members of the Audit Committee are independent (based on the requirements for independence set forth in Rule 4350(d)(2)(A)(i) and (ii) of the NASDAQ listing standards). SEC regulations require Abaxis to disclose whether a director qualifying as an ''audit committee financial expert'' serves on the Audit Committee. The Board of Directors has determined that Mr. Evenhuis qualifies as an ''audit committee financial expert,'' as defined in applicable SEC rules. The Board of Directors made a qualitative assessment of Mr. Evenhuis' level of knowledge and experience based on a number of factors, including his formal education and experience as a chief financial officer for public reporting companies.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who beneficially own more than 10% of our equity securities to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms filed by such persons.

Based solely on our review of the copies of Forms 3, 4 and 5 and amendments thereto received by us or filed with the SEC, we believe that during the period from April 1, 2016 through March 31, 2017, our executive officers, directors and greater than 10% shareholders complied with all applicable filing requirements applicable to these executive officers, directors and greater than 10% shareholders, except with respect to one late Form 4 filing by Dr. Kenneth Aron.

Code of Business Conduct and Ethics

Abaxis has adopted a Code of Business Conduct and Ethics that applies to all of our executive officers, directors and employees, including without limitation our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Code of Business Conduct and Ethics is available on our website at www.abaxis.com under ''About Us'' at ''Code of Conduct and Ethics.'' We intend to disclose any amendment to, or waiver of, any provision of the Code of Business Conduct and Ethics by disclosing such information on our website, to the extent required by the applicable rules and exchange requirements.

Item 11. Executive Compensation

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis describes the principles underlying the material components of our executive compensation program for our executive officers, including the Named Executive Officers in the "Summary Compensation Table." We also provide an overview of the overall objectives of the program and the factors relevant to an analysis of these policies and decisions. For the fiscal year ended March 31, 2017, our "Named Executive Officers" and their respective titles are as follows:

- Clinton H. Severson, Chief Executive Officer and Chairman of the Board ("CEO")
- Ross Taylor, Chief Financial Officer, Vice President of Finance and Secretary
- Kenneth P. Aron, Ph.D., Chief Technology Officer
- Craig M. Tockman, DVM, Vice President of Animal Health Sales and Marketing for North America
- Donald P. Wood, President and Chief Operating Officer

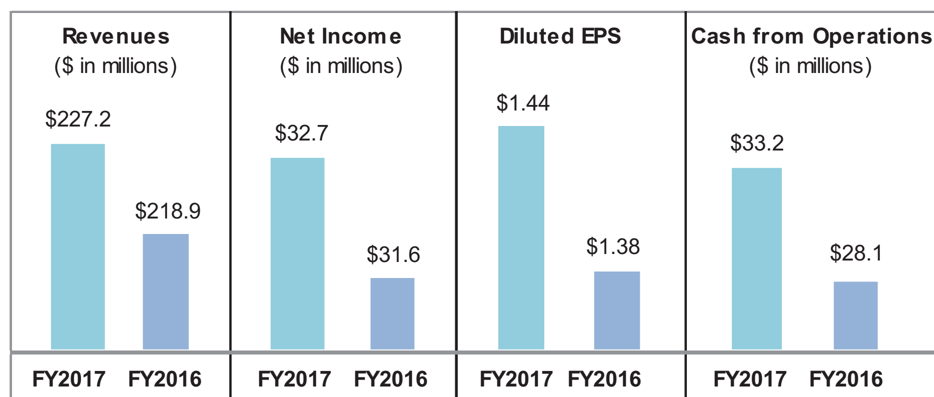
Executive Summary

The Compensation Committee establishes the philosophy, approves the design of, and administers our executive compensation programs. We strive to provide a competitive compensation package to our executives that ties a significant portion of pay to performance and uses components that align the interests of our executives with those of shareholders. The Compensation Committee believes our executive compensation program reflects a strong pay-for-performance philosophy and is well-aligned with the short- and long-term interests of shareholders.

Fiscal 2017 Executive Business Performance

Our fiscal 2017 reported results for Revenues, Net Income, Diluted Net Income per Share ("EPS") and Cash from Operations exceeded our financial performance for fiscal 2016 and is reflected in the chart below.

Financial Highlights



During fiscal 2017, we continued our efforts to set the foundation for future growth and create and sustain long-term value. We achieved profitability and demonstrated year-over-year improvements in revenues, net income, diluted net income per share and liquidity as follows:

- **Increased worldwide revenues** from continuing operations by 4%, from $218.9 million in fiscal 2016 to $227.2 million in fiscal 2017. Revenues from continuing operations in North America increased by 4%, or $6.8 million, in fiscal 2017 compared to fiscal 2016, and revenues from continuing operations outside of North America increased by 3%, or $1.5 million, in fiscal 2017 compared to fiscal 2016. Revenues from consumable sales increased to $175.3 million, an increase of 6% over fiscal 2016. In our medical market, total revenues from continuing operations were $36.6 million in fiscal 2017, a decrease of 3% from fiscal 2016. In our veterinary market, total revenues from continuing operations increased to $186.7 million in fiscal 2017, an increase of 5% over fiscal 2016.

- **Increased gross profit** to $125.8 million in fiscal 2017 from $123.3 million in fiscal 2016.
- **Increased income from continuing operations before income tax provision** to $51.1 million in fiscal 2017, an increase of 8% compared to fiscal 2016.
- **Increased income from continuing operations** to $32.8 million in fiscal 2017, an increase of 5% compared to fiscal 2016.
- **Increased diluted net income per share from continuing operations** to $1.44 in fiscal 2017 from $1.36 in fiscal 2016, an increase of 6%.
- **Generated cash from operations** of $33.2 million through the continued conservative management of our working capital and overall business.
- **Paid four quarterly dividends of $0.12-$0.14 per share** on our outstanding common stock during fiscal 2017, returning an aggregate of approximately $11.7 million in cash to all shareholders.

We ended fiscal 2017 with cash, cash equivalents and investments of $165.1 million.

Our financial results were achieved while accomplishing the following strategic and operational goals in fiscal 2017:

- During fiscal 2017, we launched three reagent discs in the veterinary market, Electrolyte Plus panel, Preventive Care Profile Plus panel and Phenobarbital Profile panel, all of which are used in our VetScan chemistry analyzers.
- In the first quarter of fiscal 2017, we released the VetScan VUE, an app-based automated rapid assay test reader used with our VetScan rapid tests.
- In September 2016, we completed the development of our connectivity product, the VetScan FUSE, which was in beta-testing at the end of fiscal 2017. The VetScan FUSE is a web-based integration system that provides connectivity between our point-of-care diagnostic instruments and the veterinary practice management systems.

In fiscal 2017, we invested 9% of our revenues, or $19.8 million, in research and development as we continued to work towards expanding our product offerings in the long term.

Executive Compensation Highlights

The key executive compensation decisions taken by our Compensation Committee during fiscal 2017 and thus far in fiscal 2018 with respect to Named Executive Officer compensation were as follows:

Total Compensation Mix: We continued to deliver a substantial portion of our Named Executive Officer compensation in the form of variable, at-risk pay, structuring approximately 83%-88% of our Named Executive Officer target total direct compensation (base salary, target bonus and long-term equity awards based on grant date fair value) in the form of variable, at-risk compensation (target bonus and long-term equity awards).

Performance Bonus: We established rigorous performance metrics at the beginning of fiscal 2017 based on two financial metrics key to shareholder value and a specific calculation methodology for the Named Executive Officers' fiscal 2017 cash incentive bonus requiring achievement of 90% of target goals for any payout to occur. The target goals for fiscal 2017 were satisfied at an aggregate performance level of 99%, however we used negative discretion to exclude the gain from a strategic investment from the calculation of performance achievement, resulting in an aggregate performance level of 94% and each of the Named Executive Officers earned a cash bonus payout of 73% of his annual target based on such performance achievement. No discretionary annual bonuses were awarded.

Equity Incentive Awards: We structured a significant portion (73% for our CEO and 64% for our other Named Executive Officers') of annual equity incentive awards in the form of PSU awards that vest based on achievement of specified corporate performance goals, in addition to continued service over a four-year period. The fiscal 2017 target goals for PSU awards were achieved at 100% of target. The Named Executive Officers' annual equity incentive awards that do not vest based on specific performance goal achievement are delivered in RSUs that vest over a four-year period subject to the officers' continued service, but are structured so the vesting is heavily weighted towards the end of such period, with 70% vesting only if the officer remains continuously in service with us for four years.

Adjustments to Elements of Compensation: We made certain increases to the Named Executive Officers' fiscal 2017 base salaries and target bonuses in recognition of our Named Executive Officers' contributions to our business

performance in the prior fiscal year and increased scope of duties and responsibilities. We decreased the amount of shares awarded under the annual equity awards to each of our Named Executive Officers other than our CEO and we increased the number of shares awarded as PSUs to our CEO, while adjusting his PSUs so that a greater portion vested only upon meeting a higher performance goal. We shifted the structure of the CEO's total annual equity award so that a greater portion (73%) was contingent on performance vesting, to emphasize pay-for-performance and align compensation with the execution of our business strategy and creation of long-term shareholder value.

Peer Group Analysis: We reviewed and reconstituted our peer group of companies for fiscal 2017 and 2018 compensation decisions, in order to ensure that we maintain market data from an appropriate and relevant group of companies with whom we compete for talent as a helpful reference point in making executive compensation decisions.

Fiscal 2018 Pay Decisions: We maintained the same fiscal 2017 base salaries, target bonuses and equity awards for all of our Named Executive Officers, except we decreased the number of PSUs granted to our CEO in fiscal 2018. We simplified the fiscal 2018 PSU structure for all of our Named Executive Officers so that vesting is based on achievement of one financial metric, in addition to continued service over a four-year period.

Executive Compensation Governance Highlights

Below we summarize certain executive compensation-related practices that were in effect during fiscal 2017 and that we believe serve our shareholders' long-term interests.

What We Do

✓ Maintain an executive compensation program designed to align pay with performance, so that significant performance-based compensation is tied to goals that are aligned with our business strategy.

✓ Structure total compensation as a balanced mix of fixed and variable compensation, with an emphasis on variable, ''at-risk'' performance-based compensation.

✓ Structure total compensation as a balanced mix of short- and long-term compensation, with an emphasis on long-term compensation.

✓ Conduct an annual ''say on pay'' advisory vote.

✓ Maintain a clawback policy.

✓ Utilize robust stock ownership guidelines for executive officers and directors.

✓ Have double-trigger severance arrangements starting with executive officers hired in fiscal 2015.

✓ Maintain a policy against hedging and pledging of company stock.

✓ Retain an independent compensation consultant to assist the Compensation Committee in designing and evaluating our executive compensation policies and programs and periodically conduct a compensation risk review.

What We Do Not Do

✗ Provide tax gross-up for change of control payments or benefits, starting with executive officers hired in fiscal 2015.

✗ Provide ''single-trigger'' equity acceleration in change of control plans, starting with executive officers hired in fiscal 2015.

✗ Provide excessive perquisites.

✗ Provide guaranteed bonuses.

Executive Compensation Program Overview

Overview

The goals of our executive compensation program are to attract, retain, motivate and reward executive officers who contribute to our success and to incentivize these executives on both a short-term and long-term basis to achieve our business objectives. This program combines cash and equity awards in the forms and proportions that we believe will motivate our executive officers to increase shareholder value over the long term.

Our executive compensation program is designed to achieve the following specific objectives:

- align our executive compensation with achievement of our strategic business objectives;
- align the interests of our executive officers with both short-term and long-term shareholder interests; and
- place a substantial portion of our executives' compensation at risk such that actual compensation depends on overall company performance.

Executive Compensation Program Objectives and Framework

For fiscal 2017, the principal elements of our executive compensation program are summarized in the following table and described in detail in ''Executive Compensation Components'' below.

Compensation Element	Description and Purpose	Key Features
Base Salary (fixed cash)	To provide a minimum fixed level of cash compensation that reflects fulfillment of day-to-day responsibilities, skills and experience.	Annual adjustments are based on both qualitative and quantitative factors such as: job level, responsibilities and prior experience and expertise, individual performance, future potential and competitive market practice and internal equity. Reviewed annually for appropriate competitive range that is generally consistent with or below the median levels at peer companies.
Annual Cash Incentive Bonus (at-risk cash)	To incentivize and reward contributions of executive officers in achieving strong financial, operating and strategic objectives during the fiscal year by meeting or exceeding the established goals. To ensure a strong pay-for-performance culture, as payout is based on performance goals and not guaranteed. To best align the interests of our executive officers with that of shareholders, represents the largest portion of total target cash compensation.	Amount of bonus compensation payout is based on a pre-determined formula that includes achievement of specified revenue and income before tax provision goals. Target bonus opportunities are typically set to be above the median of targets at peer companies. Performance goals are set and approved by the Compensation Committee in the first quarter of each year. Bonus payouts are capped at 200% of target.
Long-Term Equity Compensation	To ensure strong performance, promote retention and align our executives' long-term interests with shareholders' long-term interests by ensuring that incentive compensation is linked to our long-term company performance. To further link executive officers' interests with those of our shareholders, as all equity compensation is paid in, and valued dependent upon the trading price of shares of, Abaxis stock.	Equity awards are typically granted in amounts above the median of equity awards at peer companies, as the majority of these awards are earned only if key performance goals are achieved and our executive officers remain in the service of Abaxis for the long term. The size and composition of long-term incentive awards are determined annually by the Compensation Committee taking into account competitive total direct compensation pay positioning guidelines using market reference data to a compensation peer group, along with

Compensation Element	Description and Purpose	Key Features
		the individual executive officer's level of responsibilities, ability to contribute to and influence our long-term results and individual performance.
• **Time-Based Restricted Stock Units (RSUs)**	RSUs promote stability and retention of our executive officers over the long term as the equity award gives our executive officers the right to receive shares of Abaxis on a specified future date, subject to vesting based on their continued service with us. To align the interests of executive officers and shareholders as executive officers will realize a higher value from RSUs from an increasing stock price.	In fiscal 2017, RSUs represented approximately 26%-35% of an executive officer's annual long-term incentive opportunity based on the value of the awards as reported in the Summary Compensation Table. RSUs vest annually over a four-year service period which is heavily weighted to the fourth anniversary of the date of grant, subject to an executive officer's continued service through such date. Paid out in shares of Abaxis common stock upon vesting.
• **Performance-Based Restricted Stock Units (PSUs)**	PSUs give the recipient the right to receive shares of Abaxis stock on a specified future date, subject to vesting based on achievement of annual Company performance goals and continued service with us. To further align the interests of executive officers and shareholders as executive officers will realize value from PSUs only if performance goals are achieved and if so, will realize a higher value from PSUs from an increasing stock price.	In fiscal 2017, PSUs represented approximately 65%-74% of an executive officer's annual long-term incentive opportunity based on the value of the awards as reported in the Summary Compensation Table. PSUs vest upon achieving annual financial targets and subject to an executive officer continued service through the third and fourth anniversary of the date of grant. Paid out in shares of Abaxis common stock upon vesting, with the payout ranging from 0% to 100% of award, depending on the extent to which the predetermined performance goals have been achieved.

We also offer our executive officers participation in our 401(k) plan, health care insurance, flexible spending accounts and certain other benefits available generally to all full-time employees.

Executive compensation is reviewed annually by our Compensation Committee and Board of Directors, and adjustments are made to reflect our objectives and competitive conditions. Our executive compensation review process includes our Compensation Committee engaging an independent compensation consulting advisor annually to provide it with advice regarding executive officer compensation (including base salaries, performance bonuses and long-term equity compensation, as needed), to advise on other matters as may be required (see "Compensation-Setting Process—Competitive Market Analysis" below) and to assess compensation market practices by reference to a compensation peer group developed by our independent executive compensation advisor. Additionally, the Board of Directors and/or our Compensation Committee, with the assistance of outside counsel, annually reviews our equity

incentive plans prior to the granting of any equity incentive awards to executive officers, to ensure compliance therewith. All of our equity awards granted to our executive officers during fiscal 2017 were granted under and subject to the terms of our 2014 Equity Incentive Plan as amended from time to time, or the 2014 Plan, which originally became effective in October 2014 and was last approved by our shareholders in October 2016.

Pay-for-Performance Philosophy

Our executive compensation is weighted heavily toward at-risk, performance-based compensation designed to align the interests of our Named Executive Officers with those of our shareholders. Annual cash incentive bonus and equity incentive awards (in the form of RSUs and PSUs) comprise a significant portion of the Named Executive Officers' total compensation. Based on our fiscal 2017 financial plan, the Compensation Committee sets the performance metrics and establishes target compensation at the beginning of the performance period. Performance goals for the annual cash incentive bonus and PSUs are set to be rigorous, requiring significant performance achievement, and payout is capped at 2x target (for the annual cash incentive bonus) and 1x target (for PSUs).

Performance-Based Cash Bonus

The fiscal 2017 corporate performance metrics and specific financial targets for the Named Executive Officers to earn a cash bonus payout were as follows:

Performance Metric (and Weighting)	Target Performance Goal	Achievement Threshold (1)	Actual Achievement as a Percentage of Target	Payout Percentage (2)
Revenues (50% Weight)				
• Revenues worldwide (3)	$240.9 million	90%	94%	70%
• Revenues for North America veterinary market and revenues from Latin America and the U.S. Government (4)	$160.8 million	90%	94%	70%
Income from continuing operations before income tax provision (50% Weight) (5)	$47.3 million	90%	95%	75%

(1) ''Threshold'' refers to the minimum level of achievement of the target performance goal necessary to earn any bonus payout under the plan.

(2) The bonus payout percentage depends on the level of the performance metric achieved over the threshold. Additional information on bonus payment calculation is described in ''Executive Compensation Components - Annual Cash Incentive Bonus—Bonus Calculations.''

(3) Revenues target for the Named Executive Officers (other than Dr. Tockman) were based on revenues worldwide.

(4) Revenues target for Dr. Tockman was based on revenues for the North America veterinary market and from Latin America and the U.S. Government.

(5) Actual achievement and the resulting payout percentage figures above reflect the Compensation Committee's decision to exclude the gain from the sale of our equity investment in Scandinavian Micro Biodevices APS, or SMB, thereby reducing the actual fiscal 2017 income from continuing operations before income tax provision by $6.1 million. Without such reduction, the actual income from continuing operations before income tax provision was $51.1 million, which would have resulted in an actual achievement as a percentage of target of 99% and a payout percentage of 91%.

Annual cash incentive bonuses for our Named Executive Officers in fiscal 2017 were contingent on the achievement of the specified corporate performance goals described above. As further described under ''Executive Compensation Components—Annual Cash Incentive Bonus—Bonus Calculations,'' the Compensation Committee determined that the pre-determined revenues and income from continuing operations before income tax provision goals for fiscal 2017 were satisfied at an aggregate performance level of 94% and 95%, respectively, and therefore, the Named

Executive Officers earned 73% of their target annual bonus awards for fiscal 2017. These performance and payout percentages reflect the Compensation Committee's negative discretion to exclude the gain from a strategic investment from the calculation of the performance metric achievement, thereby resulting in a lower performance and payout percentage for each of the Named Executive Officers.

Performance-Based Equity Incentive Awards

The PSUs granted to our Named Executive Officers in fiscal 2017 vested based on (1) achieving specified financial targets over a single-fiscal year performance period and (2) the executive officer remaining in the service of Abaxis over a four-year vesting period. Each PSU award is based on two specified corporate performance targets for fiscal 2017 (90% of a target performance goal and 100% of a target performance goal). For our Named Executive Officers (other than the Chief Executive Officer), the performance goals are equally weighted at 50%. For our Chief Executive Officer, the performance goals were more heavily weighted towards higher performance, with goals weighted at approximately 35% and 65% for vesting upon achievement of the 90% and 100% target performance goal, respectively, to further enhance the pay for performance nature of the PSUs granted to our Chief Executive Officer and incentivize achievement of the target performance goal.

The specific fiscal 2017 financial targets and vesting schedule for the PSUs granted to our Named Executive Officers were as follows:

Performance Metric (and Weighting)	Target Performance Goal	Performance-Based Vesting Schedule	Service-Based Vesting Date
Income from continuing operations before income tax provision (100%) (1)	$47.3 million	• Achievement > 90% of target goal, 25% vest (18% for CEO)	May 2, 2019
		• Achievement > 90% of target goal, 25% vest (18% for CEO)	May 2, 2020
		• Achievement > 100% of target goal, 25% vest (32% for CEO)	May 2, 2019
		• Achievement > 100% of target goal, 25% vest (32% for CEO)	May 2, 2020

(1) The performance metric used to calculate the target performance goal was originally income from continuing operations and subsequently adjusted by the Compensation Committee to be income from continuing operations before income tax provision. See ''Long-Term Equity Incentive Compensation—Vesting Structure.'' for more information. There was no modification or adjustment to the actual target performance goal.

For fiscal 2017, the Compensation Committee determined that our actual performance and corresponding vesting percentages, with respect to the target goal were as follows:

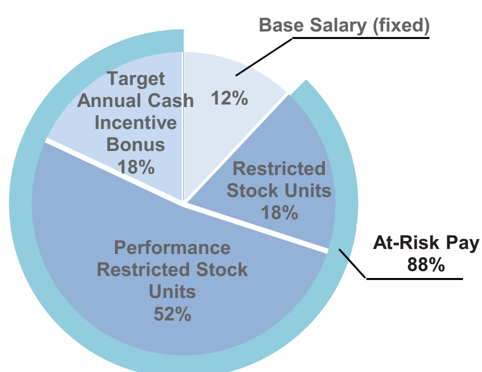
Performance Metric (and Weighting)	Actual Performance	Actual Performance as a Percentage of Target	Actual Performance Criteria Vesting Percentage
Income from continuing operations before income tax provision (100%)	$51.1 million	108%	100%

In April 2017, the Compensation Committee determined that the income from continuing operations before income tax provision for fiscal 2017 was above 100% of the target goal required to vest, and accordingly, the performance criteria based on financial goals were achieved during fiscal 2017, and therefore each executive officer became eligible to earn his fiscal 2017 PSU award if he satisfies the additional timed-based service criteria for the award to vest.

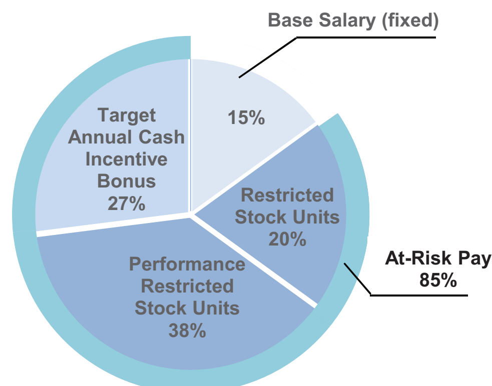
Significant At-Risk Compensation

We continue to deliver a significant portion of our executive officer compensation in the form of variable, at-risk pay in furtherance of our pay-for-performance philosophy. The charts below illustrate the fiscal 2017 target total direct compensation pay mix, comprised of base salary, target bonus opportunity under the fiscal 2017 cash bonus incentive plan and actual fiscal 2017 long-term incentive awards (presented using their grant date fair values as computed in accordance with Accounting Standards Codification 718, or ASC 718) for the Chief Executive Officer and other Named Executive Officers. As illustrated below, approximately 88% of our Chief Executive Officer's and 85% of our other Named Executive Officers' total target direct compensation was variable and at-risk (consisting of target cash incentive bonus and long-term equity awards, presented using their grant date fair value and incremental fair value, as calculated in accordance with ASC 718).

Fiscal 2017 CEO
Target Total Direct Compensation Pay Mix



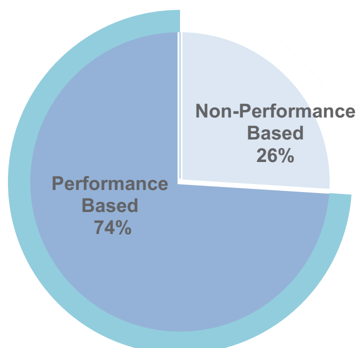
Fiscal 2017 Named Executive Officers' (other than CEO)
Target Total Direct Compensation Pay Mix



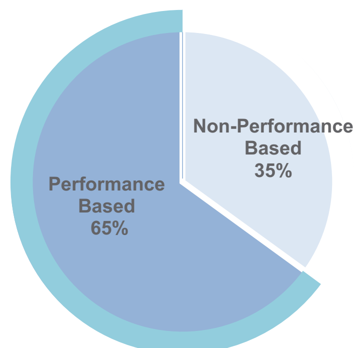
As shown in the above charts, for fiscal 2017, we structured approximately 70% of our Chief Executive Officer's target total direct compensation and approximately 58% for the other Named Executive Officers' target total direct compensation in the form of long-term incentive awards, the actual economic value of which will depend directly on our long-term success and the performance of our stock price over the period during which the awards vest.

The following charts illustrate the mix of non-performance-based equity compensation (RSUs) and performance-based equity compensation (PSUs) awarded to our Chief Executive Officer and our other Named Executive Officers, for fiscal 2017, based on the grant date and incremental fair value of the RSUs and PSUs awarded, as calculated in accordance with ASC 718.

Fiscal 2017 CEO
Target Equity Compensation Mix



Fiscal 2017 Named Executive Officers' (other than CEO)
Target Equity Compensation Mix



As shown in the above charts, the equity awards granted to our Named Executive Officers are heavily weighted toward PSUs, which will only be eligible to vest if the specified performance goals and a four-year service period are met.

Compensation-Setting Process

Role of Our Compensation Committee

Our Compensation Committee, which operates under a written charter adopted by the Board of Directors, is primarily responsible for reviewing and recommending to the Board of Directors the compensation arrangements for our executive officers for approval by the Board of Directors. In carrying out these responsibilities, the Compensation Committee reviews all components of executive officer and director compensation for consistency with the Compensation Committee's compensation philosophy as in effect. In connection with its review and recommendations, our Compensation Committee also considers the recommendations of our Chief Executive Officer, Mr. Severson, regarding the compensation of our executive officers who report directly to him. These recommendations generally include annual adjustments to compensation levels and an assessment of each executive officer's overall individual contribution, scope of responsibilities and level of experience. Our Compensation Committee gives considerable weight to Mr. Severson's recommendations because of his direct knowledge of each executive officer's performance and contribution to our financial performance. However, Mr. Severson does not participate in the determination of his own compensation.

No other executive officers participate in the determination or recommendation of the amount or form of executive officer compensation, except that our Compensation Committee may discuss with our Chief Executive Officer or Chief Financial Officer our financial, operating and strategic business objectives, bonus targets or performance goals. The Compensation Committee reviews and determines the appropriateness of the financial measures and performance goals, as well as assesses the degree of difficulty in achieving specific bonus targets and performance goals. Our Compensation Committee does not delegate any of its functions in determining executive and/or director compensation. To date, our Compensation Committee has not established any formal policies or guidelines for allocating compensation between long-term and currently paid out compensation, cash and non-cash compensation, or among different forms of non-cash compensation. However, as described above, our Compensation Committee does aim for a significant portion of our executive officer compensation in the form of variable, at-risk pay.

Competitive Market Analysis

In February 2016, our Compensation Committee engaged Pay Governance, an independent executive compensation advisor, to review our executive and director compensation programs. Pay Governance, with input from the Compensation Committee, reviewed the prior peer group used by the Compensation Committee and, developed an updated group of 15 companies, or the Compensation Peer Group, that it determined were appropriate as a comparative frame of reference in making compensation decisions. This Compensation Peer Group represented similarly-situated medical device and diagnostic companies that were identified by Pay Governance as companies with similar financial growth and as competitors for executive talent. The following companies comprised the Compensation Peer Group used for reference in making fiscal 2017 executive compensation decisions:

Compensation Peer Group

Abiomed, Inc.
AngioDynamics, Inc.
Cepheid
DexCom, Inc.
Genomic Health, Inc.
HeartWare International, Inc.
ICU Medical, Inc.
Luminex Corporation
Meridian Bioscience, Inc.
Neogen Corporation
NxStage Medical, Inc.
OraSure Technologies, Inc.
Quidel Corporation
Sequenom, Inc.
SurModics, Inc.

Certain information regarding the size and value of the Compensation Peer Group companies relative to Abaxis is set forth below.

Comparison Group Data

	Revenue	Market Capitalization	EBITDA (1)	Employees
Compensation Peer Group Range (2). . . .	$64 million - $539 million	$168 million - $5,551 million	$(46) million - $100 million	168 – 3,600
Compensation Peer Group Median (2). . .	$287 million	$837 million	$24 million	752
Abaxis, Inc. (2)	$214 million	$1,028 million	$42 million	582

(1) Represents earnings before interest, taxes, depreciation and amortization.

(2) Data is based on information at the time of the review of the executive and director compensation programs and development of the Compensation Peer Group in February 2016.

In April 2016, Pay Governance prepared an analysis of the market data obtained from the Compensation Peer Group and the executive compensation program in comparison to such market data. The market data obtained regarding the Compensation Peer Group was considered by the Compensation Committee in its fiscal 2017 executive compensation decisions as a point of reference. Our Compensation Committee and Board of Directors may engage compensation consultants in the future as they deem it necessary or appropriate and intend to retain one each year.

Independent Compensation Consultant

The Compensation Committee has considered and assessed all relevant factors, including but not limited to those set forth in Rules 10C-1(b)(4)(i) through (vi) under the Securities Exchange Act of 1934, as amended, that could give rise to a potential conflict of interest with respect to Pay Governance's work. The Compensation Committee determined, based on its analysis of these factors, that the work of Pay Governance, and the individual compensation advisors employed by Pay Governance as compensation consultants, did not create any conflict of interest.

Shareholder Advisory Vote on Executive Compensation

At our Annual Meeting of Shareholders held on October 26, 2016, we held an advisory vote on executive compensation. Approximately 87% of the votes cast on the proposal were in favor of our Named Executive Officer compensation as disclosed in the proxy statement. Our Compensation Committee reviewed these final vote results and determined that, given the level of support, no material changes to our executive compensation policies and programs were necessary as a result of the advisory vote on executive compensation.

Executive Compensation Components

Base Salary

We provide an annual base salary to each of our executive officers to compensate them for services rendered during the year. Salaries are reviewed annually by the Compensation Committee and adjusted for the ensuing year based on (i) both qualitative and quantitative factors such as job level, responsibilities and prior experience and expertise, individual performance, future potential, (ii) internal review of the executive officer's total compensation, individually and relative to our other executive officers with similar levels of responsibility within Abaxis and (iii) an evaluation of the compensation levels of similarly-situated executive officers in our Compensation Peer Group and in our industry generally.

For fiscal 2017 base salaries, our Compensation Committee recommended that we increase base salaries in amounts designed to make such amounts competitive with those of similarly-situated executives at our peer companies, using the report prepared in April 2016 by Pay Governance as a point of reference, to ensure an appropriate balance in the Named Executive Officers' compensation mix between cash and equity, to retain employees with the qualifications desired for each particular position and to reward each of the Named Executive Officers for his performance in the prior year. For fiscal 2017, the Compensation Committee made recommendations to target salaries between the 25th and 50th percentile of our Compensation Peer Group. Our Compensation Committee considered this 25th and 50th percentile range as a general guideline for the appropriate level of potential salaries, but did not attempt to specifically match this or any other percentile. Our Compensation Committee also considered the recommendations of the Chief

Executive Officer regarding the compensation of each of the Named Executive Officers who reported directly to him. However, the Compensation Committee and our Board of Directors did not base their considerations on any single factor but rather considered a mix of factors and evaluated individual salaries against that mix.

Our Board of Directors set salaries for fiscal 2017 after considering an analysis of total cash compensation for our executive officers compared to the Compensation Peer Group prepared by Pay Governance and the recommendations of the Compensation Committee. For fiscal 2017 base salaries, our Compensation Committee recommended that we increase base salaries in amounts designed to reward each of the Named Executive Officers for their performance in the prior fiscal year while maintaining base salaries at an appropriately competitive level for each Named Executive Officer's position and taking into account the desire to maintain internal pay equity relative to other executive officers, and at the same time reflecting changes in the scope of duties and responsibilities as well as our annual merit-increase budget. Accordingly, the Compensation Committee recommended to the Board of Directors to increase base salaries by 3% from fiscal 2016 to fiscal 2017 for all of our Named Executive Officers (other than Mr. Severson) to reflect business performance from the prior fiscal year, annual merit increases and individual performances. Mr. Severson's salary increase of 4.5% from fiscal 2016 to fiscal 2017 reflected consideration of the time served in his position, his leadership over an extended period and the importance of Mr. Severson to the continued success of Abaxis.

Based on the recommendations of the Compensation Committee, our Board of Directors approved the following fiscal 2017 base salaries (effective July 2016) for our Named Executive Officers:

Named Executive Officer	Fiscal 2017 Base Salary	Fiscal 2017 Percent Increase In Base Salary from Fiscal 2016
Clinton H. Severson	$575,000	4.5%
Ross Taylor	$257,500	3.0%
Kenneth P. Aron, Ph.D.	$298,700	3.0%
Craig M. Tockman, DVM	$298,700	3.0%
Donald P. Wood	$360,500	3.0%

When considering base salaries for fiscal 2018, the Compensation Committee recommended, and the Board of Directors approved, no changes from the base salaries in place for fiscal 2017 for our Named Executive Officers.

Annual Cash Incentive Bonus

Our Compensation Committee annually reviews the design of our annual cash incentive bonus program to ensure that the program continues to reward the achievement of key short-term corporate objectives that ultimately drive long-term corporate achievement. The bonus plan is an ''at-risk'' compensation arrangement designed to provide market competitive cash incentive opportunities that reward our executive officers for the achievement of the key financial performance goals established. This means that the bonus compensation is not guaranteed. Most importantly, the program is structured to align our short-term incentives with important financial and operational measures and the long-term interests of our shareholders, and to incentivize and reward corporate performance.

The cash incentive bonuses are paid quarterly upon meeting pre-determined quarterly financial goals, with the fourth quarter payout based on annual goals. This quarterly structure is designed to align compensation with our quarterly corporate financial performance, reward achievement of consistent short-term profit growth and profitability and provide executives with a meaningful total cash compensation opportunity (base salary and quarterly bonus). At the beginning of fiscal 2017, the Compensation Committee approved the quarterly and annual financial targets that would support Abaxis' annual operating plan. The bonus program, along with the specific financial performance goals, is a key element of the Compensation Committee's pay-for-performance philosophy, and consistent with this philosophy for fiscal 2017, our Named Executive Officers earned bonuses at 73% of their targets, which was commensurate with the level of achievement of the corporate performance goals as determined by our Compensation Committee and Board of Directors.

Target Bonus Opportunities for Fiscal 2017

For fiscal 2017, in evaluating target bonus opportunities, our Compensation Committee generally targeted bonus opportunities, to be at or slightly above the 75th percentile of the Compensation Peer Group. Our Compensation Committee considered this target as a general guideline for the appropriate level of potential cash bonus

compensation. The Compensation Committee believed that this was appropriate to ensure we retain and motivate our executives, align pay with performance and target total annual cash opportunities (base salary and target bonus) above the median competitive levels of our Compensation Peer Group. The actual total cash compensation earned could be above or below the 75th percentile of the Compensation Peer Group based on strength of Abaxis' performance. The target bonus level set by the Compensation Committee is designed to place a high degree of cash compensation at-risk and the Compensation Committee believes it is appropriate to provide for payout opportunities above the median of the Compensation Peer Group, considering that the base salaries of the Named Executive Officers are generally at or below the median of the Compensation Peer Group. The target bonus levels for the Named Executive Officers are designed to incentivize them with respect to future company performance, to place a higher portion of our Named Executive Officers' compensation at-risk when compared to executives in the Compensation Peer Group and to maintain total compensation at an appropriately competitive level in the industry.

Based on the individual performances of the Named Executive Officers over the prior year, the scope of responsibilities, and considering the Compensation Peer Group analysis of total compensation prepared by Pay Governance in April 2016, the Compensation Committee recommended to the Board of Directors to increase target bonus opportunities for fiscal 2017 by 6.3% for Mr. Severson and by 14.3%-17.6% for our Named Executive Officers (other than Mr. Severson). The $50,000 increase in Mr. Severson's target bonus reflected the consideration of the time served in his position, his leadership over an extended period and the importance of Mr. Severson to the continued success of Abaxis. For our Named Executive Officers (other than Mr. Severson), the increase of $75,000 in target bonus was set with the aim to maintain internal equity of our executive officers' (other than our Chief Executive Officer's) total compensation and to account for increased duties and responsibilities.

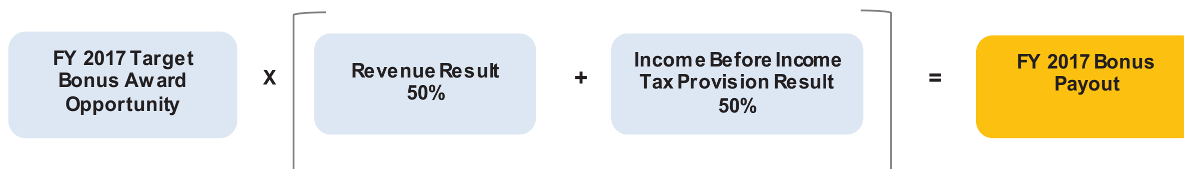
In April 2016, our Compensation Committee and Board of Directors (with Mr. Severson abstaining) approved the fiscal 2017 target bonus levels for our executive officers. The following table summarizes the fiscal 2017 target bonus amounts for our Named Executive Officers:

Named Executive Officer	Fiscal 2016 Target Bonus	Fiscal 2017 Target Bonus	Fiscal 2017 Target Bonus Increase From Fiscal 2016
Clinton H. Severson	$800,000	$850,000	6.3%
Ross Taylor	$425,000	$500,000	17.6%
Kenneth P. Aron, Ph.D.	$425,000	$500,000	17.6%
Craig M. Tockman, DVM	$425,000	$500,000	17.6%
Donald P. Wood	$525,000	$600,000	14.3%

Corporate Performance Measures

For fiscal 2017, our Compensation Committee selected revenues and income from continuing operations before income tax provision at the beginning of the fiscal year as the two equally weighted corporate financial performance measures for our executive officer bonus program, which we believe are the most important measures of both annual financial performance and long-term shareholder value.

Fiscal 2017 Cash Incentive Bonus Elements



Each of the fiscal 2017 corporate financial performance measures and target goals are disclosed above under "Executive Compensation Program Overview—Pay-for-Performance Philosophy." The Compensation Committee selected quarterly revenues and income from continuing operations before income tax provision as the performance metrics under the bonus plan with equal weightings, because it believes that as we are a growth company, revenues is a key element in value creation for our shareholders and an important indicator of our potential for increasing

long-term shareholder value. Similarly, income from continuing operations before income tax provision is an important indicator of our current profitability, which is also a priority to our shareholders. Quarterly target goals are selected to align compensation with our quarterly corporate financial performance achievement and reward achievement of consistent short-term profit growth.

We annually review the target goals used in our cash incentive bonus program to ensure that they remain aligned with our strategic plan. These growth goals are derived from a rigorous process that involves input from and discussions among the Chief Executive Officer, Chief Financial Officer and the Compensation Committee. Then the Compensation Committee establishes bonus targets for the two equally-weighted performance measures, that are set to be achievable, yet are at a level of difficulty that does not assure that the goals will be met. The bonus targets require executive officers to achieve significant performance of annual corporate financial metrics during the applicable fiscal year. Accordingly, meeting the bonus targets and requires executive officers to improve financial performance on a year-over-year basis and, thus, a substantial portion of our executive officers' compensation is at risk if corporate financial metrics results are not achieved during a particular fiscal year. In addition to meeting financial goals, we must not exceed a certain failure rate on our reagent discs in order for cash incentives to be paid to our executive officers. Our Compensation Committee has the discretion to reduce bonuses from those calculated from the formulaic calculation methodology established under our annual bonus program as well as to grant bonuses even if the performance goals are not met, which it has done in the past in very special circumstances. The Compensation Committee did not approve any discretionary bonuses for fiscal 2017. However, the Compensation Committee did use its discretion in fiscal 2017 to reduce bonuses from the amounts that would be paid based on actual performance goal achievement, as described below.

Bonus Calculations

Payment of the target bonus is equally weighted between achievement of our quarterly revenues performance goal and our quarterly income from continuing operations before income tax provision performance goal. Bonuses are earned for the first, second and third quarter only if we achieve at least 90% of either of our pre-established quarterly revenues and/or quarterly income from continuing operations before income tax provision goals and also meet any operational goals set by the Compensation Committee. Bonuses are earned in the fourth quarter based on the annual, rather than quarterly, achievement of at least 90% of either of our pre-established annual revenues and/or income from continuing operations before income tax provision goals for the year and also the achievement of any operational goals set by the Compensation Committee. After the initial threshold is met, the amount of the target bonus paid is based on a sliding scale relative to the proportionate achievement of the performance goals. If we achieve 90% of only one performance goal, the payout would be limited to 25% of the aggregate target bonus. For each 1% above 90% of that performance goal, the payout would increase by 2.5% for the aggregate target bonus. The target bonus will be fully earned if at least 100% of both performance goals are achieved. For each 1% above 100% of a performance goal, the payout would increase by 1.5% for the aggregate target bonus.

The maximum potential bonus payout is 200% of the target bonus, provided we achieve greater than 133% of at least one of the performance goals. Assuming targets are reached, the bonus payments are paid as follows: 15% of the applicable bonus amount for the first quarter, 25% in the second and third quarters, and 35% in the fourth quarter. At the end of the fourth quarter, the final amount of the bonus earned will be adjusted to reflect overall performance for the fiscal year.

Bonus Decisions and Analysis

The Compensation Committee evaluated our financial performance for each quarter of fiscal 2017 and the level of achievement of each of the two corporate performance measures for those quarters. As noted above, the fiscal 2017 bonus awarded to each Named Executive Officer was based upon the achievement of two equally-weighted financial goals, our revenues (worldwide, or, for solely Dr. Tockman, from North America veterinary market and revenues from Latin American and the U.S. Government) and income from continuing operations before income tax provision. In addition, the Compensation Committee determined that we had satisfied the threshold goal relating to the failure rate on our reagent discs necessary for any bonuses to be paid.

In evaluating the achievement of our corporate performance measures and bonus payouts for fiscal 2017, the Compensation Committee determined that it was appropriate to exclude the gain from the sale of our equity investment in SMB that occurred in August 2016 from the calculation of our income from continuing operations before income tax provision. This use of discretion resulted in reducing the performance goal achievement level and

ultimate bonus payout for each of our Named Executive Officers. Based on our actual financial performance results and the negative adjustment described above, the Compensation Committee determined that our Named Executive Officers had achieved, on an overall basis, 94% of their target performance goals for fiscal 2017. The actual quarterly and annual results and quarterly and annual targets for fiscal 2017 are summarized below.

Fiscal 2017	Revenues Worldwide		Revenues from North America Veterinary Market, Latin America and the U.S. Government (1)		Income from Continuing Operations Before Income Tax Provision (2)	
(in millions)	Actual	Target	Actual	Target	Actual	Target
First quarter	$ 57.7	$ 57.3	$ 39.1	$ 39.3	$10.7	$10.2
Second quarter	$ 58.6	$ 59.9	$ 39.2	$ 40.6	$12.0	$12.2
Third quarter	$ 52.8	$ 59.7	$ 34.8	$ 38.9	$10.8	$10.9
Fourth quarter	$ 58.2	$ 64.0	$ 38.4	$ 42.0	$11.6	$14.0
Fiscal 2017	$227.2	$240.9	$151.5	$160.8	$45.0	$47.3

(1) Applicable for Dr. Tockman only, as Dr. Tockman is responsible for the North America market.

(2) The actual and target bonus levels for income from continuing operations before income tax provision include bonus expense, if earned. As described above, the actual level for income from continuing operations before income tax provision in the table also reflects a reduction to exclude the gain from the sale of our equity investment in SMB that occurred in August 2016. With such gain included, the fiscal 2017 actual income from continuing operations before income tax provision is $51.1 million.

At least 90% achievement of the target level of the pre-established corporate goal is necessary for any bonus payout. The Compensation Committee recommends and the Board of Directors (with Mr. Severson abstaining) approves the extent of achievement of the performance goals and resulting bonus awards each quarter. On April 26, 2017, the Compensation Committee approved the fiscal 2017 bonuses awarded to each of our Named Executive Officers, based on such achievement, which were as follows:

Named Executive Officer	Total Fiscal 2017 Bonus Awarded	Percentage of Target Bonus
Clinton H. Severson	$616,251	73%
Ross Taylor	$362,500	73%
Kenneth P. Aron, Ph.D.	$362,500	73%
Craig M. Tockman, DVM	$362,500	73%
Donald P. Wood	$435,000	73%

Target Bonus Opportunities for Fiscal 2018

When considering target bonus amounts for fiscal 2018, the Compensation Committee recommended, and the Board of Directors approved, no changes from the target bonus amounts in place for fiscal 2017.

Payment of the target bonus, as identified above, for fiscal 2018, will continue to be equally weighted at 50% for achievement of our quarterly worldwide revenue performance goal (or, in the case of Dr. Tockman, our North America veterinary market, Latin America and the U.S. Government revenue performance goal) and 50% for achievement of our quarterly income from continuing operations before income tax provision performance goal. For fiscal 2018, bonuses will be paid in the same payout structure as the fiscal 2017 bonus discussed in ''Annual Cash Incentive Bonus—Bonus Calculations,'' according to the specified financial targets for fiscal 2018 as determined by the Compensation Committee.

Long-Term Equity Incentive Compensation

Long-term incentive equity awards are designed as a key element of compensation for our executive officers so that a substantial portion of their total direct compensation is tied to increasing the market value of Abaxis. We make annual grants of long-term incentive equity awards in the first quarter of each fiscal year (or during the fiscal year if necessary for a newly hired or promoted employee) to align our executives' interests with those of our shareholders, to promote executives' focus on the long-term financial performance of Abaxis, and, through time-based and

performance-based vesting requirements, to enhance long-term performance and retention. The Compensation Committee annually reviews the long-term incentive program to ensure that the program continues to support our executive compensation philosophy and compensation program objectives. The Compensation Committee approves all equity award grants to our Named Executive Officers and other executive officers.

In determining the size of equity-based awards, the Compensation Committee considers competitive grant values for comparable positions among the Compensation Peer Group as well as various subjective factors primarily relating to the responsibilities of the individual executive, past performance, and the executive's expected future contributions and value to Abaxis. The Compensation Committee also considers, in its decision-making process, the executives' historical total compensation, including prior equity grants, their tenure, responsibilities, experience and value to Abaxis. No one factor is given any specific weighting and the Compensation Committee exercises its judgment to determine the appropriate size and mix of awards.

Under our 2014 Plan (and its predecessor plan, our 2005 Equity Incentive Plan), we are permitted to award a variety of share-based awards, including stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance cash awards, performance shares, performance units, deferred compensation awards or other share-based awards. Since fiscal 2007 we have granted RSUs to our executive officers, and since fiscal 2013, we have also granted RSUs to our executive officers that vest only if certain financial and/or operating goals were achieved, which we refer to as PSUs. Our Compensation Committee has determined that a mix of time-based and performance-based vesting for the equity awards provides an effective tool for incentivizing and retaining those executive officers who are most responsible for direct impact on corporate performance by balancing variable compensation dependent on performance goal achievement in addition to share value (PSUs) and variable compensation with a more predictable value (RSUs subject to time-based vesting).

Fiscal 2017 Equity Incentive Grants

In April 2016, after considering an analysis of total compensation for our Named Executive Officers and the Compensation Peer Group prepared by Pay Governance, the Compensation Committee determined that for fiscal 2017, a mix of RSU and PSU awards would continue to provide an effective tool for incentivizing and retaining those executive officers who are most responsible for direct impact on corporate performance by balancing the two types of variable compensation. The Compensation Committee believed that the equity award program for fiscal 2017 aligns the executives' focus on the achievement of specific performance goals intended to help position us for future growth. Furthermore, the Compensation Committee believed that our grants of PSUs and RSUs will enhance executive share ownership, further aligning their interests with those of shareholders.

Vesting Structure

The vesting terms of the RSUs and PSUs awarded for fiscal 2017 is summarized in the chart below.

<table>
<tr><td rowspan="6">Fiscal 2017 Long-Term Equity Incentive Compensation</td><td>Type</td><td>RSUs and PSUs</td></tr>
<tr><td>Vesting for RSUs</td><td>Annual vesting over four years (5%, 10%, 15% and 70% on the first, second, third and fourth anniversary of the grant date, respectively)</td></tr>
<tr><td>Vesting for PSUs</td><td>Vesting on the third and fourth anniversary date of grant, based on the achievement of two performance goals</td></tr>
<tr><td>PSU Metrics for:</td><td></td></tr>
<tr><td>Corporate performance goal at 90% of target</td><td>Minimum vest: 0%;
Target and maximum vest: 100%</td></tr>
<tr><td>Corporate performance goal at 100% of target</td><td>Minimum vest: 0%;
Target and maximum vest: 100%</td></tr>
</table>

RSUs subject to time-based vesting granted to the Named Executive Officers in fiscal 2017, or the FY2017 RSUs, were subject to the following vesting schedule: 5% vesting on the first anniversary of the grant date; additional 10% on the second anniversary of the grant date; additional 15% on the third anniversary of the grant date; and the remaining 70% on the fourth anniversary of the grant date, in each case subject to continuous service to Abaxis during the vesting period. Our Compensation Committee believes that retention of the Named Executive Officers is key to our success and that the time-based vesting schedule of the RSUs helps to retain our Named Executive Officers, particularly because it is heavily weighted towards the end of the four-year vesting period.

The PSUs granted to our Named Executive Officers in fiscal 2017, or the FY2017 PSUs, consist of the right to receive shares of common stock, only if both of the following criteria are satisfied: (1) Abaxis' income from continuing operations before income tax provision for the fiscal year ending March 31, 2017, as certified by the Compensation Committee, is equal to or in excess of the applicable target amount set forth in the table below; and (2) the recipient remains in the service of Abaxis until the applicable vesting date set forth below. The FY2017 PSUs are designed with a one-year performance period in order to motivate executive officers to focus their efforts on annual goals and, at the same time, to strengthen and encourage retention as an executive officer must continue employment with us for the awards to vest over the longer-term. Accordingly, the Compensation Committee believes that the FY2017 PSUs act as an incentive over the long-term.

The FY2017 PSUs granted to the Named Executive Officers vest as follows.

Shares Issuable Upon Settlement of Fiscal 2017 PSUs (as a percentage of target shares)	Performance Metric: Income From Continuing Operations Before Income Tax Provision for the YearEnding March 31, 2017 (1)	Vesting date
25% (18% for Mr. Severson)	90% of target	May 2, 2019
25% (18% for Mr. Severson)	90% of target	May 2, 2020
25% (32% for Mr. Severson)	100% of target	May 2, 2019
25% (32% for Mr. Severson)	100% of target	May 2, 2020

(1) The calculation of the performance metric was adjusted in January 2017, as described below.

The Compensation Committee determined the target level of achievement of the performance metric should be set at $47.3 million, which the Compensation Committee determined was sufficiently rigorous to incentivize and reward for performance designed to increase shareholder value. To further enhance the rigor of the performance goals and incentivize higher levels of performance, the Compensation Committee structured a greater portion of Mr. Severson's award to vest only upon achievement of 100% of the target. The FY2017 PSUs are capped at target, so the greatest number of shares a Named Executive Officer could earn, regardless of performance, is the target number of PSUs awarded.

The Compensation Committee selected annual income from continuing operations as the performance metric on which the target goal for the FY2017 PSUs to vest is measured, as it believes that this is an important measurement of Abaxis' performance and effectiveness of achieving financial strategies, in terms of cost controls, and for that reason, it establishes target levels to achieve operating income growth and return long-term shareholder value. In January 2017, the Compensation Committee recommended, and our Board of Directors approved, adjusting the measurement of the FY2017 PSU target goal to be based on our income from continuing operations before income tax provision, rather than our income from continuing operations. The Compensation Committee and Board of Directors determined it was appropriate to adjust the measurement to include investments, in particular the gain from the sale of our equity investment in SMB that occurred in August 2016, given that it increased our financial results in fiscal 2017, and reflected management's ability to identify value-added investment opportunities to increase long-term shareholder value.

On April 26, 2017, the Compensation Committee determined that our income from continuing operations before income tax provision for fiscal 2017 was above 100% of target and, accordingly, the FY2017 PSUs for all of our Named Executive Officers became eligible to vest in full, if each executive officer completes the remaining timed-based service criteria necessary for the award to vest.

Amount and Mix of Awards

In determining the appropriate amount of equity incentive grants to award to the Named Executive Officers for fiscal 2017, the Compensation Committee generally aimed for long-term equity incentive compensation awards, when taken together with the base salary and annual incentive compensation opportunities provided to the Named Executive Officers, to result in actual total direct compensation to the Named Executive Officers to fall above the median of the Compensation Peer Group, so that the Named Executive Officers would have the opportunity to earn above median pay when key performance targets were achieved. However, the Compensation Committee used the Compensation Peer Group data solely as a reference point in making equity award decisions, considering individual, company, and stock performance, as compared to similarly-situated executive officers in our Compensation Peer

Group and in our industry generally. The Compensation Committee has determined that providing compensation at these levels, allowing for above median pay when performance goals are achieved, would provide incentives to attract and retain highly qualified executives over the long-term.

For fiscal 2017, the Compensation Committee considered the prior equity grants awarded to our Named Executive Officers and determined it was appropriate to deliver the same number of RSUs granted to each of our Named Executive Officers in fiscal 2016, but adjust the number of PSUs. Specifically, the Compensation Committee decreased the number of PSUs granted in fiscal 2016 to each of our Named Executive Officers (other than Mr. Severson) from 24,000 to 16,000. The Compensation Committee decreased the PSUs because it determined that the decreased number (and grant date fair value) of fiscal 2017 awards was appropriate based on a variety of factors, including the historical grants to such Named Executive Officers, company performance, individual performance and data from the Compensation Peer Group. The Compensation Committee awarded the same size grant to each of the Named Executive Officers to maintain internal pay equity amongst the executive team, excluding Mr. Severson.

Our Compensation Committee granted Mr. Severson a relatively larger number of PSUs in fiscal 2017 than in fiscal 2016, increasing the PSUs granted to Mr. Severson from 36,000 in fiscal 2016 to 51,000 in fiscal 2017 in special recognition of his past performance and executive leadership and to promote retention through the entire service period. The Compensation Committee viewed this increased award as a special one-time incentive appropriate for fiscal 2017 (Mr. Severson's fiscal 2018 PSU grant returned to the size awarded in fiscal 2016, as described below) and was mindful that they had changed the structure of Mr. Severson's fiscal 2017 equity award in two important ways: (1) a greater portion of the PSU vested only upon meeting target performance (rather than 90% of target performance) and (2) a greater portion of Mr. Severson's total fiscal 2017 equity award was delivered in the form of PSUs than the other Named Executive Officers' fiscal 2017 equity awards. The Committee believes both of these changes further emphasize pay-for-performance and further align Mr. Severson's equity compensation with the execution of our business strategy and creation of long-term shareholder value.

In April 2016, our Compensation Committee and Board of Directors (with Mr. Severson abstaining) approved the fiscal 2017 long-term equity incentive compensation awards for our Named Executive Officers. The following table summarizes the fiscal 2017 RSUs and PSUs awarded to our Named Executive Officers.

Named Executive Officer	RSUs Granted in Fiscal 2017 (#)	PSUs Granted in Fiscal 2017 Target Shares (#)
Clinton H. Severson	19,000	51,000
Ross Taylor	9,000	16,000
Kenneth P. Aron, Ph.D.	9,000	16,000
Craig M. Tockman, DVM	9,000	16,000
Donald P. Wood	9,000	16,000

The Compensation Committee chose to structure the fiscal 2017 equity awards granted to the Named Executive Officers to be more heavily weighted towards those with performance-based vesting (the PSUs), to further its policy of providing performance-based pay that is directly aligned with our performance. Accordingly, Mr. Severson received 73% of his fiscal 2017 equity awards in the form of PSUs and each of our other Named Executive Officers received, 64% of their fiscal 2017 equity awards in the form of PSUs.

Fiscal 2018 Equity Incentive Grants

In April 2017, after considering an analysis of total compensation for our Named Executive Officers, the Compensation Committee again determined that a mix of RSU and PSU awards would be appropriate, for the reasons described above. RSUs granted in fiscal 2018 to the Named Executive Officers continued to have the four-year time-based vesting terms as described above for RSUs granted in fiscal 2017.

The PSUs granted to our Named Executive Officers in fiscal 2018, or the FY2018 PSUs, consist of the right to receive shares of common stock, only if both of the following criteria are satisfied: (1) Abaxis' income from continuing operations before income tax provision for the fiscal year ending March 31, 2018, as certified by the Compensation Committee, is equal to or in excess of the applicable target amount set forth in the table below; and (2) the recipient remains in the service of Abaxis until the applicable vesting date set forth below.

The FY2018 PSUs granted to our Named Executive Officers contained the foregoing time-based and performance-based vesting terms.

- 50% of the shares subject to an award vest in full upon achieving 90% of income from continuing operations before income tax provision target and continuous service until the third anniversary of the date of grant; and
- 50% of the shares subject to an award vest in full upon achieving 90% of income from continuing operations before income tax provision target and continuous service until the fourth anniversary of the date of grant.

In April 2017, our Compensation Committee and Board of Directors (with Mr. Severson abstaining) approved the fiscal 2018 long-term equity incentive compensation for our Named Executive Officers. As in fiscal 2017, our Named Executive Officers received a substantially greater portion of their fiscal 2018 restricted stock units in the form of PSUs. The Compensation Committee and Board of Directors determined not to increase the shares awarded under any of the fiscal 2018 equity awards granted to each of our Named Executive Officers and to decrease the number of shares delivered to Mr. Severson as PSUs. The following table summarizes the fiscal 2018 RSUs and PSUs awarded to our Named Executive Officers.

Named Executive Officer	RSUs Granted in Fiscal 2018 (#)	PSUs Granted in Fiscal 2018 Target Shares (#)
Clinton H. Severson	19,000	36,000
Ross Taylor	9,000	16,000
Kenneth P. Aron, Ph.D.	9,000	16,000
Craig M. Tockman, DVM	9,000	16,000
Donald P. Wood	9,000	16,000

Other Compensation Policies and Benefits

Benefits and Perquisites

We do not provide any of our executive officers with any material perquisites. Currently, all benefits offered to our executive officers, including an opportunity to participate in our 401(k) plan, medical, dental, vision, life insurance, disability coverage, long-term care insurance benefits and flexible spending accounts, are also available on a non-discriminatory basis to other full-time employees. We also provide vacation and other paid holidays to all full-time employees, including our Named Executive Officers. From time to time when determined appropriate by the Compensation Committee, we may provide benefits to executive officers in unique circumstances necessary to assist them in their services to our Company.

Clawback Policy

Since January 2014, we have maintained a compensation clawback policy that includes, among other things, provisions permitting our Board to require executive officers to repay to us certain amounts in the event of a restatement of our financial statements due to material noncompliance with any financial reporting requirement. The policy permits our Board to seek recoupment from executive officers from any of the following sources: prior incentive compensation payments; future payments of incentive compensation; cancellation of outstanding equity awards; future equity awards; and direct repayment. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 further expanded the reach of mandatory recoupment policies, but the Securities and Exchange Commission has yet to provide final guidance for implementation of such requirements. We will comply with any final recoupment policy guidance.

Stock Ownership Guidelines

We maintain stock ownership guidelines for our executive officers and directors, as follows:

Position	Stock Ownership Guideline
Chief Executive Officer	7x base salary
Executive Officers (other than the Chief Executive Officer)	3x base salary
Directors	5x annual cash retainer

These guidelines require that executives and directors be meaningfully invested in Abaxis' stock and therefore be personally invested in Abaxis' performance to ensure strong alignment with shareholder interests. Our stock ownership guidelines were adopted in 2011 and require all executive officers and directors through the first day of each of Abaxis' fiscal years beginning with April 1, 2016 to accumulate enough shares to satisfy the stock ownership requirements. All of our Named Executive Officers meet these guidelines and our Chief Executive Officer's stock ownership was 65.7 times his base salary as of May 31, 2017.

Employment Agreements

We may enter into employment agreements or offer letter agreements with our executive officers that include negotiated provisions regarding their initial base salary, relocation bonus, as well as provisions regarding repayment thereof in the event of cessation of employment. Severance is generally governed by our Severance Plan (described more fully in ''Executive Compensation—Severance and Change in Control Agreements''), and salaries (and target bonus and equity awards) for all of our Named Executive Officers are determined by our Compensation Committee as described herein. For a description of the terms of each such agreement, see ''Executive Compensation—Summary Compensation Table—Employment Agreements.''

Severance and Change in Control Agreements

We have adopted a Severance Plan to reduce the distraction of executives and potential loss of executive talent that could arise from a potential change of control. Participants in the Severance Plan include our senior managers who are selected by the Board of Directors. Each of our Named Executive Officers is designated as a participant in the Severance Plan. For a description of the terms of our Severance Plan, see ''Executive Compensation—Severance and Change in Control Agreements.''

Compensation Policies and Practices as They Relate to Risk Management

The Company believes that its compensation policies and practices for all employees, including executive officers, do not create risks that are reasonably likely to have a material adverse effect on the Company. The mix of fixed and variable, annual and long-term, and cash and equity compensation is designed to encourage actions in the Company's long-term best interests.

The Compensation Committee oversees the risk associated with our executive compensation program and considers the impact of incentives created by the compensation awards that it administers, on the Company's risk profile. The Compensation Committee works periodically with our outside compensation consultant Pay Governance to ensure our compensation plans are appropriately balanced and incentivize employees to act in the best interests of our shareholders. In fiscal 2017, our Compensation Committee assessed the risks related to the Company's compensation policies and concluded that the mix and design of these policies and practices do not encourage our employees to take excessive risks that are reasonably likely to have a material adverse effect. In connection with its evaluation, our Compensation Committee considered, among other things, the structure, philosophy and design characteristics of our primary incentive compensation plans and programs in light of our risk management and governance procedures, as well as other factors that may calibrate or balance potential risk-taking incentives.

Tax Considerations

Deductibility of Executive Compensation

We have considered the provisions of Section 162(m) of the Code and related Treasury Regulations that restrict deductibility of executive compensation paid to our Named Executive Officers and our other executive officers holding office at the end of any year to the extent such compensation exceeds $1,000,000 for any of such officers in any year and does not qualify for an exception under the statute or regulations. The Compensation Committee

endeavors to maximize deductibility of compensation under Section 162(m) of the Code to the extent practicable while maintaining a competitive, performance-based compensation program. However, tax consequences, including tax deductibility, are subject to many factors (such as changes in the tax laws and regulations or interpretations thereof) that are beyond the control of both Abaxis and our Compensation Committee. In addition, our Compensation Committee believes that it is important to retain maximum flexibility in designing compensation programs that meet its stated business objectives. For these reasons, our Compensation Committee, while considering tax deductibility as a factor in determining compensation, will not limit compensation to those levels or types of compensation that will be deductible.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee has ever been an executive officer or employee of Abaxis. None of our executive officers currently serves, or has served during the last completed fiscal year, on the Compensation Committee or board of directors of any other entity that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

COMPENSATION COMMITTEE REPORT[1]

The Compensation Committee has reviewed and discussed with management the disclosures contained in the Compensation Discussion and Analysis included in this Annual Report on Form 10-K/A for the fiscal year ended March 31, 2017.

Based upon this review and discussion with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K/A for the fiscal year ended March 31, 2017.

THE COMPENSATION COMMITTEE

Richard J. Bastiani, Ph.D., Chairman
Michael D. Casey
Prithipal Singh, Ph.D.

(1) The material in this report is not ''soliciting material,'' is not deemed ''filed'' with the SEC and is not to be incorporated by reference into any filing of Abaxis under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language contained in any such filing.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth for fiscal 2017, 2016 and 2015, the compensation awarded or paid to, or earned by, our Chief Executive Officer, Chief Financial Officer and the three other most highly compensated executive officers as of March 31, 2017 (collectively, our "Named Executive Officers").

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($) (2)	Stock Awards ($) (3)(4)	Non-Equity Incentive Plan Compensation ($) (5)	All Other Compensation ($) (6)	Total ($)
Clinton H. Severson	2017	571,346	—	3,231,980	616,251	12,493(7)	4,432,070
Chief Executive Officer and	2016	542,115	—	3,029,400	776,000	13,679	4,361,194
Chairman of the Board (1)	2015	498,231	302,260	2,245,100	889,000	13,858	3,948,449
Ross Taylor (8)	2017	256,731	—	1,141,180	362,500	26,230(9)	1,786,641
Chief Financial Officer, Vice President of Finance and Secretary	2016	239,808	—	1,377,000	412,250	25,044	2,054,102
Kenneth P. Aron, Ph.D.	2017	297,808	—	1,141,180	362,500	26,791(10)	1,828,279
Chief Technology Officer	2016	289,808	—	1,817,640	412,250	26,895	2,546,593
	2015	276,154	183,515	1,347,060	539,750	27,322	2,373,801
Craig M. Tockman, DVM	2017	297,808	—	1,141,180	362,500	26,681(11)	1,828,169
Vice President of Animal Health Sales and Marketing for North America	2016	284,962	—	1,817,640	412,251	26,768	2,541,621
Donald P. Wood	2017	359,423	—	1,141,180	435,000	20,304(12)	1,955,907
President and	2016	348,462	—	1,817,640	509,250	21,090	2,696,442
Chief Operating Officer	2015	291,308	226,695	1,347,060	666,750	21,515	2,553,328

(1) Mr. Severson is not compensated in his role as a director. The amounts shown reflect compensation earned as an employee only.

(2) Represents discretionary bonuses earned in the fiscal year specified. In fiscal 2017 and 2016, no discretionary bonuses were awarded.

(3) Awards consist of RSUs and PSUs granted to the Named Executive Officer in the fiscal year specified. Amounts shown do not reflect whether the Named Executive Officer has actually realized a financial benefit from the awards (such as by vesting in a restricted stock unit award). Amounts listed in this column represent the grant date fair value and incremental fair value as of the modification date, as applicable, of the awards granted (or modified) in the fiscal year indicated, as computed in accordance with Accounting Standards Codification 718, "Compensation-Stock Compensation," or ASC 718. For a discussion of the assumptions used in determining the fair value of awards of RSUs and PSUs in the above table and other additional information on the RSUs and PSUs granted, see Note 16 of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K filed with the SEC on May 30, 2017.

(4) For PSUs, such grant date fair value is based on the probable outcome of the performance conditions as of the grant date, in accordance with ASC 718. Assuming the highest level of performance conditions were met, the grant date fair value of FY2017 PSUs would be as follows: (a) Mr. Severson, $2.3 million, (b) Mr. Taylor, $0.7 million, (c) Dr. Aron, $0.7 million, (d) Dr. Tockman, $0.7 million and (e) Mr. Wood, $0.7 million. An amendment to the FY2017 PSUs was approved on January 25, 2017, which was a modification under ASC 718,

resulting in an incremental fair value for a portion of each of the FY2017 PSUs, computed as of the modification date pursuant to ASC 718, as follows: (a) Mr. Severson, $114,180, (b) Mr. Taylor, $27,680, (c) Dr. Aron, $27,680, (d) Dr. Tockman, $27,680 and (e) Mr. Wood, $27,680.

(5) Represents the cash performance bonuses earned during each fiscal year based on achievement of corporate financial performance goals, as described under our "Compensation Discussion and Analysis" above. The annual cash bonuses were paid in four quarterly installments within one month following the end of the applicable quarter upon achieving the established quarterly revenues and/or quarterly income before income tax provision goals for that quarter. Amounts do not include bonuses paid during a fiscal year, with respect to bonuses earned in a prior fiscal year.

(6) Amounts listed are based upon our actual costs expensed in connection with such compensation.

(7) In fiscal 2017, consists of $6,249 in supplemental health plan expenses reimbursed by us, $377 in group life insurance paid by us, $423 in disability insurance premiums paid by us, $444 in long-term care insurance premiums paid by us and $5,000 in matching contributions made by us to Mr. Severson's 401(k) account.

(8) Mr. Taylor was appointed to the position of Chief Financial Officer, Vice President of Finance and Secretary effective August 1, 2015. The amounts for fiscal 2016 reflect all of Mr. Taylor's compensation from Abaxis earned from April 1, 2015 to March 31, 2016.

(9) In fiscal 2017, consists of $20,636 in supplemental health plan expenses reimbursed by us, $371 in group life insurance paid by us, $233 in disability insurance premiums paid by us, $192 in long-term care insurance premiums paid by us and $4,798 in matching contributions made by us to Mr. Taylor's 401(k) account.

(10) In fiscal 2017, consists of $20,636 in supplemental health plan expenses reimbursed by us, $430 in group life insurance paid by us, $423 in disability insurance premiums paid by us, $302 in long-term care insurance premiums paid by us and $5,000 in matching contributions made by us to Dr. Aron's 401(k) account.

(11) In fiscal 2017, consists of $20,636 in supplemental health plan expenses reimbursed by us, $430 in group life insurance paid by us, $423 in disability insurance premiums paid by us, $192 in long-term care insurance premiums paid by us and $5,000 in matching contributions made by us to Dr. Tockman's 401(k) account.

(12) In fiscal 2017, consists of $14,357 in supplemental health plan expenses reimbursed by us, $377 in group life insurance paid by us, $244 in disability insurance premiums paid by us, $326 in long-term care insurance premiums paid by us and $5,000 in matching contributions made by us to Mr. Wood's 401(k) account.

Salary and Bonus in Proportion to Total Compensation

The following table sets forth the percentage of base salary and annual cash incentive bonus that was earned by each Named Executive Officer as a percentage of total compensation for fiscal 2017.

Named Executive Officer	Base Salary As a Percentage of Total Compensation (1)	Annual Cash Incentive Bonus As a Percentage of Total Compensation (1)
Clinton H. Severson	13%	14%
Ross Taylor	14%	20%
Kenneth P. Aron, Ph.D.	16%	20%
Craig M. Tockman, DVM	16%	20%
Donald P. Wood	18%	22%

(1) Total compensation is defined as total compensation as reported in the "Summary Compensation Table" for fiscal 2017. Included in the total compensation are long-term equity incentive awards with performance-based vesting criteria. PSUs only provide an economic benefit if the performance goals are achieved.

Employment Agreements

In October 2010, we entered into an employment agreement with Clinton H. Severson, our Chief Executive Officer, which amended, restated and superseded Mr. Severson's existing Employment Agreement, dated July 11, 2005. The amended and restated employment agreement provides Mr. Severson with a severance payment equal to two years of salary, bonus and benefits if his employment with us is terminated for any reason other than cause. Additionally, upon Mr. Severson's termination without cause or resignation for good reason, all of Mr. Severson's unvested stock options, RSUs, PSUs and other equity awards would vest in full. Certain severance benefits provided pursuant to the Severance Plan (described below in ''Severance and Change in Control Agreements'') with respect to a change of control supersede those provided pursuant to the employment agreement.

On April 29, 2015, we entered into an offer letter agreement with Mr. Taylor in connection with his appointment as Chief Financial Officer, effective as of August 1, 2015. The offer letter provides a relocation bonus of $25,000, which was paid to Mr. Taylor when he was hired in October 2015 as the Vice President of Business Development and Investor Relations. The relocation bonus must be repaid, up to the full $25,000 amount, if Mr. Taylor resigns from employment or is terminated by us for Cause (as defined in Severance Plan described below) before October 20, 2018, the four year anniversary of Mr. Taylor's initial employment start date with Abaxis, with the repayment amount pro-rated based on the time of such resignation or termination. However, if there is a change in control of Abaxis prior to October 20, 2018, and Mr. Taylor remains an employee of our Company through such change in control, he does not need to repay the relocation bonus. Additionally, the offer letter agreement provides that Mr. Taylor will be a participant in the Severance Plan, on the specific terms and adjustments described in ''Severance and Change in Control Agreements.''

On May 1, 2014, we entered into an employment agreement with Dr. Tockman providing for the terms of his promotion to Vice President of Sales and Marketing for North America Animal Health on May 5, 2014, which superseded our previous employment agreement with Dr. Tockman in place prior to his promotion. The employment agreement provides Dr. Tockman with a $100,000 relocation bonus, with repayment terms, up to the full $100,000 amount, if Dr. Tockman resigns from employment or is terminated by us for Cause (as defined in Severance Plan described below) before May 5, 2018, the four year anniversary of Dr. Tockman's promotion date, with the repayment amount pro-rated based on the time of such resignation or termination. However, if there is a change in control of Abaxis prior to May 5, 2018 and Dr. Tockman remains an employee of our Company through such change in control, he does not need to repay the relocation bonus. Dr. Tockman's employment agreement further provides that he will be a participant in the Severance Plan, on the specific terms and adjustments described in ''Severance and Change in Control Agreements.''

Grants of Plan-Based Awards in Fiscal 2017

The following table sets forth the grants of plan-based awards to our Named Executive Officers during fiscal 2017.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards (2) Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#) (3)	Grant Date Fair Value of Stock and Option Awards ($) (4)
Clinton H. Severson									
Annual cash incentive bonus		212,500	850,000	1,700,000					
RSUs	5/2/2016							19,000	846,260
PSUs	5/2/2016				0	51,000(5)	51,000(5)		2,385,720(6)
Ross Taylor									
Annual cash incentive bonus		125,000	500,000	1,000,000					
RSUs	5/2/2016							9,000	400,860
PSUs	5/2/2016				0	16,000(7)	16,000(7)		740,320(6)
Kenneth P. Aron, Ph.D.									
Annual cash incentive bonus		125,000	500,000	1,000,000					
RSUs	5/2/2016							9,000	400,860
PSUs	5/2/2016				0	16,000(7)	16,000(7)		740,320(6)
Craig M. Tockman, DVM									
Annual cash incentive bonus		125,000	500,000	1,000,000					
RSUs	5/2/2016							9,000	400,860
PSUs	5/2/2016				0	16,000(7)	16,000(7)		740,320(6)
Donald P. Wood									
Annual cash incentive bonus		150,000	600,000	1,200,000					
RSUs	5/2/2016							9,000	400,860
PSUs	5/2/2016				0	16,000(7)	16,000(7)		740,320(6)

(1) Actual cash performance bonuses, which were approved by the Board of Directors (with Mr. Severson abstaining) upon recommendation by the Compensation Committee based on achievement of corporate financial performance goals for fiscal 2017, were paid within one month following the end of the quarter upon achieving the established quarterly revenues and/or quarterly income before income tax provision goals. Actual cash performance bonuses are shown in the ''Non-Equity Incentive Plan Compensation'' column of the ''Summary Compensation Table'' above. ''Threshold'' refers to the minimum amount of annual bonus payable for a certain level of performance under the plan.

(2) Awards consist of PSUs granted under, and are subject to, the terms of our 2014 Equity Incentive Plan. The PSUs as originally awarded on May 2, 2016 provided that the recipients would receive shares of common stock under the PSUs only if (1) income from continuing operations for the fiscal year ended March 31, 2017 (or, the Performance Vesting Condition) was equal to or in excess of an applicable target amount and (2) the recipient remains in the service of Abaxis until the third or fourth anniversary of the date of grant (or, the Service Vesting Condition). On January 25, 2017, the Compensation Committee approved an amendment to the PSUs to adjust the Performance Vesting Condition to be measured based on the Company's income from continuing operations before income tax provision, rather than income from continuing operations. See ''Compensation Discussion and Analysis—Executive Compensation Components—Long-Term Equity Incentive Compensation—Vesting Structure.'' The Service Vesting Condition and all other terms and conditions of the PSUs were not changed.

(3) Awards consist of RSUs granted under, and are subject to, the terms of our 2014 Equity Incentive Plan. The four-year time-based vesting terms of the RSUs are as follows, assuming continuous employment: 5% of the shares vest after the first year; 10% of the shares vest after the second year; 15% of the shares vest after the third year; and 70% of the shares vest after the fourth year. Additional information on PSUs granted is described above in ''Compensation Discussion and Analysis—Executive Compensation Components—Long-Term Equity Incentive Compensation—Fiscal 2017 Equity Incentive Grants.''

(4) Represents the fair value of the RSUs and PSUs on the date of grant, pursuant to ASC 718. See Note 16 of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K filed with the SEC on May 30, 2017, for additional information.

(5) Mr. Severson's FY2017 PSUs were subject to vesting only if both of the Performance Vesting Condition and the Service Vesting Condition were satisfied as follows:

(i) approximately 18% shares issuable upon settlement of FY2017 PSUs upon satisfying 90% of the Performance Vesting Condition target, and time-based vesting on May 2, 2019;

(ii) approximately 18% shares issuable upon settlement of FY2017 PSUs upon satisfying 90% of the Performance Vesting Condition target, and time-based vesting on May 2, 2020;

(iii) approximately 32% shares issuable upon settlement of FY2017 PSUs upon satisfying 100% of the Performance Vesting Condition target, and time-based vesting on May 2, 2019; and

(iv) approximately 32% shares issuable upon settlement of FY2017 PSUs upon satisfying 100% of the Performance Vesting Condition target, and time-based vesting on May 2, 2020.

Additional information on the FY2017 PSUs is described above in "Compensation Discussion and Analysis—Executive Compensation Components—Long-Term Equity Incentive Compensation— Fiscal 2017 Equity Incentive Grants."

(6) For PSUs, the grant date fair value is based on the probable outcome of the performance conditions as of the grant date, in accordance with ASC 718. Assuming the highest level of performance conditions were met, the grant date fair value of such awards would be as follows: (a) Mr. Severson, $2.3 million, (b) Mr. Taylor, $0.7 million, (c) Dr. Aron, $0.7 million, (d) Dr. Tockman, $0.7 million and (e) Mr. Wood, $0.7 million. Pursuant to ASC 718, the grant date fair value of FY2017 PSUs includes the following incremental fair value computed as of the modification date on January 25, 2017: (a) Mr. Severson, $114,180, (b) Mr. Taylor, $27,680, (c) Dr. Aron, $27,680, (d) Dr. Tockman, $27,680 and (e) Mr. Wood, $27,680. See Footnote (2) and the discussion under "Compensation Discussion and Analysis—Executive Compensation Components—Long-Term Equity Incentive Compensation—Vesting Structure" for additional information regarding the PSU modification. See also Note 16 of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K filed with the SEC on May 30, 2017, for additional information.

(7) PSUs were subject to vesting only if both of the Performance Vesting Condition and the Service Vesting Condition were satisfied as follows:

(i) 25% shares issuable upon settlement of FY2017 PSUs upon satisfying 90% of the Performance Vesting Condition target, and time-based vesting on May 2, 2019;

(ii) 25% shares issuable upon settlement of FY2017 PSUs upon satisfying 90% of the Performance Vesting Condition target, and time-based vesting on May 2, 2020;

(iii) 25% shares issuable upon settlement of FY2017 PSUs upon satisfying 100% of the Performance Vesting Condition target, and time-based vesting on May 2, 2019; and

(iv) 25% shares issuable upon settlement of FY2017 PSUs upon satisfying 100% of the Performance Vesting Condition target, and time-based vesting on May 2, 2020.

Additional information on the FY2017 PSUs is described above in "Compensation Discussion and Analysis—Executive Compensation Components—Long-Term Equity Incentive Compensation— Fiscal 2017 Equity Incentive Grants."

Outstanding Equity Awards at Fiscal Year End 2017

The following table shows, for the fiscal year ended March 31, 2017, certain information regarding outstanding equity awards at fiscal year-end for our Named Executive Officers.

		Stock Awards	
Name	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (1)
Clinton H. Severson	4/29/2013	13,300(2)	645,050
	4/28/2014	16,150(2)	783,275
	4/28/2014	36,000(3)	1,746,000
	5/4/2015	18,050(2)	875,425
	5/4/2015	36,000(3)	1,746,000
	5/2/2016	19,000(2)	921,500
	5/2/2016	51,000(3)	2,473,500
Ross Taylor	10/23/2014	8,500(2)	412,250
	5/4/2015	8,550(2)	414,675
	5/4/2015	16,000(3)	776,000
	5/2/2016	9,000(2)	436,500
	5/2/2016	16,000(3)	776,000
Kenneth P. Aron, Ph.D.	4/29/2013	6,300(2)	305,550
	4/28/2014	7,650(2)	371,025
	4/28/2014	24,000(3)	1,164,000
	5/4/2015	8,550(2)	414,675
	5/4/2015	24,000(3)	1,164,000
	5/2/2016	9,000(2)	436,500
	5/2/2016	16,000(3)	776,000
Craig M. Tockman, DVM	7/29/2013	350(2)	16,975
	10/24/2013	3,500(2)	169,750
	4/28/2014	7,650(2)	371,025
	4/28/2014	16,000(3)	776,000
	5/4/2015	8,550(2)	414,675
	5/4/2015	24,000(3)	1,164,000
	5/2/2016	9,000(2)	436,500
	5/2/2016	16,000(3)	776,000
Donald P. Wood	4/29/2013	6,300(2)	305,550
	4/28/2014	7,650(2)	371,025
	4/28/2014	24,000(3)	1,164,000
	5/4/2015	8,550(2)	414,675
	5/4/2015	24,000(3)	1,164,000
	5/2/2016	9,000(2)	436,500
	5/2/2016	16,000(3)	776,000

(1) The value of the equity award is based on the closing price of our common stock of $48.50 on March 31, 2017, as reported on the NASDAQ Global Select Market.

(2) The four-year vesting terms of the RSUs are as follows, assuming continuous employment: 5% of the shares vest after the first year; 10% of the shares vest after the second year; 15% of the shares vest after the third year; and 70% of the shares vest after the fourth year. Additional information on RSUs granted during fiscal 2017 is described above in ‘‘Compensation Discussion and Analysis—Executive Compensation Components—Long-Term Equity Incentive Compensation—Fiscal 2017 Equity Incentive Grants.’’

(3) The RSUs vest upon satisfying both performance and service criteria. On April 26, 2017, the Compensation Committee determined that Abaxis' income from continuing operations before income tax provision for fiscal 2017 was above 100% of target and accordingly, because the performance criteria were achieved during fiscal 2017, the FY2017 PSUs became eligible to vest in full, if each executive officer provides continuous employment through the vest date on the third and fourth year following the date of grant. Additional information on RSUs granted and modifications to FY2017 PSUs is described above in ‘‘Compensation Discussion and Analysis—Executive Compensation Components—Long-Term Equity Incentive Compensation—Fiscal 2017 Equity Incentive Grants.’’

Option Exercises and Stock Vested in Fiscal 2017

The following table shows all shares of common stock acquired upon all stock awards vested and value realized upon vesting, held by our Named Executive Officers during fiscal 2017. None of our Named Executive Officers exercised any outstanding stock options during fiscal 2017 and as of the end of fiscal 2017, and there were no outstanding stock options to purchase our common stock.

	Stock Awards	
Name	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($) (1)
Clinton H. Severson	21,800	970,820
Ross Taylor	1,450	67,101
Kenneth P. Aron, Ph.D.	10,050	447,555
Craig M. Tockman, DVM	2,525	116,313
Donald P. Wood	10,050	447,555

(1) The value realized on vesting of RSUs equals the fair market value of our common stock on the settlement date, multiplied by the number of shares that vested.

Severance and Change in Control Agreements

Employment Agreements

As described more fully above in ‘‘Summary Compensation Table—Employment Agreements,’’ our Chief Executive Officer, Chief Financial Officer and Vice President of Sales and Marketing for North America Animal Health are entitled to certain severance and change in control payments pursuant to their respective employment or offer letter agreement with us.

Executive Change of Control Severance Plan

In July 2006, our Board of Directors, after considering a change of control program analysis from the peer company analysis prepared by our compensation advisor at that time and upon the recommendation of our Compensation Committee, approved and adopted the Abaxis, Inc. Executive Change of Control Severance Plan (the "Severance Plan"). The Severance Plan was adopted by our Board of Directors to reduce the distraction of executives and potential loss of executive talent that could arise from a potential change of control. Participants in the Severance Plan include Abaxis' senior managers who are selected by the Board of Directors. Each of our Named Executive Officers is designated as a participant in the Severance Plan.

The Board of Directors has amended the Severance Plan from time to time to ensure its compliance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). In May 2014, our Compensation Committee determined to discontinue the practice of providing "single-trigger" equity vesting acceleration upon a change of control and the tax "gross up" provisions in the Severance Plan, as further described below. Accordingly, Mr. Taylor's and Dr. Tockman's offer letter agreements with us provide that, notwithstanding the terms of the Severance Plan, they will not be entitled to automatic vesting acceleration and the tax payment described above upon a change of control. Instead, Mr. Taylor and Dr. Tockman will be entitled to automatic equity vesting acceleration only on a "double-trigger" basis, requiring a termination in connection with a change of control, and will not be entitled to an excise tax gross up.

The Severance Plan (with respect to Mr. Taylor and Dr. Tockman, as adjusted by their respective offer letter agreement or employment agreement, respectively) provides that if the participant's employment is terminated by us (or any successor of Abaxis) for any reason other than cause, death, or disability within 18 months following the change of control date and such termination constitutes a separation in service, the participant is eligible to receive severance benefits as follows:

- on the 60th day after the termination date, a lump sum cash payment equal to two times the sum of the participant's annual base salary and the participant's target annual bonus amount for the year in which the change of control occurs;
- payment of up to 24 months of premiums for medical, dental and vision benefits, provided, however, that if the participant becomes eligible to receive comparable benefits under another employer's plan, our benefits will be secondary to those provided under such other plan;
- reimbursement, on a monthly basis, of up to 24 months of premiums for disability and life insurance benefits if the participant elects to convert his or her disability and/or life insurance benefits under our plans into individual policies following termination;
- for a participant who joined the Severance Plan on or after May 2014, full vesting of all equity awards;
- for a participant who joined the Severance Plan on or after May 2014, a "better after tax" provision providing that any payment or benefit the participant may receive that would be a "parachute payment" within the meaning of 280G of the Code subject to an excise tax imposed under Section 4999 of the Code (the "Excise Tax") will be either paid in full and subject to such Excise Tax or cut back to an amount that will not trigger the Excise Tax, whichever results in the greatest economic benefit to the participant; and
- for a participant who joined the Severance Plan prior to May 2014, payment of an amount equal to any Excise Tax, as well as a payment in reimbursement of Excise Taxes and income taxes arising from the initial Excise Tax payment, provided, however, that payment of such amount is capped at $1,000,000 per participant.

Payment of the foregoing severance benefits is conditioned upon the participant's execution of a valid and effective release of claims against us.

In addition, for participants who joined the Severance Plan prior to May 2014, the Severance Plan provides that upon the occurrence of a change of control, the participant's outstanding stock option(s) and other unvested equity-based instruments will accelerate in full, and any such stock awards shall become immediately exercisable. Under the 2005 Equity Incentive Plan, all equity awards held by executive officers accelerate upon a change in control. This equity acceleration does not apply to Mr. Taylor and Dr. Tockman. Our 2014 Equity Incentive Plan does not contain this automatic vesting acceleration provision.

Incentive Plans

Under our 2005 Equity Incentive Plan, or the 2005 Plan, in the event of a "change in control," as such term is defined by the 2005 Plan, the surviving, continuing, successor or purchasing entity or its parent may, without the consent of any participant, either assume or continue in effect any or all outstanding options and stock appreciation rights or substitute substantially equivalent options or rights for its stock. Any options or stock appreciation rights which are not assumed or continued in connection with a change in control or exercised prior to the change in control will terminate effective as of the time of the change in control. Our Compensation

Committee may provide for the acceleration of vesting of any or all outstanding options or stock appreciation rights upon such terms and to any extent it determines. The 2005 Plan also authorizes our Compensation Committee, in its discretion and without the consent of any participant, to cancel each or any outstanding option or stock appreciation right upon a change in control in exchange for a payment to the participant with respect to each vested share (and each unvested share if so determined by our Compensation Committee) subject to the cancelled award of an amount of cash, stock or other property equal to the fair market value of the excess of the consideration to be paid per share of common stock in the change in control transaction over the exercise price per share under the award. The Compensation Committee, in its discretion, may provide in the event of a change in control for the acceleration of vesting and/or settlement of any stock award, restricted stock unit award, performance share or performance unit, cash-based award or other share-based award held by a participant upon such conditions and to such extent as determined by our Compensation Committee. The vesting of non-employee director awards and officer awards (including awards held by the Named Executive Officers) granted under the 2005 Plan will automatically accelerate in full upon a change in control. However, our offer letter agreements with new executive officers hired starting in fiscal 2015 (Mr. Taylor and Dr. Tockman) provide that, notwithstanding the terms of the 2005 Plan, they will not be entitled to automatic vesting acceleration upon a change of control.

Under our 2014 Equity Incentive Plan, or the 2014 Plan, in the event of certain specified significant corporate transactions, including a change in control, unless otherwise provided in a participant's award agreement or other written agreement with us or one of our affiliates, we have the discretion to take any of the following actions with respect to stock awards: (1) arrange for the assumption, continuation or substitution of a stock award by a surviving or acquiring entity or parent company; (2) arrange for the assignment of any reacquisition or repurchase rights held by us to the surviving or acquiring entity or parent company; (3) accelerate the vesting of the stock award, in whole or in part, and provide for its termination prior to the effective time of the corporate transaction; (4) arrange for the lapse, in whole or in part, of any reacquisition or repurchase right held by us; (5) cancel or arrange for the cancellation of the stock award, to the extent not vested or not exercised prior to the effective time of the corporate transaction, in exchange for such cash consideration, if any, as the Board may deem appropriate; (6) make a payment equal to the excess of (a) the value of the property the participant would have received upon exercise of the stock award or (b) the exercise price otherwise payable in connection with the stock award. We are not obligated to treat all stock awards, even those that are of the same type, in the same manner. No automatic vesting acceleration occurs under the 2014 Plan upon a change of control, however we may provide, in an individual award agreement or in any other written agreement between a participant and us that the stock award will be subject to additional acceleration of vesting and exercisability in the event of a change of control. Our form of restricted stock unit award agreement for non-employee directors provides that such awards will vest in full upon a change of control.

As described above, certain additional compensation is payable to a Named Executive Officer (i) if his employment was involuntarily terminated without cause or he resigned for good cause, (ii) upon a change in control or (iii) if his employment was terminated involuntarily following a change in control. The amounts shown in the table below assume that such termination was effective as of March 31, 2017, and do not include amounts in which the Named Executive Officer had already vested as of March 31, 2017. The actual compensation to be paid can only be determined at the time of the change in control and/or a Named Executive Officer's termination of employment.

Potential Payments Upon Termination or Change in Control

The following table includes an estimate of the potential compensation and benefits payable to our Named Executive Officers, in certain termination and change of control situations, assuming that the involuntary termination, change in controls or involuntary termination without cause following a change in control, respectively, occurred on March 31, 2017.

Executive Benefits and Payments Upon Separation	Involuntary Termination (1)	Change In Control (No Termination)	Involuntary Termination Without Cause Following a Change In Control (2)
Clinton H. Severson			
Salary and bonus	$ 2,850,000	—	$ 2,850,000
Vesting of RSUs	$ 3,225,250(3)	$3,225,250(3)	$ 3,225,250(3)
Vesting of PSUs	$ 5,965,500(3)	$5,965,500(3)	$ 5,965,500(3)
Health and welfare benefits	$ 14,986(4)	—	$ 14,986(4)
Excise tax reimbursement and related gross up	—	—	$ 0(5)
Total	$12,055,736	$9,190,750	$12,055,736
Ross Taylor			
Salary and bonus	—	—	$ 1,515,000
Vesting of RSUs	—	—	$ 1,263,425(3)
Vesting of PSUs	—	—	$ 1,552,000(3)
Health and welfare benefits	—	—	$ 42,480(6)
Excise tax reimbursement and related gross up	—	—	—
Total	—	—	$ 4,372,905(7)
Kenneth P. Aron, Ph.D.			
Salary and bonus	—	—	$ 1,597,400
Vesting of RSUs	—	$1,527,750(3)	$ 1,527,750(3)
Vesting of PSUs	—	$3,104,000(3)	$ 3,104,000(3)
Health and welfare benefits	—	—	$ 42,978(6)
Excise tax reimbursement and related gross up	—	—	$ 0(5)
Total	—	$4,631,750	$ 6,272,128
Craig M. Tockman, DVM			
Salary and bonus	—	—	$ 1,597,400
Vesting of RSUs	—	—	$ 1,408,925(3)
Vesting of PSUs	—	—	$ 2,716,000(3)
Health and welfare benefits	—	—	$ 42,978(6)
Excise tax reimbursement and related gross up	—	—	—
Total	—	—	$ 5,765,303(7)
Donald P. Wood			
Salary and bonus	—	—	$ 1,921,000
Vesting of RSUs	—	$1,527,750(3)	$ 1,527,750(3)
Vesting of PSUs	—	$3,104,000(3)	$ 3,104,000(3)
Health and welfare benefits	—	—	$ 29,956(6)
Excise tax reimbursement and related gross up	—	—	$ 0(5)
Total	—	$4,631,750	$ 6,582,706

(1) The amounts listed for Mr. Severson are payments upon a termination without cause or upon his resignation for good reason, and are based on the aggregate of two years of salary, bonus, unvested RSUs, unvested PSUs and benefits if his employment with us is terminated for any reason other than cause or if he resigns for good reason (as defined in Mr. Severson's amended and restated employment agreement effective October 2010).

(2) Amounts assume that the Named Executive Officer was terminated without cause or due to constructive termination during the 18-month period following a change in control.

(3) The values of the RSUs and PSUs assume that the market price per share of our common stock on the date of termination of employment was equal to the closing price of our common stock of $48.50 on March 31, 2017, as reported on the NASDAQ Global Select Market.

(4) Health and welfare benefits include payment of 24 months of premiums for medical, dental, vision, disability, life insurance and long-term care benefits.

(5) For purposes of computing the Excise Tax reimbursement and related gross up payments, base amount calculations are based on the Named Executive Officer's taxable wages for fiscal years 2013 through 2017. No Excise Tax reimbursement or related gross up is estimated for Mr. Severson, Dr. Aron or Mr. Wood because the payment or benefit they may receive that would be a ''parachute payment'' within the meaning of 280G of the Code is estimated to be less than the Code safe harbor limit and thus not subject to Excise Tax.

(6) Health and welfare benefits include payment of 24 months of premiums for medical, dental, vision, disability and life insurance benefits.

(7) Mr. Taylor and Dr. Tockman do not receive an excise tax reimbursement or related gross-up benefit.

(8) Pursuant to the ''best after tax'' provision of the Severance Plan, as adjusted by each of Mr. Taylor's and Dr. Tockman's respective offer letters, any payment or benefit each may receive that would be a ''parachute payment'' within the meaning of 280G of the Code subject to an Excise Tax imposed under Section 4999 of the Code will be either paid in full and subject to such Excise Tax or cut back to an amount that will not trigger the Excise Tax, whichever results in the greatest economic benefit to the participant. Based on this provision, each of Mr. Taylor and Dr. Tockman would have received the greatest economic benefit to receive his full severance amount and personally pay his Excise Tax liability. The estimated Excise Tax liability that Mr. Taylor and Dr. Tockman would have been responsible for personally paying was $372,000 and $402,000, respectively.

DIRECTOR COMPENSATION

Director Compensation Table

The table below summarizes the compensation paid to our non-employee directors for fiscal 2017.

Name (1)	Fees Earned or Paid in Cash ($)	Stock Awards ($) (2) (3)	Total ($)
Vernon E. Altman	33,000	244,970	277,970
Richard J. Bastiani, Ph.D.	35,500	244,970	280,470
Michael D. Casey	28,000	244,970	272,970
Henk J. Evenhuis	38,500	244,970	283,470
Prithipal Singh, Ph.D.	32,000	244,970	276,970

(1) Clinton H. Severson, our Chief Executive Officer and Director, is not included in this table as he is an employee of Abaxis and receives no compensation for his services as a director. The compensation received by Mr. Severson as an employee is shown in the ''Summary Compensation Table'' above.

(2) Each non-employee director listed in the table above was granted an award of 5,500 RSUs on May 2, 2016 under our 2014 Plan. Amounts listed in this column represent the grant date fair value of the awards in accordance with ASC 718. Amounts shown do not reflect whether the non-employee director has actually realized a financial benefit from the awards (such as by vesting in a RSU award). For a discussion of the assumptions used in determining the fair value of awards of RSUs in the above table, see Note 16 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K filed with the SEC on May 30, 2017. No stock awards were forfeited by our non-employee directors during fiscal 2017.

(3) As of March 31, 2017, each of our non-employee directors held 5,500 shares subject to outstanding RSUs.

Overview

Our Compensation Committee regularly reviews the elements of our non-employee director compensation program, including, with input as appropriate from outside advisors. In 2016, concurrent with review of the executive compensation programs, Pay Governance also reviewed our non-employee director compensation programs against those of our Compensation Peer Group. We did not implement any modifications to our non-employee director compensation program following such review. The current components of our non-employee director compensation program include cash retainers and meeting fees, as well as reasonable expense reimbursement, as well as discretionary equity awards. We also maintain stock ownership guidelines for directors as indicated above under ''Compensation Discussion and Analysis—Other Compensation Policies and Benefits—Stock Ownership Guidelines.'' All of our directors meet these guidelines.

Cash Compensation Paid to Board Members

During fiscal 2017, all non-employee directors received an annual retainer of $15,000, pro-rated based on the period of services provided by the non-employee director. The non-employee Chairs of our Audit Committee, Compensation Committee and Nominating Committee received an annual supplement of $13,500, $7,500, and $5,000, respectively. Our non-employee directors each received $1,250 per board meeting attended and $1,000 per committee meeting attended. Mr. Altman is our lead independent director and receives an annual supplement of $7,000 in connection therewith. We also reimburse our non-employee directors for reasonable travel expenses incurred in connection with attending board and committee meetings. Directors who are employees receive no compensation for their service as directors.

Equity Compensation Paid to Board Members

Non-employee directors are eligible to receive equity awards under our equity compensation plans, as applicable, but such awards are discretionary and not automatic. In fiscal 2017, 2016 and 2015, each non-employee director received an annual equity award of 5,500, 5,000 and 5,000 RSUs, respectively, under our equity compensation plans, as applicable, for the services provided by the non-employee director during the respective period. Each RSU represents the right of the participant to receive, without payment of monetary consideration, on the vesting date, a number of shares of common stock equal to the number of units vesting on such date. Subject to the director's continued service with us through the applicable vesting date, each RSU award will vest in full 12 months after the grant date. Under the terms of the 2005 Plan and of the director agreements under the 2014 Plan, the vesting of each non-employee director RSU award will also be accelerated in full in the event of a ''change in control,'' as defined in the applicable equity compensation plan.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of May 31, 2017 by (i) each of the Named Executive Officers in the Summary Compensation Table; (ii) each of our directors; (iii) all of our executive officers and directors as a group and (iv) holders of at least 5% of our common stock. The persons named in the table have sole or shared voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to this table.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Abaxis Common Stock Beneficially Owned (1)
5% Holders:		
Brown Capital Management, LLC and The Brown Capital Management Small Company Fund (3)	3,763,823	16.6%
Kayne Anderson Rudnick Investment Management, LLC (4)	2,683,852	11.8%
PRIMECAP Management Company (5)	2,289,200	10.1%
BlackRock, Inc. (6)	2,501,386	11.0%
The Vanguard Group, Inc. (7)	1,918,089	8.5%
Neuberger Berman Group LLC, Neuberger Berman Investment Advisers, LLC, and Neuberger Berman Equity Funds (8)	1,164,852	5.1%
Named Executive Officers: (2)		
Clinton H. Severson	572,781	2.5%
Kenneth P. Aron, Ph.D. (9)	100,140	*
Donald P. Wood	57,282	*
Craig M. Tockman, DVM	9,054	*
Ross Taylor	3,300	*
Outside Directors: (2)		
Richard J. Bastiani, Ph.D. (10)	52,200	*
Prithipal Singh, Ph.D.	45,000	*
Michael D. Casey	28,700	*
Vernon E. Altman	26,803	*
Henk J. Evenhuis	17,900	*
Executive officers and directors as a group (11 persons) (11)	972,110	4.3%

* Less than 1%.

(1) The percentages shown in this column are calculated based on 22,654,143 shares of common stock outstanding on May 31, 2017 and include shares of common stock that such person or group had the right to acquire on or within sixty days after that date, including, but not limited to, upon the vesting of RSUs and PSUs.

(2) The business address of the beneficial owners listed is c/o Abaxis, Inc., 3240 Whipple Road, Union City, CA 94587.

(3) Based on information set forth in a Schedule 13G/A filed with the SEC on February 9, 2017 by Brown Capital Management, LLC, reporting sole power to vote and dispose of 2,246,116 and 3,763,823 of the reported shares, respectively; and by The Brown Capital Management Small Company Fund, reporting sole power to vote and dispose of 1,731,348 of the reported shares. The Brown Capital Management Small Company Fund is a registered investment company that is managed by Brown Capital Management, LLC, an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E). All of the reported shares are owned by various investment advisory clients of Brown Capital Management, LLC, which is deemed to be a beneficial owner of those shares pursuant to Rule 13d-3 under the Exchange Act, due to its discretionary power to make investment decisions over such shares for its clients and/or its ability to vote such shares. The business address for Brown Capital Management, LLC and The Brown Capital Management Small Company Fund is 1201 North Calvert Street, Baltimore, MD 21202.

(4) Based on information set forth in a Schedule 13G/A filed with the SEC on February 9, 2017 by Kayne Anderson Rudnick

Investment Management, LLC, an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E), reporting sole power to vote and dispose of 1,857,552 of the reported shares and shared power to vote and dispose of 826,300 of the reported shares. The business address for Kayne Anderson Rudnick Investment Management, LLC is 1800 Avenue of the Stars, Second Floor, Los Angeles, CA 90067.

(5) Based on information set forth in a Schedule 13G/A filed with the SEC on February 9, 2017 by PRIMECAP Management Company, an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E) and a church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 reporting sole power to vote and dispose of 2,115,300 and 2,289,200 of the reported shares, respectively. The business address for PRIMECAP Management Company is 177 E. Colorado Boulevard, 11th Floor, Pasadena, CA 91105.

(6) Based on information set forth in a Schedule 13G/A filed with the SEC on January 12, 2017 by BlackRock, Inc., a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G), reporting sole power to vote and dispose of 2,454,210 and 2,501,386 of the reported shares, respectively. The business address for BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

(7) Based on information set forth in a Schedule 13G/A filed with the SEC on February 9, 2017 by The Vanguard Group, Inc., an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E), reporting sole power to vote and dispose of 43,716 and 1,872,269 of the reported shares, respectively; and shared power to vote and dispose of 3,202 and 45,820 of the reported shares, respectively. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 42,618 of the reported shares and Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 4,300 of the reported shares. The business address for The Vanguard Group, Inc. is 100 Vanguard Boulevard, Malvern, PA 19355.

(8) Based on information set forth in a Schedule 13G/A filed with the SEC on February 14, 2017 by Neuberger Berman Group LLC, reporting shared power to vote and dispose of 1,164,852 of the reported shares, by Neuberger Berman Investment Advisers LLC, reporting shared power to vote and dispose of 1,164,852 of the reported shares and by Neuberger Berman Equity Funds, reporting shared power to vote and dispose of 858,080 of the reported shares. Neuberger Berman Group LLC, Neuberger Berman Investment Advisers LLC and Neuberger Berman Equity Funds are a group in accordance with Rule 13d-1(b)(1)(ii)(K). The business address for Neuberger Berman Group LLC, Neuberger Berman Investment Advisers LLC and Neuberger Berman Equity Funds is 1290 Avenue of Americas, New York, NY 10104.

(9) Includes:

- 99,640 shares held by Dr. Aron; and
- 500 shares held by Mrs. Aron's IRA.

(10) Includes:

- 51,900 shares held by Dr. Bastiani; and
- 300 shares held by Dr. Bastiani's wife.

(11) Includes:

- 971,760 shares held by all executive officers and directors as a group; and
- 350 shares subject to the vesting of RSUs and PSUs for all executive officers and directors as a group within sixty days of May 31, 2017.

Securities Authorized for Issuance Under Equity Compensation Plans

As of March 31, 2017, Abaxis had two equity incentive plans, the 2005 Plan and the 2014 Plan, under which our equity securities are authorized for issuance to our employees, directors and consultants. Each of these plans was approved by our shareholders.

From time to time we issue warrants to purchase shares of our common stock to non-employees, such as service providers and purchasers of our preferred stock. As of March 31, 2017, there were no warrants outstanding to purchase common stock.

The following table provides aggregate information as of March 31, 2017 regarding (i) outstanding unvested RSUs and PSUs and shares reserved under our equity compensation plans and (ii) outstanding warrants to purchase our common stock.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (1)
Equity compensation plans approved by our shareholders:			
Equity Incentive Plan (2)	974,202	$0.00(3)	1,307,075
Equity compensation plans not approved by our shareholders:			
Warrants to purchase common stock	—	—	—
Total:	974,202	$0.00(3)	1,307,075

(1) The shares are available for award grant purposes under the 2014 Plan and exclude shares listed under the column "Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights."

(2) The 2014 Plan, which was approved by our shareholders on October 22, 2014, is the successor to and continuation of the 2005 Plan.

(3) Represents outstanding and unvested RSU and PSU awards for which there is no exercise price.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain Relationships and Related Transactions

In May 2016, we entered into a distribution agreement with Visual Dynamix. Mr. Gary Tockman is the President and owner of Visual Dynamix and the brother of Dr. Tockman, our Vice President of Animal Health Sales and Marketing for North America. Under the distribution agreement, we agreed to purchase a minimum of 100 units of microscopes or microscopes and camera systems for exclusive worldwide distribution rights. The price per unit is variable and dependent on the volume of units ordered. The initial term of the distribution agreement ended in May 2017, and after the initial term, renews automatically for successive one-year periods unless terminated by either party based upon a notice of non-renewal of sixty days. During fiscal 2017, we purchased and paid Visual Dynamix $0.5 million for inventory products. We market the products purchased from Visual Dynamix worldwide as the VetScan HDmicroscope.

Other than the distribution agreement with Visual Dynamix, there was not, nor is there any currently proposed transaction or series of similar transactions to which we were or are to be a party in which the amount involved exceeded or exceeds $120,000 and in which any of our executive officers, directors or holder of more than 5% of any class of our voting securities and members of that person's immediate family had, has or will have a direct or indirect material interest, other than as set forth in "Executive Compensation" and "Director Compensation" above and in "Indemnification Agreements" below.

Indemnification Agreements

We generally enter into indemnity agreements with our directors and executive officers. These indemnity agreements require us to indemnify these individuals to the fullest extent permitted by law.

Related-Person Transactions Policy and Procedures

We have adopted a written policy that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of any class of our common stock, any members of the immediate family of any of the foregoing persons and any firm, corporation or other entity in which any of the foregoing persons is an executive partner or principal or which such person has a 5% or greater beneficial ownership interest (each a "Related Person"), are not permitted to enter into a transaction with us without the prior consent of the Audit Committee. Any request for us to enter into a transaction with a Related Person, in which the amount involved exceeds $120,000 and such Related Person would have a direct or indirect interest, must first be presented to the Audit Committee for review, consideration and approval. In approving or rejecting any such proposal, the Audit Committee is to consider the material facts of the transaction, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the Related Person's interest in the transaction. In addition, the charter of our Audit Committee provides that our Audit Committee is responsible for reviewing and approving any related-party transactions, after reviewing each such transaction for potential conflicts of interests and other improprieties.

Director Independence

As required under the NASDAQ listing standards, a majority of the members of a listed company's Board of Directors must qualify as ''independent,'' as affirmatively determined by the Board of Directors. The Board consults with our counsel to ensure that the Board's determinations are consistent with relevant securities and other laws and regulations regarding the definition of ''independent,'' including those set forth in the NASDAQ listing standards, as in effect from time to time. Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and Abaxis, its senior management, and its independent registered public accounting firm, the Board has affirmatively determined that the following five directors are independent directors within the meaning of the applicable NASDAQ listing standards: Mr. Altman, Mr. Casey, Mr. Evenhuis and Drs. Bastiani and Singh. In making this determination, the Board found that none of the directors had a material or other disqualifying relationship with Abaxis. Mr. Severson, our Chairman and Chief Executive Officer, is not an independent director by virtue of his employment with Abaxis. Mr. Altman currently serves as the Board's lead independent director.

Item 14. Principal Accounting Fees and Services

For the fiscal years ended March 31, 2017 and 2016, our independent registered public accounting firm, BPM LLP billed the approximate fees set forth below. All fees included below were approved by the Audit Committee.

	Year Ended March 31,	
	2017	2016
Audit Fees (1)	$782,000	$755,000
Audit-Related Fees (2)	28,000	28,000
Tax Fees	—	—
All Other Fees	—	—
Total All Fees	$810,000	$783,000

(1) Audit fees represent fees for professional services provided in connection with the audit of our financial statements and review of our quarterly condensed consolidated financial statements, including attestation services related to Section 404 of the Sarbanes-Oxley Act of 2002.

(2) Audit-related fees represent fees for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under ''Audit Fees.'' In fiscal 2017 and 2016, these services included attestation services related to Abaxis' tax deferral savings plan.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy requiring the pre-approval of all audit and non-audit services to be performed for Abaxis by the independent registered public accounting firm. The Audit Committee has considered the role of BPM LLP in providing audit and audit-related services to Abaxis and has concluded that such services are compatible with BPM LLP's role as Abaxis' independent registered public accounting firm.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following financial statements, schedules and exhibits are filed as part of this report:

1. Financial Statements - The Financial Statements required by this item are listed on the Index to Consolidated Financial Statements in Part II, Item 8 of the Original 10-K.

2. Financial Statement Schedules –

   - Schedule II – Valuation and Qualifying Accounts and Reserves is included in the Original 10-K.
   - Other financial statement schedules are not included because they are not required or the information is otherwise shown in the consolidated financial statements or notes thereto.

3. Exhibits - The exhibits listed on the accompanying Exhibit Index are filed as part of, or are incorporated by reference into, this report.

(b) See Item 15(a)(3) above.

(c) See Item 15(a)(2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on July 28, 2017.

ABAXIS, INC.

By: /s/ Clinton H. Severson
Clinton H. Severson
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Clinton H. Severson Clinton H. Severson	Chief Executive Officer and Director (Principal Executive Officer)	July 28, 2017
/s/ Ross Taylor Ross Taylor	Chief Financial Officer and Vice President of Finance (Principal Financial and Accounting Officer)	July 28, 2017
* Vernon E. Altman	Director	July 28, 2017
* Richard J. Bastiani, Ph.D.	Director	July 28, 2017
* Michael D. Casey	Director	July 28, 2017
* Henk J. Evenhuis	Director	July 28, 2017
* Prithipal Singh, Ph.D.	Director	July 28, 2017

*By: /s/ Clinton H. Severson
Clinton H. Severson
As Attorney-in-Fact

Exhibit Index

Exhibit No.	Description of Document
3.1	Amended and Restated Articles of Incorporation, as amended (filed with the Securities and Exchange Commission on May 30, 2014 as Exhibit 3.1 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2014 and incorporated herein by reference).
3.2	Amended and Restated Bylaws (filed with the Securities and Exchange Commission on July 10, 2015 as Exhibit 3.2 to our Current Report on Form 8-K and incorporated herein by reference).
10.1	Lease Agreement with Principal Development Investors, LLC, dated June 21, 2000 (filed with the Securities and Exchange Commission on January 10, 2001 as Exhibit 10.10 to our Registration Statement on Form S-3 and incorporated herein by reference).
10.2*	Amended and Restated Executive Employment Agreement with Mr. Clinton H. Severson, dated October 27, 2010 (filed with the Securities and Exchange Commission on February 9, 2011 as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2010 and incorporated herein by reference).
10.3*	2005 Equity Incentive Plan, as amended and restated through November 8, 2012 (filed with the Securities and Exchange Commission on February 11, 2013 as Exhibit 10.4 to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2012 and incorporated herein by reference).
10.4*	Form of Notice of Grant of Restricted Stock Units (time vesting) under the 2005 Equity Incentive Plan (filed with the Securities and Exchange Commission on June 14, 2013 as Exhibit 10.7 to our Annual Report on Form 10-K for the year ended March 31, 2013 and incorporated herein by reference).
10.5*	Form of Notice of Grant of Restricted Stock Units (performance vesting) under the 2005 Equity Incentive Plan (filed with the Securities and Exchange Commission on June 14, 2013 as Exhibit 10.8 to our Annual Report on Form 10-K for the year ended March 31, 2013 and incorporated herein by reference).
10.6*	2014 Equity Incentive Plan, as amended (filed with the Securities and Exchange Commission on November 1, 2016 as Exhibit 10.1 to our Current Report on Form 8-K and incorporated herein by reference).
10.7*	Forms of Restricted Stock Unit (time vesting) Grant Notice and Award Agreements under the Abaxis, Inc. 2014 Equity Incentive Plan (filed with the Securities and Exchange Commission on February 9, 2015 as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2014 and incorporated herein by reference).
10.8*	Forms of Restricted Stock Unit (performance vesting) Grant Notice and Award Agreements under the Abaxis, Inc. 2014 Equity Incentive Plan (filed with the Securities and Exchange Commission on February 9, 2015 as Exhibit 10.3 to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2014 and incorporated herein by reference).
10.9*	Abaxis, Inc. Executive Change of Control Severance Plan, as amended as of December 23, 2008 (filed with the Securities and Exchange Commission on February 9, 2009 as Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2008 and incorporated herein by reference).
10.10*	Fiscal 2017 Base Salary and Target Bonus for the Named Executive Officers (filed with the Securities and Exchange Commission on April 28, 2016 as a part of our Current Report on Form 8-K and incorporated herein by reference, as amended and filed with the Securities and Exchange Commission on January 31, 2017 as a part of our Current Report on Form 8-K and incorporated herein by reference).

Exhibit No.	Description of Document
10.11*	Form of Indemnity Agreement entered into by Abaxis, Inc. with each of its directors and executive officers (filed with the Securities and Exchange Commission on June 13, 2008 as Exhibit 10.22 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2008 and incorporated herein by reference).
10.12*	Offer Letter Agreement between Abaxis, Inc. and Dean Ross Taylor, dated April 29, 2015 (filed with the Securities and Exchange Commission on May 4, 2015 as Exhibit 99.2 to our Current Report on Form 8-K and incorporated herein by reference).
10.13*	Executive Employment Agreement, dated as of May 1, 2014, with Craig M. Tockman (filed with the Securities and Exchange Commission on August 11, 2014 as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 and incorporated herein by reference).
10.14	First Amendment to Lease Agreement with Principal Development Investors, LLC, dated as of August 28, 2000 (filed with the Securities and Exchange Commission on June 14, 2010 as Exhibit 10.23 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2010 and incorporated herein by reference).
10.15	Second Amendment to Lease Agreement with Principal Development Investors, LLC, dated as of November 20, 2000 (filed with the Securities and Exchange Commission on June 14, 2010 as Exhibit 10.24 with our Annual Report on Form 10-K for the fiscal year ended March 31, 2010 and incorporated herein by reference).
10.16	Third Amendment to Lease Agreement with Crossroads Technology Partners and Nearon Crossroads, LLC, as successors in interest to Principal Development Investors, LLC, dated as of April 10, 2002 (filed with the Securities and Exchange Commission on June 14, 2010 as Exhibit 10.25 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2010 and incorporated herein by reference).
10.17	Fourth Amendment to Lease Agreement with Whipple Road Holdings, LLC, SFP Crossroads, LLC and Woodstock Bowers, LLC, dated March 11, 2010 (filed with the Securities and Exchange Commission on June 14, 2010 as Exhibit 10.26 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2010 and incorporated herein by reference).
10.18+	Exclusive Agreement, dated October 26, 2012, by and between Abaxis, Inc. and Abbott Point of Care, Inc. (filed with the Securities and Exchange Commission on July 2, 2013 as Exhibit 10.1 to the Amendment to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2012 and incorporated herein by reference).
10.19	Non-Exclusive Distributor Agreement, dated as of September 28, 2012, by and between MWI Veterinary Supply, Inc. (''MWI'') and Abaxis, Inc. (filed with the Securities and Exchange Commission on November 27, 2012 as Exhibit 10.27 to MWI's Annual Report on Form 10-K for the fiscal year ended September 30, 2012 and incorporated herein by reference).
10.20	Amendment to Exclusive Agreement between Abaxis, Inc. and Abbott Point of Care Inc., dated September 30, 2013 (filed with the Securities and Exchange Commission on November 12, 2013 as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and incorporated herein by reference).
10.21+	Asset Purchase Agreement, dated as of March 19, 2015, between Antech Diagnostics, Inc. and Abaxis, Inc. (filed with the Securities and Exchange Commission on June 1, 2015 as Exhibit 10.25 to our Annual Report on Form 10-K for the year ended March 31, 2015 and incorporated herein by reference).
10.22*	Service Agreement between Abaxis Europe GmbH, Abaxis, Inc. and Achim Henkel, dated May 30, 2008 (filed with the Securities and Exchange Commission on July 29, 2015 as Exhibit 10.26 to Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended March 31, 2015 and incorporated herein by reference).

Exhibit No.	Description of Document
10.23	Fifth Amendment to Lease Agreement, dated as of December 17, 2015, among Abaxis, Inc. and Whipple Road Holdings, LLC, SFP Crossroads, LLC and Woodstock Bowers, LLC (filed with the Securities and Exchange Commission on February 9, 2016 as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2015 and incorporated herein by reference).
10.24*	Fiscal 2018 Base Salary and Target Bonus for the Named Executive Officers (filed with the Securities and Exchange Commission on April 26, 2017 as a part of our Current Report on Form 8-K and incorporated herein by reference).
10.25+	Distribution Agreement, dated as of October 1, 2014, between Patterson Management, LP and Abaxis, Inc. (filed with the Securities and Exchange Commission on May 31, 2016 as Exhibit 10.27 to our Annual Report on Form 10-K for the fiscal year ended March 31, 2016 and incorporated herein by reference).
21.1	Subsidiaries of Abaxis, Inc. (filed with the Securities and Exchange Commission on May 30, 2017 as Exhibit 21.1 to the Original 10-K and incorporated herein by reference).
23.1	Consent of BPM LLP, Independent Registered Public Accounting Firm (filed with the Securities and Exchange Commission on May 30, 2017 as Exhibit 23.1 to the Original 10-K and incorporated herein by reference).
24.1	Power of Attorney (included on the Signature Page to the Original 10-K and incorporated herein by reference).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed with the Securities and Exchange Commission on May 30, 2017 as Exhibit 31.1 to the Original 10-K and incorporated herein by reference).
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed with the Securities and Exchange Commission on May 30, 2017 as Exhibit 31.2 to the Original 10-K and incorporated herein by reference).
31.3	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.4	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1#	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed with the Securities and Exchange Commission on May 30, 2017 as Exhibit 32.1 to the Original 10-K and incorporated herein by reference).
32.2#	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed with the Securities and Exchange Commission on May 30, 2017 as Exhibit 32.2 to the Original 10-K and incorporated herein by reference).
101.INS	XBRL Instance Document (filed with the Securities and Exchange Commission on May 30, 2017 as Exhibit 101.INS to the Original 10-K and incorporated herein by reference).
101.SCH	XBRL Taxonomy Extension Schema Document (filed with the Securities and Exchange Commission on May 30, 2017 as Exhibit 101.SCH to the Original 10-K and incorporated herein by reference).
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (filed with the Securities and Exchange Commission on May 30, 2017 as Exhibit 101.CAL to the Original 10-K and incorporated herein by reference).
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document (filed with the Securities and Exchange Commission on May 30, 2017 as Exhibit 101.LAB to the Original 10-K and incorporated herein by reference).

Exhibit No.	Description of Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (filed with the Securities and Exchange Commission on May 30, 2017 as Exhibit 101.PRE to the Original 10-K and incorporated herein by reference).
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (filed with the Securities and Exchange Commission on May 30, 2017 as Exhibit 101.DEF to the Original 10-K and incorporated herein by reference).

+ Confidential treatment of certain portions of this agreement has been granted by the Securities and Exchange Commission.

* Management contract or compensatory plan or arrangement.

This certification is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

EXHIBIT 31.3

Certification of Chief Executive Officer
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Clinton H. Severson, certify that:

1. I have reviewed this Amendment to the Annual Report on Form 10-K/A of Abaxis, Inc. and

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.

Date: July 28, 2017

/s/ Clinton H. Severson

Clinton H. Severson
Chief Executive Officer

EXHIBIT 31.4

**Certification of Chief Financial Officer
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002**

I, Ross Taylor, certify that:

1. I have reviewed this Amendment to the Annual Report on Form 10-K/A of Abaxis, Inc. and
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.

Date: July 28, 2017

/s/ Ross Taylor

Ross Taylor
Chief Financial Officer and Vice President of Finance

Directors and Officers

Board of Directors

Clinton H. Severson
Chairman of the Board and
Chief Executive Officer, Abaxis, Inc.

Vernon E. Altman
Senior Advisor, Bain & Company, Inc.

Richard J. Bastiani, PhD
Retired
Most recently Chairman of
Response Biomedical Corporation

Michael D. Casey
Retired
Most recently Chairman and
Chief Executive Officer of Matrix
Pharmaceutical, Inc.

Henk J. Evenhuis
Retired
Most recently Chief Financial Officer
of Fair Isaac Corporation

Prithipal Singh, PhD
Retired
Most recently Chairman of
ChemTrak, Inc.

Corporate Officers

Clinton H. Severson
Chairman of the Board and
Chief Executive Officer

Donald P. Wood
President and
Chief Operating Officer

Ross Taylor
Chief Financial Officer and
Secretary

Kenneth P. Aron, PhD
Chief Technology Officer

Achim Henkel
Managing Director, Abaxis Europe GmbH

Craig M. Tockman, DVM
Vice President of Animal Health
Sales and Marketing, North America

Shareholder Information

Common Stock

Abaxis, Inc. common stock is listed on the NASDAQ Global Market (ticker symbol ABAX)

Transfer Agent and Registrar

Inquiries related to shareholder records, change of ownership and change of address should be sent to:

Computershare
By regular mail:
PO Box 505000
Louisville, KY 40233-5000

By overnight delivery:
462 South 4th Street, Suite 1600
Louisville, KY 40202

Shareholder service: 877.373.6374
Shareholder website:
www.computershare.com/investor

Independent Registered Public Accounting Firm

BPM LLP
San Jose, California

Legal Counsel

Cooley LLP
San Francisco, California

Financial Information

Full financial statements are provided in the Company's 2017 annual report. The Company's complete filings with the Securities and Exchange Commission, including the Form 10-K and Form 10-K/A included in this report and all exhibits, are available without charge on the "Investor Relations" section of the Company's website under "SEC Filings" at www.abaxis.com, as well as on the SEC's website at www.sec.gov. Printed copies are available by calling 510.675.6500.

www.abaxis.com

Abaxis, Inc.

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United States

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GLOBAL DIAGNOSTICS

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