

ABAXIS INC
Form DEF 14A
September 15, 2016
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SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No. ___)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 - Definitive Proxy Statement
 - Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

ABAXIS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box)

No fee required.

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

1. Title of each class of securities to which transaction applies:
2. Aggregate number of securities to which transaction applies:
3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
4. Proposed maximum aggregate value of transaction:
5. Total fee paid:

- Fee paid previously with preliminary materials.

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

6. Amount Previously Paid:
7. Form, Schedule or Registration Statement No.:
8. Filing Party:
9. Date Filed:

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September 15, 2016

Dear Shareholder:

This year's annual meeting of shareholders will be held on Wednesday, October 26, 2016, at 10:00 a.m. Pacific time, at our offices located at 3240 Whipple Road, Union City, California. You are cordially invited to attend.

The Notice of Annual Meeting of Shareholders and a Proxy Statement, which describe the formal business to be conducted at the meeting, follow this letter.

It is important that you use this opportunity to take part in the affairs of Abaxis, Inc. by voting on the business to come before this meeting. After reading the Proxy Statement, please promptly mark, sign, date and return the enclosed proxy card in the prepaid envelope, or vote over the telephone or the Internet as instructed in the Proxy Statement, to assure that your shares will be represented. Regardless of the number of shares you own, your careful consideration of, and vote on, the matters before our shareholders is important.

A copy of our Annual Report to Shareholders is also enclosed for your information. At the annual meeting we will review our activities over the past year and our plans for the future. We look forward to seeing you at the annual meeting.

Sincerely yours,

CLINTON H. SEVERSON
*Chairman of the Board and
Chief Executive Officer*

Corporate Headquarters

Abaxis, Inc., 3240 Whipple Road, Union City, CA 94587
Tel 510-675-6500 Fax 510-441-6151 www.abaxis.com

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ABAXIS, INC.

3240 Whipple Road, Union City, California 94587

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held On October 26, 2016

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Abaxis, Inc., a California corporation (the Company). The meeting will be held on Wednesday, October 26, 2016, at 10:00 a.m. Pacific time, at our offices, located at 3240 Whipple Road, Union City, California 94587, for the following purposes:

1. To elect our six nominees for director to serve for the ensuing year and until their successors are elected and qualified.
2. To approve the Company s 2014 Equity Incentive Plan (the 2014 Plan), as amended (the Amended 2014 Plan), to, among other things, increase the number of shares of common stock authorized for issuance under the 2014 Plan by 900,000 shares and, for purposes of the requirements of Section 162(m) of the Internal Revenue Code, as amended, to update the means of adjustment when calculating the attainment of performance goals for performance awards under the 2014 Plan.
3. To approve, on an advisory basis, the compensation of our Named Executive Officers, as disclosed in this proxy statement.
4. To ratify the selection by the Audit Committee of the Board of Directors of Burr Pilger Mayer, Inc. as our independent registered public accounting firm for the fiscal year ending March 31, 2017.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the Annual Meeting is August 31, 2016. Only shareholders of record at the close of business on that date may vote at the meeting or any adjournment thereof. For ten days prior to the meeting, a complete list of shareholders entitled to vote at the meeting will be available for examination by any shareholder, for any purpose relating to the meeting, during ordinary business hours at our offices located at 3240 Whipple Road, Union City, California.

Important Notice Regarding the Availability of Proxy Materials for the Shareholders' Meeting to Be Held on Wednesday, October 26, 2016, at 10:00 a.m., Pacific time, at our offices, located at 3240 Whipple Road, Union City, California 94587.

The proxy statement and annual report to shareholders are available at <http://investor.abaxis.com/>.

By Order of the Board of Directors

Ross Taylor
Secretary

Union City, California
September 15, 2016

You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy, or vote over the telephone or the Internet as instructed in these materials, as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

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ABAXIS, INC.

3240 Whipple Road, Union City, California 94587

PROXY STATEMENT

FOR THE 2016 ANNUAL MEETING OF SHAREHOLDERS

October 26, 2016

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We have sent you this proxy statement and the enclosed proxy card because the Board of Directors (the Board) of Abaxis, Inc., a California corporation, is soliciting your proxy to vote at the 2016 Annual Meeting of Shareholders, including at any adjournments or postponements of the meeting. As used in this proxy statement, we, us, our and Abaxis refer to Abaxis, Inc. and, where applicable, its subsidiaries.

You are invited to attend the annual meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, or follow the instructions below to submit your proxy over the telephone or on the Internet.

We intend to mail this proxy statement and accompanying proxy card on or about September 15, 2016 to all shareholders of record entitled to vote at the annual meeting.

How do I attend the annual meeting?

The meeting will be held on Wednesday, October 26, 2016, at 10:00 a.m. Pacific time, at our offices, located at 3240 Whipple Road, Union City, California 94587. Directions to the annual meeting may be found at www.abaxis.com. Information on how to vote in person at the annual meeting is discussed below.

Who can vote at the annual meeting?

Only shareholders of record at the close of business on August 31, 2016 will be entitled to vote at the annual meeting. On this record date, there were 22,532,839 shares of common stock outstanding and entitled to vote.

Shareholder of Record: Shares Registered in Your Name

If on August 31, 2016 your shares were registered directly in your name with our transfer agent, Computershare Trust Company, N.A., then you are a shareholder of record. As a shareholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card or vote by proxy over the telephone or on the Internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on August 31, 2016 your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the shareholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your broker or other agent regarding how to vote the shares in your account. You are also invited to attend the

annual meeting. However, because you are not the shareholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

What am I voting on?

There are four matters scheduled for a vote:

- Election of six directors;
- Approval of the Company's 2014 Equity Incentive Plan (the 2014 Plan), as amended (the Amended 2014 Plan), to, among other things, increase the number of shares of common stock authorized for

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issuance under the 2014 Plan by 900,000 shares and, for purposes of the requirements of Section 162(m) of the Internal Revenue Code, as amended, to update the means of adjustment when calculating the attainment of performance goals for performance awards under the 2014 Plan;

- Advisory approval of the compensation of our Chief Executive Officer, Chief Financial Officer, former Chief Financial Officer, and the three other most highly compensated executive officers at March 31, 2016 (collectively, the Named Executive Officers), as disclosed in this proxy statement; and
- Ratification of Burr Pilger Mayer, Inc. as our independent registered public accounting firm for the fiscal year ending March 31, 2017.

What if another matter is properly brought before the meeting?

The Board knows of no other matters that will be presented for consideration at the annual meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on those matters in accordance with their best judgment.

How do I vote?

You may either vote For all the nominees to the Board or you may Withhold your vote for any nominee you specify. For each of the other matters to be voted on, you may vote For or Against or abstain from voting. The procedures for voting are as follows:

Shareholder of Record: Shares Registered in Your Name

If you are a shareholder of record, you may vote in person at the annual meeting, vote by proxy using the enclosed proxy card, vote by proxy over the telephone, or vote by proxy on the Internet. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person even if you have already voted by proxy.

- To vote in person, come to the annual meeting and we will give you a ballot when you arrive.
- To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the annual meeting, we will vote your shares as you direct.
- To vote over the telephone, dial toll-free 1-800-652-VOTE (1-800-652-8683) using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 12:00 a.m. Pacific time on October 26, 2016 to be counted.
- To vote on the Internet, go to <http://www.investorvote.com/ABAX> to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 12:00 a.m. Pacific time on October 26, 2016 to be counted.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from us. Simply complete and mail the proxy card to ensure that your vote is counted. Alternatively, you may vote by telephone or over the Internet if instructed by your broker or bank. To vote in person at the annual meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

We provide Internet proxy voting to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

How many votes do I have?

On each matter to be voted upon other than the election of directors, you have one vote for each share of common stock you own as of August 31, 2016. For the election of directors, cumulative voting is available. Under cumulative voting, you would have six votes for each share of common stock you own. You may cast all of your votes

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for one candidate, or you may distribute your votes among different candidates as you choose. However, you may cumulate votes (cast more than one vote per share) for a candidate only if the candidate is nominated before the voting and at least one shareholder gives notice at the meeting, before the voting, that he or she intends to cumulate votes. If you do not specify how to distribute your votes, by giving your proxy you are authorizing the proxyholders (the individuals named on your proxy card) to cumulate votes in their discretion.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted For the election of all six nominees for director; For the Amended 2014 Plan; For the advisory approval of executive compensation; and For the ratification of the appointment of Burr Pilger Mayer, Inc. as our independent registered public accounting firm for the fiscal year ending March 31, 2017. If any other matter is properly presented at the meeting, your proxyholder (one of the individuals named on your proxy card or his replacement) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

We will bear the expense of assembling, preparing, printing, mailing and distributing these proxy materials, any additional soliciting materials furnished to shareholders, and soliciting votes. Proxies will be solicited by mail, telephone, personal contact and electronic means and may also be solicited by directors, officers or employees (who will receive no additional compensation for their services in such solicitation) in person, by the Internet, by telephone or by facsimile transmission, without additional remuneration. We will compensate only independent third-party agents that are not affiliated with us but who solicit proxies. Morrow Sodali, 470 West Avenue, Stamford, CT 06902 may also solicit proxies in person, by telephone or by other means of communication. We will pay Morrow Sodali its customary fee of approximately \$10,000 plus out-of-pocket expenses. We may request banks, brokers and other custodians, nominees and fiduciaries to forward copies of the proxy materials to their principals and to request authority for the execution of proxies and we may reimburse those persons for their expenses incurred in connection with these activities. Your cooperation in promptly voting your shares and submitting your proxy by the Internet or telephone, or by completing and returning the proxy card (if you received your proxy materials in the mail), will help to avoid additional expense.

What does it mean if I receive more than one set of proxy materials?

If you receive more than one set of proxy materials, your shares may be registered in more than one name or in different accounts. Please follow the voting instructions on each of the proxy cards in the proxy materials to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy card with a later date.
- You may send a timely written notice that you are revoking your proxy to our Secretary at 3240 Whipple Road, Union City, California 94587.
- You may attend the annual meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count, for the proposal to elect directors, votes For and Withhold votes and broker non-votes and, with respect to other proposals, votes For and Against, abstentions and, if applicable, broker non-votes.

What are broker non-votes ?

Broker non-votes occur when a beneficial owner of shares held in street name does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed non-routine. Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or

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nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be routine, but not with respect to non-routine matters. The ratification of the selection by the Audit Committee of our Board of Burr Pilger Mayer, Inc. as our independent registered public accounting firm for the fiscal year ending March 31, 2017 is a routine matter. Non-routine matters are the election of the six directors to serve on our Board, the approval of the proposed Amended 2014 Plan and the advisory vote regarding the compensation of our Named Executive Officers.

How many votes are needed to approve each proposal?

- *Proposal No. 1:* For the election of directors, the six nominees receiving the most For votes (from the holders of votes of shares present in person or represented by proxy and entitled to vote on the election of directors) will be elected. Although abstentions and broker non-votes will each be counted as present for purposes of determining a quorum, neither abstentions nor broker non-votes will have any impact on the election of directors and the six candidates for election as directors at the annual meeting who receive the highest number of votes will be elected.
- *Proposal No. 2:* Approval of the Amended 2014 Plan must receive For votes from the holders of a majority of the shares present either in person or represented by proxy and entitled to vote, which shares voting affirmatively also constitute a majority of the required quorum. Abstentions and broker non-votes will have no effect, except that they will be treated as Against votes for purposes of determining that the affirmative votes constitute a majority of the required quorum.
- *Proposal No. 3:* Advisory approval of the compensation of our Named Executive Officers will be considered to have been obtained if the proposal receives For votes from the holders of a majority of shares either present in person or represented by proxy and entitled to vote, which shares voting affirmatively also constitute a majority of the required quorum. Abstentions and broker non-votes will have no effect, except that they will be treated as Against votes for purposes of determining that the affirmative votes constitute a majority of the required quorum.
- *Proposal No. 4:* The selection by the Audit Committee of the Board of Burr Pilger Mayer, Inc. as independent registered public accounting firm for the fiscal year ending March 31, 2017 will be ratified if the proposal receives For votes from the holders of a majority of shares either present in person or represented by proxy and entitled to vote, which shares voting affirmatively also constitute a majority of the required quorum. Abstentions and broker non-votes will have no effect, except that they will be treated as Against votes for purposes of determining that the affirmative votes constitute a majority of the required quorum.

What is the quorum requirement?

A quorum of shareholders is necessary to hold a valid meeting. A quorum will be present if shareholders holding a majority of the outstanding shares entitled to vote are present at the meeting in person or represented by proxy. On the record date, there were 22,532,839 shares outstanding and entitled to vote. Thus, the holders of at least 11,266,420 shares must be present in person or represented by proxy at the meeting or by proxy to have a quorum.

Votes For and Against, abstentions and broker non-votes will each be counted as present for the purposes of determining the presence of a quorum. Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. If there is no quorum, the holders of a majority of shares present at the meeting in person or represented by proxy may adjourn the meeting to another date.

How can I find out the results of the voting at the annual meeting?

Preliminary voting results may be announced at the annual meeting. In addition, final voting results will be published in a current report on Form 8-K that we expect to file within four business days after the annual meeting. If final

voting results are not available to us in time to file a Form 8-K within four business days after the meeting, we intend to file a Form 8-K to publish preliminary results and, within four business days after the final results are known to us, file an additional Form 8-K to publish the final results.

What proxy materials are available on the internet?

The proxy statement and annual report to shareholders are available at <http://investor.abaxis.com>.

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PROPOSAL 1

ELECTION OF DIRECTORS

The authorized number of directors currently constituting the Board is six. Each of our current directors is to be elected for the ensuing year and will hold office until the next annual meeting of shareholders and until his successor is elected and qualified, or, if sooner, until the director's death, resignation or removal. Proxies cannot be voted for a greater number of persons than the six nominees named in this Proposal 1. Each of the nominees listed below is currently a director who was previously elected by our shareholders. It is our policy to strongly encourage nominees for directors to attend the Annual Meeting. All of our directors attended the 2015 Annual Meeting of Shareholders.

The candidates receiving the highest number of votes by the holders of shares entitled to be voted will be elected. The persons named in the accompanying proxy will vote the shares represented thereby for the nominees named below, but may cumulate the votes for fewer than all of the nominees, as permitted by the laws of the State of California, unless otherwise instructed. If any nominee becomes unavailable for election as a result of an unexpected occurrence, your shares will be voted for the election of a substitute nominee proposed by us. Each person nominated for election has agreed to serve if elected. Our management has no reason to believe that any nominee will be unable to serve.

Nominees

The nominees for election to the Board at the 2016 Annual Meeting are Clinton H. Severson, Vernon E. Altman, Richard J. Bastiani, Ph.D., Michael D. Casey, Henk J. Evenhuis and Prithipal Singh, Ph.D. Please see "Directors and Executive Officers" below for information concerning the nominees.

Vote Required and Recommendation of the Board of Directors

Although abstentions and broker non-votes will each be counted as present for purposes of determining a quorum, neither abstentions nor broker non-votes will have any impact on the election of directors and the six candidates for election as directors at the annual meeting who receive the highest number of votes will be elected.

If the nominees decline to serve or become unavailable for any reason, or if a vacancy occurs before the election (although management knows of no reason to anticipate that this will occur), the proxies may be voted for substitute nominees as the Board may designate. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner in accordance with cumulative voting as will ensure the election of as many of the nominees listed above as possible, and, in such event, the specific nominees to be voted for will be determined by the proxy holders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE NOMINEES NAMED ABOVE.

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The following table sets forth information concerning our executive officers and directors as of August 31, 2016.

Name	Age	Title
Clinton H. Severson	68	Chairman of the Board and Chief Executive Officer
Vernon E. Altman ⁽¹⁾⁽³⁾	71	Director
Richard J. Bastiani, Ph.D. ⁽¹⁾⁽²⁾⁽³⁾	73	Director
Michael D. Casey ⁽¹⁾⁽²⁾⁽³⁾	70	Director
Henk J. Evenhuis ⁽¹⁾⁽³⁾	73	Director
Prithipal Singh, Ph.D. ⁽¹⁾⁽²⁾⁽³⁾	77	Director
Kenneth P. Aron, Ph.D.	63	Chief Technology Officer
Achim Henkel	58	Managing Director of Abaxis Europe GmbH
Ross Taylor	53	Chief Financial Officer, Vice President of Finance and Secretary
Craig M. Tockman, DVM	56	Vice President of Animal Health Sales and Marketing for North America
Donald P. Wood	64	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. Since November 2008, Mr. Severson has served on the Board of Directors of Trinity Biotech, a biotechnology company. 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,

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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

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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.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Independence of the Board of Directors

As required under The NASDAQ Stock Market (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 pertinent listing standards of the NASDAQ, 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 auditors, the Board has affirmatively determined that each of the following persons are independent within the meaning of the applicable NASDAQ listing standards: Mr. Altman, Dr. Bastiani, Mr. Casey, Mr. Evenhuis and Dr. Singh. In making this determination, the Board found that none of these current directors or nominees for director had a material or other disqualifying relationship with us. Mr. Severson, our Chief Executive Officer, is not an independent director by virtue of his employment with us. There are no family relationships among any of our directors or officers.

Board Leadership Structure

The Board is currently chaired by Mr. Severson, our Chief Executive Officer. The Board believes that combining the positions of Chief Executive Officer and Chairman of the Board helps to ensure that the Board and management act with a common purpose. In the Board's view, separating the positions of Chief Executive Officer and Chairman has the potential to give rise to divided leadership, which could interfere with good decision-making or weaken our ability to develop and implement strategy. Instead, the Board believes that combining the positions of Chief Executive Officer and Chairman provides a single, clear chain of command to execute our strategic initiatives and business plans. In addition, the Board believes that a combined Chief Executive Officer/Chairman is better positioned to act as a bridge between management and the Board, facilitating the regular flow of information. The Board also believes that it is advantageous to have a Chairman with an extensive history with and knowledge of Abaxis, as is the case with Mr. Severson, who has served as our Chief Executive Officer and a director since June 1996. The Board believes that maintaining independence of the Board as a whole is important to ensure the effective independent functioning of the Board in its oversight responsibilities. In addition, each of our directors, other than Mr. Severson, is independent. In April 2014, the Board designated Mr. Altman as its lead independent director. As lead independent director, Mr. Altman presides over periodic meetings of our independent directors, serves as a liaison between our Chairman and the independent directors and performs such additional duties as the Board may otherwise determine and delegate to him.

Role of the Board in Risk Oversight

One of the Board's key functions is informed oversight of our risk management process. Management is responsible for identifying risk and risk controls related to business activities. The Board implements its risk oversight responsibilities by having management provide periodic briefing and informational sessions on the significant voluntary and involuntary risks that we face, and how we are seeking to control such risks. The Board administers this oversight function directly through the Board as a whole, as well as through various Board committees that address

risks inherent in their respective areas of oversight.

Meetings of the Board of Directors

The Board met nine times during the fiscal year ended March 31, 2016. Each Board member attended 75% or more of the aggregate of the meetings of the Board and of the committees on which he served, held during the period for which he was a director or committee member.

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As required under applicable NASDAQ listing standards, in fiscal 2016, our independent directors met four times in regularly scheduled executive sessions at which only independent directors were present.

Information regarding Committees of the Board of Directors

The Board has three committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The following table provides membership and meeting information for fiscal 2016 for each of the Board committees:

Name	Audit	Compensation	Nominating and Corporate Governance
Clinton H. Severson	—	—	—
Vernon E. Altman	X	—	X
Michael D. Casey	X	X	X
Richard J. Bastiani, Ph.D.	X	X *	X
Henk J. Evenhuis	X *	—	X
Prithipal Singh, Ph.D.	X	X	X *
Total meetings in fiscal 2016	5	1 (1)	2

* Committee Chairperson

(1) In addition, the Compensation Committee met five times in the context of meetings of the full Board, as described below.

Below is a description of each committee of the Board. The Board has determined that each member of each committee meets the applicable NASDAQ rules and regulations regarding independence and that each member is free of any relationship that would impair his individual exercise of independent judgment with regard to Abaxis.

Audit Committee

The Audit Committee is currently composed of five directors: Mr. Evenhuis, Mr. Altman, Dr. Bastiani, Mr. Casey and Dr. Singh. Mr. Evenhuis serves as Chairman of the Audit Committee. For additional information about the Audit Committee, see Report of the Audit Committee of the Board of Directors below. The Audit Committee has adopted a written charter that is available to shareholders from our website at <http://www.abaxis.com>.

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). Securities and Exchange Commission (SEC) regulations require us to disclose whether a director qualifying as an audit committee financial expert serves on the Audit Committee. The Board has determined that Mr. Evenhuis qualifies as an audit committee financial expert, as defined in applicable SEC rules. The Board 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.

The Audit Committee reviews and monitors our corporate financial reporting and external audits, including, among other things, our control functions, the results and scope of the annual audit and other services provided by the independent registered public accounting firm and our compliance with legal matters that have a significant impact on our financial reports. Among other things, the Audit Committee:

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evaluates the performance of and assesses the qualifications of the independent registered public accounting firm;

- determines and approves the engagement of the independent registered public accounting firm;
- determines whether to retain or terminate the existing independent auditors or to appoint and engage a new independent registered public accounting firm;
- reviews and approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services;
- monitors the rotation of partners of the independent registered public accounting firm on our audit engagement team as required by law;
- reviews and approves transactions between Abaxis and any related persons;

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- confers with management and the independent registered public accounting firm regarding the effectiveness of internal controls over financial reporting;
- establishes procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- meets to review our annual audited consolidated financial statements and quarterly condensed consolidated financial statements with management and the independent registered public accounting firm, including reviewing our disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations.

Report of the Audit Committee of the Board of Directors⁽¹⁾

The Audit Committee oversees our financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process, including internal control systems. In the fiscal year ended March 31, 2016, Burr Pilger Mayer, Inc. was responsible for expressing an opinion as to the conformity of our audited consolidated financial statements with accounting principles generally accepted in the United States of America. Burr Pilger Mayer, Inc. has acted in such capacity since its appointment on August 25, 2005.

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended March 31, 2016 with our management. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 16, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board (PCAOB). The Audit Committee has also received the written disclosures and the letter from our independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the audit committee concerning independence, and has discussed with the independent registered public accounting firm the accounting firm's independence. Based on the foregoing, the Audit Committee has recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016.

THE AUDIT COMMITTEE

Henk J. Evenhuis, Chairman

Vernon E. Altman

Richard J. Bastiani, Ph.D.

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 in any filing made by Abaxis under the Securities Act of 1933 (the Securities Act) or the Securities Exchange Act of 1934 (the Exchange Act), whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Compensation Committee

The Compensation Committee is currently composed of three directors: Dr. Bastiani, Mr. Casey and Dr. Singh. Dr. Bastiani serves as Chairman of the Compensation Committee. All current members of the Compensation Committee are non-employee members of the Board and are independent (as independence is currently defined in Rule 4200(a)(15) of the NASDAQ listing standards). From time to time, the Compensation Committee meets jointly with the Board and although we consider these joint meetings as Compensation Committee meetings as well as Board meetings, the directors are not compensated for these Compensation Committee meetings as separate meetings. The

Compensation Committee has adopted a written charter that is available to shareholders from our website at <http://www.abaxis.com>. For additional information about the Compensation Committee, see Compensation Committee Report and Compensation Discussion and Analysis.

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The Compensation Committee reviews and makes recommendations to the Board regarding our compensation strategy, policies, plans and programs and all forms of compensation to be provided to our executive officers and directors, including among other things:

- development or review and approval of corporate and individual performance objectives relevant to the compensation of our Chief Executive Officer and evaluation of performance in light of these stated objectives;
- review and approval of the compensation and other terms of employment or service, including severance and change-in-control arrangements, of our Chief Executive Officer and the other executive officers; and
- development or review and approval of incentive-based or equity-based compensation plans in which our executive officers and employees participate.

The Compensation Committee also reviews with management our Compensation Discussion and Analysis and considers whether to recommend that it be included in proxy statements and other filings.

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 the Board or Compensation Committee.

Compensation Committee Report⁽¹⁾

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis (CD&A) contained in this proxy statement. Based on this review and discussion, the Compensation Committee has recommended to the Board that the CD&A be included in this proxy statement.

THE COMPENSATION COMMITTEE

Richard J. Bastiani, Ph.D., Chair

Michael D. Casey

Prithipal Singh, Ph.D.

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

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is currently composed of five directors: Dr. Singh, Mr. Altman, Dr. Bastiani, Mr. Casey and Mr. Evenhuis. Dr. Singh serves as Chairman of the Nominating and Corporate Governance Committee. Each of the members of the Nominating and Corporate Governance Committee is independent (as independence is currently defined in Rule 4200(a)(15) of the NASDAQ listing standards). From time to time, the Nominating and Corporate Governance Committee meets jointly with the Board and although we consider these joint meetings as Nominating and Corporate Governance Committee meetings as well as Board meetings, the directors are not compensated for these Nominating and Corporate Governance Committee meetings as separate meetings. As part of its duties, the Nominating and Corporate Governance Committee conducts periodic self-assessments of the Board and recommends the slate of directors to be nominated for election each year. The Nominating and Corporate Governance Committee has adopted a written charter that is available to shareholders in the Investor Relations section of our website at <http://www.abaxis.com>.

The Nominating and Corporate Governance Committee reviews the results of evaluations of the Board and its committees, and the needs of the Board for various skills, experience, expected contributions and other characteristics, and the optimal size of the Board in light of these needs, in determining the director candidates to be nominated at the annual meeting. The Nominating and Corporate Governance Committee will evaluate candidates for directors, including incumbent directors and candidates proposed by directors, shareholders or management, in light of the Nominating and Corporate Governance Committee's views of the current needs of the Board for certain skills,

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experience or other characteristics, the candidate's background, skills, experience, other characteristics and expected contributions and the qualification standards, if any, established by the Nominating and Corporate Governance Committee. If the Nominating and Corporate Governance Committee believes that the Board requires additional candidates for nomination, the Nominating and Corporate Governance Committee may poll existing directors or management for suggestions for candidates and may engage, as appropriate, a third party search firm to assist in identifying qualified candidates. The process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the Nominating and Corporate Governance Committee. In making the determinations regarding nominations of directors, the Nominating and Corporate Governance Committee may take into account the benefits of diverse viewpoints as well as the benefits of a constructive working relationship among directors.

The Nominating and Corporate Governance Committee will consider director nominations made by shareholders in accordance with the requirements of our bylaws consistent with the procedures set forth in the bylaws. Any shareholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if timely notice of such shareholder's intent to make such nomination or nominations has been given in writing to our Secretary. To be timely, a shareholder nomination for a director to be elected at an annual meeting must be received at our principal executive offices not fewer than 120 calendar days in advance of the date that our proxy statement was released to shareholders in connection with the previous year's annual meeting of shareholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than 30 calendar days from the date contemplated at the time of the previous year's proxy statement, or in the event of a nomination for director to be elected at a special meeting, notice by the shareholders to be timely must be received not later than the close of business on the tenth day following the day on which such notice of the date of the special meeting was mailed or such public disclosure was made. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of Abaxis stock entitled to vote for the election of directors on the date of such notice and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC, had the nominee been nominated, or intended to be nominated, by the Board; and (e) the consent of each nominee to serve as a director of Abaxis if so elected. Other than the foregoing, there are no stated minimum criteria for director nominees, although the Nominating and Corporate Governance Committee may also consider such other factors as it may deem to be in the best interests of Abaxis and its shareholders.

The Nominating and Corporate Governance Committee does not have a policy regarding diversity. Diversity is one of a number of factors that the committee takes into account in identifying nominees, and the committee believes that it is essential that Board members represent diverse viewpoints.

Shareholder Communications with the Board of Directors

Shareholders may communicate with the Board or any of our directors by transmitting correspondence by mail, facsimile or email, addressed as follows:

Chairman of the Board
or Board of Directors
or any individual director
c/o Mr. Ross Taylor, Chief Financial Officer, Vice President of Finance and Secretary
3240 Whipple Road

Union City, CA 94587

Fax: 510-441-6151 or

Email Address: *investors@abaxis.com*

The Compliance Officer shall maintain a log of such communications and transmit as soon as practicable such communications to the identified director addressee(s), unless there are safety or security concerns that mitigate

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against further transmission of the communication, as determined by the Compliance Officer in consultation with our legal counsel. The Board or individual directors so addressed shall be advised of any communication withheld for safety or security reasons as soon as practicable. The Compliance Officer shall relay all communications to directors absent safety or security issues.

Code of Business Conduct and Ethics

We have 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 Corporate Governance. 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.

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PROPOSAL 2

APPROVAL OF 2014 EQUITY INCENTIVE PLAN, AS AMENDED

Subject to shareholder approval, the Board approved an amendment to the Abaxis, Inc. 2014 Equity Incentive Plan (the 2014 Plan) on July 20, 2016 (the 2014 Plan, as amended, the Amended 2014 Plan). The Amended 2014 Plan includes the following material changes to the 2014 Plan, as described in more detail under Description of the Amended 2014 Plan below:

- to increase the number of shares of common stock authorized for issuance under the 2014 Plan by 900,000 shares; and
- for purposes of the requirements of Section 162(m) of the Internal Revenue Code, as amended (the Code), to update the means of adjustment when calculating the attainment of performance goals for performance awards under the 2014 Plan.

Why We Are Asking Our Shareholders to Approve the Amended 2014 Plan

We currently maintain the 2014 Plan to grant restricted stock units and other stock awards in order to provide long term incentives to our employees, directors and consultants. Our shareholders approved the 2014 Plan at the 2014 Annual Meeting of Shareholders as the successor to and continuation of the Abaxis, Inc. 2005 Equity Incentive Plan (the 2005 Plan), which was scheduled to terminate. At the time of approval of the 2014 Plan, we did not request an increase in the number of shares available for issuance; the shares available for issuance under our 2014 Plan were those shares available for issuance under the 2005 Plan as of the 2014 Annual Meeting of Shareholders. Accordingly, we have not sought shareholder approval of an increase in the shares available under our equity incentive plan since our 2012 Annual Meeting of Shareholders.

Approval of the Amended 2014 Plan by our shareholders will allow us to continue to grant restricted stock units and other awards at levels determined appropriate by our Compensation Committee or the Board. The Board believes that the proposed increase in the number of shares of common stock reserved for issuance under the Amended 2014 Plan will allow the Company to attract and retain valuable employees and continue to provide its employees, directors and consultants with a proprietary interest in the Company. Within the Company, equity awards foster an ownership culture and are a critical tool for driving shareholder value and for recruiting, retaining and motivating employees. The Company's equity awards provide long-term incentives that align the interests of our employees, directors and consultants with the interests of our shareholders. If our shareholders do not approve the Amended 2014 Plan, the Company strongly believes that it will be unable to successfully use equity as part of its compensation program, as most of its competitors in the industry do, putting the Company at a significant disadvantage and compromising its ability to enhance shareholder value. Therefore, we believe that approval of this request is in the best interest of our shareholders and our company.

Approval of the Amended 2014 Plan by our shareholders will also constitute approval of terms and conditions set forth therein that will permit us to grant stock options and performance-based stock and cash awards under the Amended 2014 Plan that may qualify as performance-based compensation within the meaning of Section 162(m) of the Code. Section 162(m) of the Code disallows a deduction to any publicly held corporation and its affiliates for certain compensation paid to covered employees in a taxable year to the extent that compensation to a covered employee exceeds \$1 million. However, some kinds of compensation, including qualified performance-based compensation, are not subject to this deduction limitation. For compensation awarded under a plan to qualify as performance-based compensation under Section 162(m) of the Code, among other things, the following terms must be disclosed to and approved by the shareholders before the compensation is paid: (i) a description of the employees eligible to receive such awards; (ii) a per-person limit on the number of shares subject to stock options and performance-based stock awards, and the amount of cash subject to performance-based cash awards, that may be

granted to any employee under the plan in any year; and (iii) a description of the business criteria upon which the performance goals for performance-based awards may be granted (or become vested or exercisable). Accordingly, we are requesting that our shareholders approve the Amended 2014 Plan, which includes terms regarding eligibility for awards and for awards intended to be deductible under Section 162(m) of the Code, annual per-person limits and the business criteria for performance-based awards granted under the Amended 2014 Plan (as described in the summary below).

We believe it is in the best interests of Abaxis and our shareholders to preserve the ability to grant performance-based compensation under Section 162(m) of the Code. However, in certain circumstances, we may

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determine to grant compensation to covered employees that will not qualify as performance-based compensation for purposes of Section 162(m) of the Code. Moreover, even if we intend to grant compensation that qualifies as performance-based compensation for purposes of Section 162(m) of the Code, we cannot guarantee that such compensation ultimately will be deductible by us.

The Size of our Share Request Increase is Reasonable and We Manage our Equity Award Use Carefully

If our shareholders approve this Proposal 2, we will have approximately 1,297,000 shares available for grant after our 2016 Annual Meeting of Shareholders, which we anticipate would cover equity grants for the next three years, based on the anticipated grants.

The following table provides certain additional information regarding our equity incentive program.

	As of March 31, 2016
Total number of shares of common stock subject to outstanding stock options	0
Total number of shares of common stock subject to outstanding full value awards (the only type of full value awards outstanding are time-based and performance-based restricted stock units) granted under our 2014 Plan and our 2005 Plan	834,644
Total number of shares of common stock available for grant under all equity incentive plans (the 2014 Plan is the only plan under which there are shares of common stock available for grant)	678,825

The following table provides detailed information regarding the activity related to our equity incentive plans for fiscal year 2016. We did not grant any stock options and no stock options were cancelled during fiscal year 2016.

	Fiscal Year 2016	
Total number of shares of common stock subject to full value awards granted (restricted stock units)	374,550	
Total number of shares of common stock subject to full value awards cancelled (restricted stock units)	79,464	
Common stock outstanding at end of fiscal year	22,407,849	
Weighted average common stock outstanding during the fiscal year	22,661,213	
Burn Rate	1.65	%

We have historically managed our long-term shareholder dilution by limiting the number of equity incentive awards granted annually. The Board and Compensation Committee monitors our annual stock award burn rate and dilution, among other factors, in its efforts to maximize shareholders' value by granting what, in the Board's or Compensation Committee's judgment, are the appropriate number of equity incentive awards necessary to attract, reward, and retain employees, consultants and directors. The table below illustrates our burn rate and dilution for the past three fiscal years for our equity incentive plans combined with details of each calculation noted below the table.

	2016	2015	2014
Burn Rate ⁽¹⁾	1.65 %	1.61 %	1.36 %
Dilution ⁽²⁾	3.59 %	3.54 %	3.82 %

(1) Burn Rate is (number of shares subject to equity awards granted during a fiscal year)/weighted average common shares outstanding for that fiscal year).

(2)

Dilution is (number of shares subject to equity awards at the end of a fiscal year)/(number of shares outstanding at the end of the fiscal year + number of shares subject to equity awards).

The Amended 2014 Plan Combines Compensation and Governance Best Practices

We have structured the Amended 2014 Plan to include provisions that are designed to protect our shareholders interests and to reflect corporate governance best practices including:

- *Flexibility in designing equity compensation scheme.* The Amended 2014 Plan allows us to provide a broad array of equity incentives, including stock option grants, stock appreciation rights, restricted stock awards,

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restricted stock unit awards, performance-based stock awards and performance-based cash awards. By providing this flexibility we can quickly and effectively react to trends in compensation practices and continue to offer competitive compensation arrangements to attract and retain the talent necessary for the success of our business.

- *Broad-based eligibility for equity awards.* We grant equity awards to a significant number of our employees. By doing so, we tie our employees' interests with shareholder interests and motivate our employees to act as owners of the business.
- *Repricing is not allowed.* The Amended 2014 Plan prohibits the repricing of outstanding stock options and stock appreciation rights and the cancellation of any outstanding stock options or stock appreciation rights that have an exercise or strike price greater than the then-current fair market value of our common stock in exchange for cash or other awards under the Amended 2014 Plan without prior shareholder approval.
- *Shareholder approval is required for additional shares.* The Amended 2014 Plan does not contain an annual evergreen provision. The Amended 2014 Plan authorizes a fixed number of shares, so that shareholder approval is required to issue any additional shares, allowing our shareholders to have direct input on our equity compensation programs.
- *No automatic single-trigger vesting provisions.* The Amended 2014 Plan does not contain terms that provide for the automatic vesting acceleration of all awards upon a change in control transaction.
- *No liberal change in control provisions.* The definition of change in control in the Amended 2014 Plan requires the consummation of an actual transaction so that no vesting acceleration benefits may occur without an actual change in control transaction occurring.
- *Submission of Amended 2014 Plan amendments to shareholders.* The Amended 2014 Plan requires shareholder approval for material amendments, including as noted above, any increase in the number of shares reserved for issuance under the Amended 2014 Plan.
- *Equity awards subject to forfeiture/clawback.* Equity awards granted under the Amended 2014 Plan are subject to recoupment in accordance with our clawback policy and such other policies that we are required to adopt pursuant to the listing standards of any national securities exchange or association on which our securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, or other applicable law.

As of the record date there were 22,532,839 shares of our common stock outstanding and the per-share closing price of our common stock as reported on NASDAQ Global Select Market was \$50.14.

Description of the Amended 2014 Plan

The material features of the Amended 2014 Plan are outlined below. The following description of the Amended 2014 Plan is a summary only and is qualified in its entirety by reference to the complete text of the Amended 2014 Plan. Shareholders are urged to read the actual text of the Amended 2014 Plan in its entirety, which is appended to this Proxy Statement as Appendix A.

Purpose

The Amended 2014 Plan is designed to secure and retain the services of our employees, directors and consultants, provide incentives for our employees, directors and consultants to exert maximum efforts for the success of the Company and its affiliates, and provide a means by which our employees, directors and consultants may be given an opportunity to benefit from increases in the value of our common stock.

Types of Awards

The terms of the Amended 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.

Shares Available for Awards

Subject to adjustment for certain changes in our capitalization, the aggregate number of shares of our common stock that may be issued under the Amended 2014 Plan (the Share Reserve) will not exceed 2,612,409 shares, which number is the sum of (i) the number of shares remaining available for issuance pursuant to the exercise of

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options or issuance or settlement of stock awards that have not previously been granted under the 2005 Plan, as of the October 22, 2014 effective date of the 2014 Plan (the 2005 Plan's Available Reserve), (ii) 900,000 new shares and (iii) any Returning Shares (as defined below), as such shares become available from time to time.

The Returning Shares are shares subject to outstanding stock awards granted under the 2005 Plan and the Abaxis, Inc. 1998 Stock Option Plan that, from and after the October 22, 2014 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. The Returning Shares will not exceed 836,904 shares.

The number of shares of our common stock available for issuance under the Amended 2014 Plan will be reduced by one share for each share of common stock issued pursuant to a stock award. If (i) any shares of common stock subject to a stock award are not issued because the stock award expires or otherwise terminates without all of the shares covered by the stock award having been issued or is settled in cash, (ii) any shares of common stock issued pursuant to a stock award are forfeited back to or repurchased by us because of the failure to meet a contingency or condition required for the vesting of such shares, or (iii) any shares of common stock are reacquired or withheld (or not issued) by us to satisfy a tax withholding obligation in connection with the award, such shares will again become available for issuance under the Amended 2014 Plan.

Eligibility

All of our employees, non-employee directors and consultants as of August 31, 2016 are eligible to participate in the Amended 2014 Plan and may receive all types of awards other than incentive stock options. As of August 31, 2016, we had approximately 571 employees, including six executive officers, and we had five non-employee directors and ten consultants who would be eligible to receive awards under the Amended 2014 Plan.

Section 162(m) Limits

Under the Amended 2014 Plan, subject to adjustment for certain changes in our capitalization, no participant will be eligible to be granted during any calendar year more than:

- a maximum of 100,000 shares of our common stock subject to stock options, stock appreciation rights and other stock awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the fair market value of our common stock on the date of grant (collectively appreciation awards); provided, however, that if any additional appreciation award is granted to any participant during a calendar year, compensation attributable to the exercise of such an appreciation award will not satisfy the requirements to be considered qualified performance-based compensation under Section 162(m) of the Code unless such additional appreciation award is approved by our shareholders;
- a maximum of 500,000 shares of our common stock under performance stock awards; and
- a maximum of \$5,000,000 under performance cash awards.

These limits are designed to allow us to grant awards that are intended to be exempt from the \$1 million limitation on the income tax deductibility of compensation paid per covered employee imposed by Section 162(m) of the Code.

Administration

The Amended 2014 Plan will be administered by the Board, which may in turn delegate authority to administer the Amended 2014 Plan to a committee. The Board has delegated concurrent authority to administer the Amended 2014 Plan to our Compensation Committee, but may, at any time, revert in itself some or all of the power previously

delegated to our Compensation Committee. Each of the Board and the Compensation Committee is considered to be a Plan Administrator for purposes of this Proposal 2. Subject to the terms of the Amended 2014 Plan, the Plan Administrator may determine the recipients, the numbers and types of awards to be granted, and the terms and conditions of awards granted under the Amended 2014 Plan, including the period of their exercisability and vesting. The Plan Administrator also has the authority to provide for accelerated exercisability and vesting of awards. Subject to the limitations set forth below, the Plan Administrator also determines the fair market value applicable to a stock award and the exercise or strike price of stock options and stock appreciation rights granted under the Amended 2014 Plan.

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Repricing; Cancellation and Re-Grant of Stock Awards

Under the Amended 2014 Plan, the Plan Administrator does not have the authority to reprice any outstanding stock option or stock appreciation right by reducing the exercise, purchase or strike price of the stock option or stock appreciation right or to cancel any outstanding stock option or stock appreciation right that has an exercise or strike price greater than the then-current fair market value of our common stock in exchange for cash or other stock awards without obtaining the approval of our shareholders within 12 months prior to the repricing or cancellation and re-grant event.

Restricted Stock Unit Awards

The Company currently grants stock awards in the form of restricted stock unit awards under the 2014 Plan and the current intention of the Board and the Compensation Committee is to continue this practice by granting restricted stock unit awards under the Amended 2014 Plan, if approved by our shareholders. Accordingly, the Amended 2014 Plan continues to allow for the grant of restricted stock units, whose terms are described in this section, and in addition allows for the grant of various other types of awards, whose terms are described below.

Restricted stock unit awards may be granted under the Amended 2014 Plan pursuant to restricted stock unit award agreements. Payment of any purchase price may be made in any form of legal consideration acceptable to the Plan Administrator. A restricted stock unit award may be settled by the delivery of shares of our common stock, in cash, in a combination of cash and stock, or in any other form of consideration determined by the Plan Administrator and set forth in the restricted stock unit award agreement. Under the Amended 2014 Plan, dividend equivalents may be credited in respect of shares of our common stock covered by a restricted stock unit award. Restricted stock unit awards may be subject to vesting in accordance with a vesting schedule to be determined by the Plan Administrator. Except as otherwise provided in a participant's restricted stock unit award agreement, restricted stock units that have not vested will be forfeited upon the participant's termination of continuous service for any reason.

Stock Options

Stock options may be granted under the Amended 2014 Plan pursuant to stock option agreements. The Amended 2014 Plan permits the grant of stock options that are intended to qualify as incentive stock options (ISOs) and nonstatutory stock options (NSOs).

The exercise price of an NSO may not be less than 100% of the fair market value of the common stock subject to the stock option on the date of grant. The exercise price of an ISO may not be less than 100% of the fair market value of the common stock subject to the stock option on the date of grant and, in some cases (see Limitations on Incentive Stock Options below), may not be less than 110% of such fair market value.

The term of stock options granted under the Amended 2014 Plan may not exceed ten years and, in some cases (see Limitations on Incentive Stock Options below), may not exceed five years. Except as otherwise provided in a participant's stock option agreement or other agreement with us or one of our affiliates, if a participant's service relationship with us or any of our affiliates (referred to in this Proposal 2 as continuous service) terminates (other than upon the participant's disability or death and other than for cause), the participant may exercise any vested stock options for up to three months following the participant's termination of continuous service. Except as otherwise provided in a participant's stock option agreement or other agreement with us or one of our affiliates, if a participant's continuous service terminates due to the participant's disability or death (or the participant dies within a certain period, if any, following termination of continuous service), the participant, or his or her beneficiary, as applicable, may exercise any vested stock options for up to 12 months following the participant's termination due to the participant's disability or for up to 18 months following the participant's death. Except as explicitly provided otherwise in a

participant's stock option agreement or other agreement with us or one of our affiliates, if a participant's continuous service is terminated for cause (as defined in the Amended 2014 Plan), all stock options held by the participant will terminate upon the participant's termination of continuous service and the participant will be prohibited from exercising any stock option from and after such termination date. Under the Amended 2014 Plan, the term of a stock option may be extended if the exercise of the stock option following the participant's termination of continuous service (other than upon the participant's disability or death and other than for cause) would be prohibited by applicable securities laws or the sale of any common stock received upon exercise of the stock option following the participant's termination of continuous service (other than for cause) would violate our insider trading policy. In no event, however, may a stock option be exercised after its original expiration date.

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Acceptable forms of consideration for the purchase of our common stock pursuant to the exercise of a stock option under the Amended 2014 Plan will be determined by the Plan Administrator and may include payment: (i) by cash, check, bank draft or money order payable to us; (ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board; (iii) by delivery to us of shares of common stock (either by actual delivery or attestation); (iv) by a net exercise arrangement (for NSOs only); or (v) in other legal consideration approved by the Plan Administrator.

Stock options granted under the Amended 2014 Plan may become exercisable in cumulative increments, or vest, as determined by the Plan Administrator at the rate specified in the stock option agreement. Shares covered by different stock options granted under the Amended 2014 Plan may be subject to different vesting schedules as the Plan Administrator may determine.

The Plan Administrator may impose limitations on the transferability of stock options granted under the Amended 2014 Plan in its discretion. Generally, a participant may not transfer a stock option granted under the Amended 2014 Plan other than by will or the laws of descent and distribution or, subject to approval by the Plan Administrator, pursuant to a domestic relations order or an official marital settlement agreement. However, the Plan Administrator may permit transfer of a stock option in a manner consistent with applicable tax and securities laws. In addition, subject to approval by the Plan Administrator, a participant may designate a beneficiary who may exercise the stock option following the participant's death.

Limitations on Incentive Stock Options

The aggregate fair market value, determined at the time of grant, of shares of our common stock with respect to ISOs that are exercisable for the first time by a participant during any calendar year under all of our stock plans may not exceed \$100,000. The stock options or portions of stock options that exceed this limit or otherwise fail to qualify as ISOs are treated as NSOs. No ISO may be granted to any person who, at the time of the grant, owns or is deemed to own stock possessing more than 10% of our total combined voting power or that of any affiliate unless the following conditions are satisfied:

- the exercise price of the ISO must be at least 110% of the fair market value of the common stock subject to the ISO on the date of grant; and
- the term of the ISO must not exceed five years from the date of grant.

Subject to adjustment for certain changes in our capitalization, the aggregate maximum number of shares of our common stock that may be issued pursuant to the exercise of ISOs under the Amended 2014 Plan is 1,712,409 shares.

Restricted Stock Awards

Restricted stock awards may be granted under the Amended 2014 Plan pursuant to restricted stock award agreements. A restricted stock award may be granted in consideration for cash, check, bank draft or money order payable to us, the participant's services performed for us or any of our affiliates, or any other form of legal consideration acceptable to the Plan Administrator. Shares of our common stock acquired under a restricted stock award may be subject to forfeiture to us in accordance with a vesting schedule to be determined by the Plan Administrator. Rights to acquire shares of our common stock under a restricted stock award may be transferred only upon such terms and conditions as are set forth in the restricted stock award agreement. Upon a participant's termination of continuous service for any reason, any shares subject to restricted stock awards held by the participant that have not vested as of such termination date may be forfeited to or repurchased by us.

Stock Appreciation Rights

Stock appreciation rights may be granted under the Amended 2014 Plan pursuant to stock appreciation right agreements. Each stock appreciation right is denominated in common stock share equivalents. The strike price of each stock appreciation right will be determined by the Plan Administrator, but will in no event be less than 100% of the fair market value of the common stock subject to the stock appreciation right on the date of grant. The Plan Administrator may also impose restrictions or conditions upon the vesting of stock appreciation rights that it deems appropriate. The appreciation distribution payable upon exercise of a stock appreciation right may be paid in shares of our common stock, in cash, in a combination of cash and stock, or in any other form of consideration determined by the Plan Administrator and set forth in the stock appreciation right agreement. Stock appreciation rights will be subject to the same conditions upon termination of continuous service and restrictions on transfer as stock options under the Amended 2014 Plan.

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Performance Awards

The Amended 2014 Plan allows us to grant performance stock and cash awards that may qualify as performance-based compensation that is not subject to the \$1 million limitation on the income tax deductibility of compensation paid per covered employee imposed by Section 162(m) of the Code.

A performance stock award is a stock award that is payable (including that may be granted, may vest, or may be exercised) contingent upon the achievement of pre-determined performance goals during a performance period. A performance stock award may require the completion of a specified period of continuous service. The length of any performance period, the performance goals to be achieved during the performance period, and the measure of whether and to what degree such performance goals have been attained will be determined by our Compensation Committee, except that the Board also may make any such determinations to the extent that the award is not intended to comply with Section 162(m) of the Code. In addition, to the extent permitted by applicable law and the performance stock award agreement, the Plan Administrator may determine that cash may be used in payment of performance stock awards.

A performance cash award is a cash award that is payable contingent upon the achievement of pre-determined performance goals during a performance period. A performance cash award may require the completion of a specified period of continuous service. The length of any performance period, the performance goals to be achieved during the performance period, and the measure of whether and to what degree such performance goals have been attained will be determined by our Compensation Committee, except that the Board also may make any such determinations to the extent that the award is not intended to comply with Section 162(m) of the Code. The Plan Administrator may specify the form of payment of performance cash awards, which may be cash or other property, or may provide for a participant to have the option for his or her performance cash award, or such portion thereof as the Plan Administrator may specify, to be paid in whole or in part in cash or other property.

In granting a performance award intended to qualify as performance-based compensation under Section 162(m) of the Code, our Compensation Committee will set a period of time, or a performance period, over which the attainment of one or more goals, or performance goals, will be measured. Within the time period prescribed by Section 162(m) of the Code (no later than the earlier of the 90th day of a performance period and the date on which 25% of the performance period has elapsed, and in any event at a time when the achievement of the performance goals remains substantially uncertain), our Compensation Committee will establish the performance goals, based upon one or more criteria, or performance criteria, enumerated in the Amended 2014 Plan and described below. As soon as administratively practicable following the end of the performance period, our Compensation Committee will certify in writing whether the performance goals have been satisfied.

Performance goals under the Amended 2014 Plan will be based on any one or more of the following performance criteria: (1) earnings (including earnings per share and net earnings); (2) earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation, amortization, legal settlements, other income (expense) and/or changes in deferred revenue; (3) total shareholder return; (4) return on equity or average shareholders equity; (5) return on assets, investment, or capital; (6) stock price; (7) margin (including gross margin and/or operating margin); (8) income (before or after taxes); (9) operating income (before or after taxes); (10) net income (before or after taxes); (11) pre-tax profit; (12) operating cash flow; (13) sales or revenue targets; (14) increases in revenue or product revenue; (15) expenses and cost reduction goals; (16) improvement in or attainment of working capital levels; (17) economic value added (or an equivalent metric); (18) balance of cash, cash equivalents and marketable securities; (19) free cash flow or cash flow; (20) market share; (21) operating cash flow; (22) cash flow per share; (23) share price performance; (24) daily average revenue trades; (25) asset gathering metrics; (26) number of customers; (27) customer satisfaction; (28) product development; (29) product quality; (30) debt reduction or debt levels; (31) implementation or completion of projects or processes (including, without limitation, regulatory filing submissions,

regulatory filing acceptances, regulatory authority interactions, regulatory approvals and other regulatory milestones); (32) shareholders' equity; (33) capital expenditures; (34) operating profit or net operating profit; (35) workforce diversity; (36) growth of net income or operating income; (37) billings; (38) bookings; (39) employee retention; (40) employee satisfaction; (41) budget management; (42) completion of a joint venture or other corporate transaction; (43) completion of identified special project; (44) overall effectiveness of management; (45) progress of internal research and development programs; (46) strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property); and (47) to the extent that an award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Compensation Committee (or, if not required for compliance with Section 162(m) of the Code, the Board).

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Performance goals may be based on a company-wide basis, with respect to one or more business units, divisions, affiliates or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Under the Amended 2014 Plan, our Compensation Committee (or, if not required for compliance with Section 162(m) of the Code, the Board) is authorized to make appropriate adjustments in the method of calculating the attainment of performance goals for a performance period as follows; provided, however, that to the extent that an award is intended to qualify as performance-based compensation under Section 162(m) of the Code, any such adjustment may be made only if such adjustment is objectively determinable and specified (i) in the award agreement at the time the award is granted or (ii) in such other document setting forth the performance goals at the time the performance goals are established: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude or include the impact of exchange rate effects, if applicable; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of items that are unusual in nature or occur infrequently as determined under generally accepted accounting principles; (6) to exclude effects of acquisitions or joint ventures; (7) to assume that any business divested by us achieved performance objectives at targeted levels during the balance of a performance period following such divestiture; (8) to exclude the effect of any change in the outstanding shares of our common stock by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common shareholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under our bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles; (12) to exclude the effects of the timing of acceptance for review and/or approval of submissions to any regulatory body; and (13) to the extent that an award is not intended to qualify as performance-based compensation under Section 162(m) of the Code, to make other appropriate adjustments selected by the Board or our Compensation Committee. In addition, our Compensation Committee (or, if not required for compliance with Section 162(m) of the Code, the Board) retains the discretion to reduce or eliminate the compensation or economic benefit due upon the attainment of any performance goals and to define the manner of calculating the performance criteria it selects to use for a performance period.

Other Stock Awards

Other forms of stock awards valued in whole or in part by reference to, or otherwise based on, our common stock may be granted either alone or in addition to other stock awards under the Amended 2014 Plan. The Plan Administrator will have sole and complete authority to determine the persons to whom and the time or times at which such other stock awards will be granted, the number of shares of our common stock to be granted and all other terms and conditions of such other stock awards.

Clawback Policy

Awards granted under the Amended 2014 Plan will be subject to recoupment in accordance with the clawback policy that we adopted as of the October 22, 2014 effective date of the 2014 Plan and any clawback policy that we are required to adopt pursuant to the listing standards of any national securities exchange or association on which our securities are listed or as is otherwise required by the Dodd-Frank Act or other applicable law. In addition, the Plan Administrator may impose other clawback, recovery or recoupment provisions in an award agreement as the Plan Administrator determines necessary or appropriate, including a reacquisition right in respect of previously acquired shares of our common stock or other cash or property upon the occurrence of cause.

Changes to Capital Structure

In the event of certain capitalization adjustments, the Plan Administrator will appropriately adjust: (i) the class(es) and maximum number of securities subject to the Amended 2014 Plan; (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of ISOs; (iii) the class(es) and maximum number of securities that may be awarded to any person pursuant to Section 162(m) limits; and (iv) the class(es) and number of securities and price per share of stock subject to outstanding stock awards.

Corporate Transactions and Change in Control

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, the Plan Administrator has the discretion to take any of the following actions with respect to stock awards:

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- arrange for the assumption, continuation or substitution of a stock award by a surviving or acquiring entity or parent company;
- arrange for the assignment of any reacquisition or repurchase rights held by us to the surviving or acquiring entity or parent company;
- 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;
- arrange for the lapse, in whole or in part, of any reacquisition or repurchase right held by us;
- 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; or
- 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 over (b) the exercise price otherwise payable in connection with the stock award.

The Plan Administrator is not obligated to treat all stock awards, even those that are of the same type, in the same manner.

The Plan Administrator 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 in control.

Under the Amended 2014 Plan, a corporate transaction is generally the consummation of (i) a sale or other disposition of all or substantially all of our consolidated assets, (ii) a sale or other disposition of at least 90% of our outstanding securities, (iii) a merger, consolidation or similar transaction following which we are not the surviving corporation, or (iv) a merger, consolidation or similar transaction following which we are the surviving corporation but the shares of our common stock outstanding immediately prior to such transaction are converted or exchanged into other property by virtue of the transaction.

Under the Amended 2014 Plan, a change in control is generally (i) the acquisition by a person or entity of more than 50% of our combined voting power other than by merger, consolidation or similar transaction; (ii) a consummated merger, consolidation or similar transaction immediately after which our shareholders cease to own more than 50% of the combined voting power of the surviving entity or its parent; (iii) when our shareholders or the Board approves a plan of complete dissolution or liquidation, or our complete dissolution or liquidation otherwise occurs, other than into a parent corporation; or (iv) a consummated sale, lease or exclusive license or other disposition of all or substantially all of our consolidated assets.

Plan Amendments and Termination

The Plan Administrator will have the authority to amend or terminate the Amended 2014 Plan at any time. However, except as otherwise provided in the Amended 2014 Plan or an award agreement, no amendment or termination of the Amended 2014 Plan may impair a participant's rights under his or her outstanding awards without the participant's written consent. We will obtain shareholder approval of any amendment to the Amended 2014 Plan as required by applicable law and listing requirements. No incentive stock options may be granted under the Amended 2014 Plan after July 23, 2024, the tenth anniversary of the date the 2014 Plan was adopted by the Board.

U.S. Federal Income Tax Consequences

The following is a summary of the principal United States federal income tax consequences to participants and us with respect to participation in the Amended 2014 Plan. This summary is not intended to be exhaustive and does not discuss the income tax laws of any local, state or foreign jurisdiction in which a participant may reside. The information is based upon current federal income tax rules and therefore is subject to change when those rules change.

Because the tax consequences to any participant may depend on his or her particular situation, each participant should consult the participant's tax adviser regarding the federal, state, local and other tax consequences of the grant or exercise of an award or the disposition of stock acquired under the Amended 2014 Plan. The Amended 2014 Plan is not qualified under the provisions of Section 401(a) of the Code and is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974. Our ability to realize the benefit of any tax deductions described

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below depends on our generation of taxable income as well as the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of our tax reporting obligations.

Restricted Stock Unit Awards

Generally, the recipient of a restricted stock unit award structured to conform to the requirements of Section 409A of the Code or an exception to Section 409A of the Code will recognize ordinary income at the time the stock is delivered equal to the excess, if any, of the fair market value of the stock received over any amount paid by the recipient in exchange for the stock. To conform to the requirements of Section 409A of the Code, the stock subject to a restricted stock unit award may generally only be delivered upon one of the following events: a fixed calendar date (or dates), separation from service, death, disability or a change in control. If delivery occurs on another date, unless the restricted stock unit award otherwise complies with or qualifies for an exception to the requirements of Section 409A of the Code, in addition to the tax treatment described above, the recipient will owe an additional 20% federal tax and interest on any taxes owed.

The recipient's basis for the determination of gain or loss upon the subsequent disposition of shares acquired from a restricted stock unit award will be the amount paid for such shares plus any ordinary income recognized when the stock is delivered.

Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the recipient of the restricted stock unit award.

Nonstatutory Stock Options

Generally, there is no taxation upon the grant of an NSO if the stock option is granted with an exercise price equal to the fair market value of the underlying stock on the grant date. Upon exercise, a participant will recognize ordinary income equal to the excess, if any, of the fair market value of the underlying stock on the date of exercise of the stock option over the exercise price. If the participant is employed by us or one of our affiliates, that income will be subject to withholding taxes. The participant's tax basis in those shares will be equal to their fair market value on the date of exercise of the stock option, and the participant's capital gain holding period for those shares will begin on that date.

Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the participant.

Incentive Stock Options

The Amended 2014 Plan provides for the grant of stock options that are intended to qualify as incentive stock options, as defined in Section 422 of the Code. Under the Code, a participant generally is not subject to ordinary income tax upon the grant or exercise of an ISO. If the participant holds a share received upon exercise of an ISO for more than two years from the date the stock option was granted and more than one year from the date the stock option was exercised, which is referred to as the required holding period, the difference, if any, between the amount realized on a sale or other taxable disposition of that share and the participant's tax basis in that share will be long-term capital gain or loss.

If, however, a participant disposes of a share acquired upon exercise of an ISO before the end of the required holding period, which is referred to as a disqualifying disposition, the participant generally will recognize ordinary income in the year of the disqualifying disposition equal to the excess, if any, of the fair market value of the share on the date of

exercise of the stock option over the exercise price. However, if the sales proceeds are less than the fair market value of the share on the date of exercise of the stock option, the amount of ordinary income recognized by the participant will not exceed the gain, if any, realized on the sale. If the amount realized on a disqualifying disposition exceeds the fair market value of the share on the date of exercise of the stock option, that excess will be short-term or long-term capital gain, depending on whether the holding period for the share exceeds one year.

For purposes of the alternative minimum tax, the amount by which the fair market value of a share of stock acquired upon exercise of an ISO exceeds the exercise price of the stock option generally will be an adjustment included in the participant's alternative minimum taxable income for the year in which the stock option is exercised. If, however, there is a disqualifying disposition of the share in the year in which the stock option is exercised, there

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will be no adjustment for alternative minimum tax purposes with respect to that share. In computing alternative minimum taxable income, the tax basis of a share acquired upon exercise of an ISO is increased by the amount of the adjustment taken into account with respect to that share for alternative minimum tax purposes in the year the stock option is exercised.

We are not allowed an income tax deduction with respect to the grant or exercise of an ISO or the disposition of a share acquired upon exercise of an ISO after the required holding period. If there is a disqualifying disposition of a share, however, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the participant, subject to the requirement of reasonableness and the provisions of Section 162(m) of the Code, and provided that either the employee includes that amount in income or we timely satisfy our reporting requirements with respect to that amount.

Restricted Stock Awards

Generally, the recipient of a restricted stock award will recognize ordinary income at the time the stock is received equal to the excess, if any, of the fair market value of the stock received over any amount paid by the recipient in exchange for the stock. If, however, the stock is not vested when it is received (for example, if the employee is required to work for a period of time in order to have the right to sell the stock), the recipient generally will not recognize income until the stock becomes vested, at which time the recipient will recognize ordinary income equal to the excess, if any, of the fair market value of the stock on the date it becomes vested over any amount paid by the recipient in exchange for the stock. A recipient may, however, file an election with the Internal Revenue Service, within 30 days following his or her receipt of the stock award, to recognize ordinary income, as of the date the recipient receives the award, equal to the excess, if any, of the fair market value of the stock on the date the award is granted over any amount paid by the recipient for the stock.

The recipient's basis for the determination of gain or loss upon the subsequent disposition of shares acquired from a restricted stock award will be the amount paid for such shares plus any ordinary income recognized either when the stock is received or when the stock becomes vested.

Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the recipient of the stock award.

Stock Appreciation Rights

Generally, if a stock appreciation right is granted with an exercise price equal to the fair market value of the underlying stock on the grant date, the recipient will recognize ordinary income equal to the fair market value of the stock or cash received upon such exercise. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code, and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the recipient of the stock appreciation right.

New Plan Benefits

Awards granted under the Amended 2014 Plan to our executive officers, other employees and non-employee directors are discretionary and are not subject to set benefits or amounts under the terms of the Amended 2014 Plan. Neither our Compensation Committee nor the Board have approved or granted any awards under the Amended 2014 Plan subject to shareholder approval of this Proposal 2. Accordingly, the benefits or amounts that will be received by or allocated to our executive officers, other employees and non-employee directors under the Amended 2014 Plan are not determinable.

Plan Benefits

The following table sets forth, for each of the individuals and groups indicated, the total number of shares of our common stock subject to stock awards that have been granted (even if not currently outstanding) under the 2014 Plan through August 31, 2016.

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Name and Position	Number of Shares Subject to Stock Awards
Clinton H. Severson <i>Chief Executive Officer and Chairman of the Board</i>	125,000
Ross Taylor <i>Chief Financial Officer, Vice President of Finance and Secretary</i>	60,000
Alberto R. Santa Ines <i>Former Chief Financial Officer, Vice President of Finance and Secretary</i>	33,000
Kenneth P. Aron, Ph.D. <i>Chief Technology Officer</i>	58,000
Craig M. Tockman, DVM <i>Vice President of Animal Health Sales and Marketing for North America</i>	58,000
Donald P. Wood <i>President and Chief Operating Officer</i>	58,000
All current executive officers as a group	417,000
All current directors who are not executive officers as a group	52,500
Each nominee for election as a director (other than Mr. Severson):	
Vernon E. Altman	10,500
Richard J. Bastiani, Ph.D.	10,500
Michael D. Casey	10,500
Henk J. Evenhuis	10,500
Prithipal Singh, Ph.D.	10,500
Each associate of any such directors, executive officers or nominees	0
Each other person who received or is to receive 5% of such options, warrants or rights	0
All current and former employees, including all current officers who are not executive officers, as a group	265,000
Vote Required and Recommendation of the Board of Directors	

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and voting at the annual meeting (which shares voting affirmatively also constitute a majority of the required quorum) will be required to approve the Amended 2014 Plan. Abstentions and broker non-votes will have no effect, except that they will be treated as *Against* votes for purposes of determining that the affirmative votes constitute a majority of the required quorum.

**THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF PROPOSAL 2.**

Equity Compensation Plan Information

As of March 31, 2016, 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 may issue warrants to purchase shares of our common stock to non-employees. As of March 31, 2016, there were no warrants outstanding to purchase common stock.

The following table provides aggregate information as of March 31, 2016 regarding (i) outstanding unvested time-based restricted stock units (RSUs) and performance-based restricted stock units (PSUs) and shares reserved under our equity compensation plans and (ii) outstanding warrants to purchase our common stock.

TABLE OF CONTENTS**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⁾	834,644	\$ 0.00 ⁽³⁾	678,825
Equity compensation plans not approved by our shareholders:			
Warrants to purchase common stock	—	\$ —	—
Total:	834,644	\$ 0.00 ⁽³⁾	678,825

(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.

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PROPOSAL 3

ADVISORY VOTE ON EXECUTIVE COMPENSATION

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and Section 14A of the Exchange Act, our shareholders are now entitled to vote whether to approve, on an advisory basis, the compensation of our Named Executive Officers as disclosed in this proxy statement in accordance with SEC rules. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this proxy statement.

The compensation of our Named Executive Officers subject to the vote is disclosed in the Compensation Discussion and Analysis, the compensation tables, and the related narrative disclosure contained in this proxy statement. We believe that our executive compensation program is appropriately designed, reasonable relative to the executive compensation programs of our Compensation Peer Group companies and responsible in that it reflects a pay-for-performance philosophy without encouraging our executives to assume excessive risks. Our Compensation Committee believes that our long-term success depends largely on the talents of our employees and, to that end, has designed our compensation program to enable us to attract and retain talented and experienced executives to lead us successfully in a competitive environment.

The Compensation Committee believes our executive compensation program reflects a strong *pay-for-performance* philosophy and is well-aligned with the long-term interests of shareholders.

Below are some of the highlights of our compensation program for our Named Executive Officers:

- **Strong Pay-for-Performance Principles.** Approximately 88% of our Named Executive Officers' total direct compensation opportunity during fiscal 2016 was at risk in the form of an annual cash incentive bonus opportunity and restricted stock unit awards. A substantial portion (over 50%) of the total potential cash compensation our Named Executive Officers can earn is variable and tied to clear performance goals – revenues and income before income tax provision – that are designed to correlate closely with the creation of long-term shareholder value.
- **Performance-Based Vesting Equity Program.** Under our performance-based vesting equity program, a portion of the stock awards that our Compensation Committee granted our Named Executive Officers vest only if certain financial and/or operating goals are achieved. In fiscal 2016, the percentage of performance-based restricted stock units granted to our Named Executive Officers was on average 70% of the equity awards granted to our Named Executive Officers to further align compensation with corporate performance and shareholder value.
- **Time-Based Restricted Stock Units Designed for Retention.** The vesting of the time-based portion of the stock awards that our Compensation Committee granted our Named Executive Officers is heavily weighted toward longer term vesting to encourage retention, as follows: 5% after the first year of continuous employment, an additional 10% after the second year of continuous employment, an additional 15% after the third year of continuous employment and the remaining 70% after the fourth year of continuous employment.
- **Stock Ownership Guidelines and Pledging, Hedging and Clawback Policies.** As further described under *Stock Ownership Guidelines* below, we maintain stock ownership guidelines for our executives and directors. These guidelines require that executives and directors be meaningfully invested in our stock, and therefore be personally invested in our performance to ensure strong alignment with shareholder interests. We have had a long-standing written policy against executive officers engaging in short sales, short-term trading, short-term or speculative transactions giving the officer the ability to profit from a decline in our stock price, transactions involving derivative securities relating to our common stock, such as trades in puts or calls, and hedging transactions. In January 2014, we adopted a compensation clawback policy that

includes, among other things, provisions permitting our board to require 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.

No Excessive Perquisites. We do not provide personal lifestyle perquisites, such as country club

- memberships, vacation units, personal use of aircraft, personal entertainment accounts, or similar perquisites, nor do we provide tax-gross ups for any executive perquisites.

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- **No Repricing Without Shareholder Approval.** Our equity plan expressly prohibits any type of repricing of underwater stock options held by executives or other employees without shareholder approval and, historically, we have not repriced any stock options.
- **Strong Support for 2014 and 2015 Say-on-Pay Proposals.** At our annual meetings of shareholders in 2014 and 2015, approximately 95% and 86%, respectively, of the votes cast on the say-on-pay proposal were in support of the proposal. While these votes were advisory only, our Compensation Committee has considered the results of the votes in the context of our overall compensation philosophy, policies and decisions. Our Compensation Committee believes that this shareholder support strongly endorsed our compensation philosophy and the decisions we made for fiscal 2016.

Accordingly, the Board is asking the shareholders to indicate their support for the compensation of our Named Executive Officers as described in this proxy statement by casting a non-binding advisory vote For the following resolution:

RESOLVED, that the compensation paid to the named executive officers of Abaxis, Inc., as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion is hereby APPROVED.

Because the vote is advisory, it is not binding on the Board or Abaxis. Nevertheless, the views expressed by the shareholders, whether through this vote or otherwise, are important to management and the Board and, accordingly, the Board and the Compensation Committee intend to consider the results of this vote in making determinations in the future regarding executive compensation arrangements.

Vote Required and Recommendation of the Board of Directors

Advisory approval of this proposal requires the vote of the holders of a (i) majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting and (ii) a majority of the shares required to constitute the quorum.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and voting at the annual meeting (which shares voting affirmatively also constitute a majority of the required quorum) will be required to approve on an advisory basis the compensation of our Named Executive Officers. Abstentions and broker non-votes will have no effect, except that they will be treated as Against votes for purposes of determining that the affirmative votes constitute a majority of the required quorum.

**THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF PROPOSAL 3.**

TABLE OF CONTENTS**PROPOSAL 4****RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board (the Audit Committee) has selected Burr Pilger Mayer, Inc. (BPM) as our independent registered public accounting firm for the fiscal year ending March 31, 2017 and has further directed that management submit the selection for ratification by the shareholders at the annual meeting. BPM has audited our consolidated financial statements since its appointment on August 25, 2005. A representative of BPM is expected to be present at the annual meeting, with the opportunity to make a statement if the representative desires to do so, and is expected to be available to respond to appropriate questions.

Neither our bylaws nor other governing documents or law require shareholder ratification of the selection of BPM as our independent registered public accounting firm. However, the Audit Committee is submitting the selection of BPM to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of Abaxis and its shareholders.

Principal Accounting Fees and Services

For the fiscal years ended March 31, 2016 and 2015, our independent registered public accounting firm, BPM, billed the approximate fees set forth below. All fees included below were approved by the Audit Committee.

	Year Ended March 31,	
	2016	2015
Audit Fees ⁽¹⁾	\$ 755,000	\$ 746,000
Audit-Related Fees ⁽²⁾	28,000	27,000
Tax Fees	—	—
All Other Fees	—	—
Total All Fees	\$ 783,000	\$ 773,000

Audit fees represent fees for professional services provided in connection with the audit of our consolidated 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.

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 2016 and 2015, these services included attestation services related to our 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 in providing audit and audit-related services to us and has concluded that such services are compatible with BPM's role as our independent registered public accounting firm.

Vote Required and Recommendation of the Board of Directors

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and voting at the annual meeting (which shares voting affirmatively also constitute a majority of the required quorum) will be required to ratify the selection of BPM. Abstentions and broker non-votes will have no effect, except that they will be treated as Against votes for purposes of determining that the affirmative votes constitute a majority of the required quorum.

**THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF PROPOSAL 4.**

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CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of August 31, 2016 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 five percent 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⁾
<u>Five Percent Holders:</u>		
Brown Capital Management, LLC and The Brown Capital Management Small Company Fund ⁽³⁾	3,778,289	16.8 %
Kayne Anderson Rudnick Investment Management, LLC ⁽⁴⁾	2,374,591	10.5 %
PRIMECAP Management Company ⁽⁵⁾	2,346,000	10.4 %
BlackRock, Inc. ⁽⁶⁾	2,051,260	9.1 %
The Vanguard Group, Inc. ⁽⁷⁾	1,690,931	7.5 %
Neuberger Berman Group LLC, Neuberger Berman Investment Advisers, LLC, and Neuberger Berman Equity Funds ⁽⁸⁾	1,681,017	7.5 %
<u>Named Executive Officers:</u> ⁽²⁾		
Clinton H. Severson	576,691	2.6 %
Kenneth P. Aron, Ph.D. ⁽⁹⁾	92,444	*
Alberto R. Santa Ines ⁽¹⁰⁾	88,856	*
Donald P. Wood	44,258	*
Craig M. Tockman, DVM	3,085	*
Ross Taylor	1,950	*
<u>Outside Directors:</u> ⁽²⁾		
Richard J. Bastiani, Ph.D. ⁽¹¹⁾	50,700	*
Prithipal Singh, Ph.D.	43,500	*
Michael D. Casey	23,200	*
Vernon E. Altman	21,303	*
Henk J. Evenhuis	12,400	*
Executive officers and directors as a group (11 persons) ⁽¹²⁾	918,181	4.1 %

* Less than one percent.

The percentages shown in this column are calculated based on 22,532,839 shares of common stock outstanding on August 31, 2016 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.

(1) on August 31, 2016 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.

- Based on information set forth in a Schedule 13G/A filed with the SEC on February 16, 2016 by Brown Capital Management, LLC, reporting sole power to vote and dispose of 2,247,732 and 3,778,289 of the reported shares, respectively; and by The Brown Capital Management Small Company Fund, reporting sole power to vote and dispose of 1,729,152 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.
- (3) Based on information set forth in a Schedule 13G/A filed with the SEC on May 11, 2016 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 1,804,991 of the reported shares and shared power to vote and dispose of 569,600 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.
- (4) Based on information set forth in a Schedule 13G/A filed with the SEC on February 12, 2016 by PRIMECAP Management Company, an
- (5)

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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 2,144,000 and 2,346,000 of the reported shares, respectively. The business address for PRIMECAP Management Company is 225 South Lake Avenue, Suite 400, Pasadena, CA 91101.

(6) Based on information set forth in a Schedule 13G/A filed with the SEC on January 25, 2016 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 2,000,990 and 2,051,260 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 10, 2016 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 48,769 and 1,641,362 of the reported shares, respectively; and shared power to vote and dispose of 2,000 and 49,569 of the reported shares, respectively. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 47,569 of the reported shares and Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 3,200 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 9, 2016 by Neuberger Berman Group LLC, reporting shared power to vote and dispose of 1,681,017 of the reported shares, by Neuberger Berman Investment Advisers LLC, reporting shared power to vote and dispose of 1,681,017 of the reported shares and by Neuberger Berman Equity Funds, reporting shared power to vote and dispose of 1,249,900 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 605 Third Avenue, New York, NY 10158.

(9) Includes:

- 91,944 shares held by Dr. Aron; and
 - 500 shares held by Mrs. Aron's IRA.
- (10) Mr. Santa Ines retired as our Chief Financial Officer, Vice President of Finance and Secretary effective July 31, 2015.

(11) Includes:

- 50,400 shares held by Dr. Bastiani; and
- 300 shares held by Dr. Bastiani's wife.

(12) Includes:

- 916,431 shares held by all executive officers and directors as a group; and
- 1,750 shares subject to the vesting of RSUs and PSUs for all executive officers and directors as a group within sixty days of August 31, 2016.

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, 2015 through March 31, 2016, 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 Mr. Donald Wood.

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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. Our Named Executive Officers and their current titles are as follows:

- Clinton H. Severson, Chief Executive Officer and Chairman of the Board
- Ross Taylor, Chief Financial Officer, Vice President of Finance and Secretary
- Alberto R. Santa Ines, former 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

Mr. Taylor first became an executive officer upon his appointment to Chief Financial Officer, Vice President of Finance and Secretary, effective as of August 1, 2015. Prior to that date, Mr. Santa Ines served as our Chief Financial Officer, Vice President of Finance and Secretary, until his retirement on July 31, 2015, after which he provided part-time, non-executive employee services to us until May 15, 2016.

On April 28, 2015, Mr. Wood was appointed to the role of President and Chief Operating Officer. Prior to that date, Mr. Severson served as our President and Mr. Wood served as our Chief Operating Officer.

Executive Summary

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 2016 Executive Business Performance

During fiscal 2016 our financial and operating performances were strong as we continued our efforts to enhance our business and create and sustain long-term value. We demonstrated year-over-year growth in revenues, net income and liquidity.

Our fiscal 2016 achievements include:

- **Increased worldwide revenues** from continuing operations by 8%, from \$202.6 million in fiscal 2015 to \$218.9 million in fiscal 2016. Revenues from continuing operations in North America increased by 7%, or \$11.7 million, in fiscal 2016 compared to fiscal 2015, and revenues from continuing operations outside of North America increased by 12%, or \$4.6 million, in fiscal 2016 compared to fiscal 2015. Revenues from consumable sales increased to \$165.0 million, an increase of 14% over fiscal 2015. In our medical market, total revenues from continuing operations increased to \$37.8 million in fiscal 2016, an increase of 7% over fiscal 2015. In our veterinary market, total revenues from continuing operations increased to \$177.7 million in fiscal 2016, an increase of 8% over fiscal 2015.
- **Increased gross profit** to \$123.3 million in fiscal 2016, an increase of 13% compared to fiscal 2015.
- **Invested 8%** of our revenues, or \$18.4 million in research and development in fiscal 2016.
- **Increased income from continuing operations** to \$31.1 million in fiscal 2016, an increase of 49% compared to fiscal 2015.
- **Increased diluted net income per share from continuing operations** to \$1.36 in fiscal 2016 from \$0.91 in fiscal 2015, an increase of 49%.
-

Generated cash from operations of \$28.1 million through the continued conservative management of our working capital and overall business.

- **Repurchased \$13.0 million** of Abaxis common stock under our share repurchase program.
- **Paid four quarterly dividends of \$0.11 per share** on our outstanding common stock during fiscal 2016, returning an aggregate of approximately \$10.0 million in cash to all shareholders.

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We ended fiscal 2016 with cash, cash equivalents and investments of \$152.3 million.

Fiscal 2016 Executive Compensation Highlights

Consistent with our pay-for-performance philosophy, our Compensation Committee took the following actions during fiscal 2016 with respect to Named Executive Officer compensation.

Total Compensation Mix: Continued to deliver a substantial portion of our Named Executive Officer compensation in the form of variable, at-risk pay, structuring approximately 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: Established rigorous performance metrics at the beginning of fiscal 2016 and a specific calculation methodology for the Named Executive Officers' cash bonus opportunity. We substantially achieved such performance goals, at an aggregate achievement rate of 97% for the fiscal year. Each of our Named Executive Officers earned a cash bonus based on our actual performance achievement. No discretionary annual bonuses were awarded.

-

Equity Incentive Awards: Awarded a significant portion (an average of 70%) of the Named Executive Officers' annual equity incentive awards in the form of awards that vest based on achievement of specified corporate performance goals, in addition to continued service over a four-year period. The portion (an average of 30%) of the Named Executive Officers' annual equity incentive awards that do not vest based on specific performance goal achievement 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: Made certain increases to the Named Executive Officers' fiscal 2016 base salaries and target bonuses in recognition of our Named Executive Officers' contributions towards our business performance in fiscal 2015 and, in certain cases, to adjust for increased duties and responsibilities assumed by particular Named Executive Officers. We did not make any increases to the number of shares that we awarded the Named Executive Officers' in the form of equity awards from those amounts awarded in fiscal 2015 (except with respect to Mr. Taylor, who first became an executive officer in fiscal 2016).

-

Peer Group Analysis: Reviewed and reconstituted our peer group of companies in preparation for fiscal 2017 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.

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Executive Compensation Governance Highlights

Below we summarize certain executive compensation-related practices that were in effect during fiscal 2016 and that we believe serve our shareholders' long-term interests.

What We Do

- ü Maintain an executive compensation program designed to align pay with performance.
- ü Structure a substantial portion of pay opportunities in the form of at-risk performance-based compensation.
- ü Conduct an annual say-on-pay vote.
- ü Employ a clawback policy.
- ü Utilize robust stock ownership guidelines for executive officers and directors.
- ü Have double-trigger severance arrangements starting with executive officers hired in fiscal 2015.
- ü Prohibit hedging and pledging of company stock.
- ü Retain an independent compensation consultant and periodically conduct a compensation risk review.

What We Do Not Do

- û Provide tax gross-ups or single-trigger equity acceleration starting with executive officers hired in fiscal 2015.
- û Provide excessive perquisites.
- û 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.

TABLE OF CONTENTS*Executive Compensation Program Objectives and Framework*

For fiscal 2016, 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

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Compensation Element	Description and Purpose	Key Features
<ul style="list-style-type: none"> • Time-Based Restricted Stock Units (RSUs) 	<p>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.</p> <p>To align the interests of executive officers and shareholders as executive officers will realize a higher value from RSUs from an increasing stock price.</p>	<p>the individual executive officer's level of responsibilities, ability to contribute to and influence our long-term results, and individual performance.</p> <p>In fiscal 2016, RSUs represented approximately 27%-36% of an executive officer's long-term incentive opportunity based on the grant date fair value of the awards.</p> <p>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.</p> <p>Paid out in shares of Abaxis common stock upon vesting.</p>
<ul style="list-style-type: none"> • Performance-Based Restricted Stock Units (PSUs) 	<p>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.</p> <p>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.</p>	<p>In fiscal 2016, PSUs represented approximately 64%-73% of an executive officer's annual long-term incentive opportunity based on the grant date fair value of the awards.</p> <p>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.</p> <p>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.</p>

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 Company objectives and competitive conditions. Our executive compensation review process includes our Compensation Committee engaging an independent compensation consulting advisor annually, as to provide the Compensation Committee with advice regarding executive officer compensation (including base salaries, performance bonuses and long-term equity compensation, as needed), and to advise on other matters as may be required by the Compensation Committee as described below in Competitive Market Analysis, 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

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during fiscal 2016 were granted under and subject to the terms of our 2014 Equity Incentive Plan, which became the successor to and replaced our 2005 Equity Incentive Plan upon its approval by our shareholders in October 2014.

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 2016 financial plan, the Compensation Committee sets the performance metrics and establishes target compensation at the beginning of the performance period.

The fiscal 2016 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%) ⁽³⁾				
• Revenues worldwide	\$225.8 million	90 %	97 %	85 %
• Revenues for North America veterinary market and revenues from Latin America and the U.S. Government	\$151.0 million	90 %	97 %	85 %
Income from continuing operations before income tax provision (50%)	\$45.9 million	90 %	103 %	109 %

(1) Threshold refers to the minimum level of achievement of the target performance goal necessary to earn any bonus payout under the plan.

The bonus payout percentage depends on the level of the performance metric achieved over the threshold.

(2) Additional information on bonus payment calculation is described in Annual Cash Incentive Bonus – Bonus Calculations.

(3) Revenues for the Named Executive Officers was based on revenues worldwide, except for Dr. Tockman, whose revenue target was based on revenues for the North America veterinary market and from Latin America and the U.S. Government.

Annual cash incentive bonuses for our Named Executive Officers in fiscal 2016 were contingent on the achievement of the specified corporate performance goals described above. As further described under Annual Cash Incentive Bonus – Bonus Calculations, the Compensation Committee determined that the quarterly pre-determined revenues and income before income tax provision goals for fiscal 2016 were satisfied at an aggregate performance level of 97% and 103%, respectively, and therefore, the Named Executive Officers (other than Mr. Santa Ines, who did not remain an executive officer through the end of fiscal 2016) earned 97% of their target annual bonus awards for fiscal 2016.

The PSUs granted to our Named Executive Officers in fiscal 2016 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. The awards are comprised of two specified corporate performance targets for fiscal 2016 (90% of a target performance goal and 100% of a target performance goal), which are both equally weighted at 50%. The specific fiscal 2016 financial targets were as follows:

Performance-Based Vesting Schedule

Performance Metric (and Weighting)	Target Performance Goal	Service-Based Vesting Date
Consolidated income from operations (100%)	\$45.5 million	<ul style="list-style-type: none"> <li data-bbox="715 310 1458 342">• Achievement > 90% of target goal, 25% vest May 4, 2018 <li data-bbox="715 352 1458 384">• Achievement > 90% of target goal, 25% vest May 4, 2019 <li data-bbox="715 394 1458 426">• Achievement > 100% of target goal, 25% vest May 4, 2018 <li data-bbox="715 436 1458 468">• Achievement > 100% of target goal, 25% vest May 4, 2019

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For fiscal 2016, the Compensation Committee determined that our actual performance and corresponding vesting percentages, with respect to the target goal of the PSU were as follows:

Performance Metric (and Weighting)	Actual Performance	Actual Performance as a Percentage of Target	Actual Performance Criteria Vesting Percentage
Consolidated income from operations (100%)	\$46.4 million	102 %	100 %

In April 2016, the Compensation Committee determined that the pre-determined consolidated income from operations for fiscal 2016 was above 100% of the target goal required to vest, and accordingly, the performance criteria based on financial goals were achieved during fiscal 2016 and therefore each executive officer (other than Mr. Santa Ines, who did not remain an executive officer through the end of fiscal 2016) became eligible to earn his fiscal 2016 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 2016 target total direct compensation pay mix, comprised of base salary, target bonus opportunity under the fiscal 2016 cash bonus incentive plan and actual fiscal 2016 long-term incentive awards (presented using their grant date fair values) for the Chief Executive Officer and other Named Executive Officers. As illustrated below, approximately 87% of our Chief Executive Officer's and 88% of our other Named Executive Officers' compensation was variable and at-risk (consisting of target cash incentive bonus and long-term equity awards, presented using their grant date fair value).

As shown in the above charts, for fiscal 2016, we structured approximately 69% of our Chief Executive Officer's target total direct compensation and approximately 70% 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. These equity awards are heavily weighted to PSUs (representing on average, 70% of the equity awards granted to our Named Executive Officers), which will only be eligible to vest if specified performance goals 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

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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 December 2012, our Compensation Committee engaged Pay Governance, an independent executive compensation advisor, to review our executive compensation programs. Pay Governance, with input from the Compensation Committee, updated the comparative frame of reference that resulted in a group of 16 companies (the Compensation Peer Group). 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:

Abiomed, Inc.	ICU Medical, Inc.	Quidel Corporation
AngioDynamics, Inc.	Luminex Corporation	Sequenom, Inc.
Cepheid	Meridian Bioscience, Inc.	SurModics, Inc.
Conceptus, Inc.	Neogen Corporation	Volcano Corporation
DexCom, Inc.	OraSure Technologies, Inc.	
Genomic Health, Inc.	Palomar Medical Technologies, Inc.	

Certain information regarding the size and value of the Compensation Peer Group companies relative to Abaxis is set forth below (based on estimated information at the time of review in December 2012).

	Abaxis, Inc.	Compensation Peer Group Range	Median
Revenue	\$157 million	\$52 million - \$344 million	\$166 million
Market Capitalization	\$814 million	\$180 million - \$2,245 million	\$682 million
EBITDA ⁽¹⁾	\$25 million	\$(67) million - \$69 million	\$22 million
Employees	491	120 – 2,106	506

(1) Represents earnings before interest, taxes, depreciation and amortization.

When making fiscal 2016 executive compensation decisions, the Compensation Committee believed that the Compensation Peer Group was still an appropriate frame of reference for Abaxis. The report prepared in March 2013 by Pay Governance with market data on the Compensation Peer Group identified in December 2012 was considered by the Compensation Committee in its fiscal 2016 executive compensation decisions as a point of reference.

In February 2016, our Compensation Committee again engaged Pay Governance to review our executive compensation programs. Pay Governance, with input from the Compensation Committee, updated the comparative frame of reference that resulted in a group of 15 companies (the Updated Compensation Peer Group). This Updated 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. In our Updated Compensation Peer Group, we removed Conceptus, Inc., Palomar Medical Technologies, Inc. and

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Volcano Corporation since these companies had been acquired and added HeartWare International, Inc. and NxStage Medical, Inc. The following companies comprised the Updated Compensation Peer Group:

Abiomed, Inc.	ICU Medical, Inc.	Quidel Corporation
AngioDynamics, Inc.	Luminex Corporation	Sequenom, Inc.
Cepheid	Meridian Bioscience, Inc.	SurModics, Inc.
DexCom, Inc.	Neogen Corporation	
Genomic Health, Inc.	NxStage Medical, Inc.	
HeartWare International, Inc.	InOraSure Technologies, Inc.	

Certain information regarding the size and value of the Updated Compensation Peer Group companies relative to Abaxis is set forth below (based on estimated information at the time of review in February 2016).

	Abaxis, Inc.	Compensation Peer Group	
		Range	Median
Revenue	\$214 million	\$64 million - \$539 million	\$287 million
Market Capitalization	\$1,028 million	\$168 million - \$5,551 million	\$837 million
EBITDA ⁽¹⁾	\$42 million	\$(46) million - \$100 million	\$24 million
Employees	582	168 – 3,600	752

(1) Represents earnings before interest, taxes, depreciation and amortization.

The market data obtained regarding the Updated Compensation Peer Group was considered by the Compensation Committee in its fiscal 2017 executive compensation decisions. 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 28, 2015, we held an advisory vote on executive compensation. Approximately 86% 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 (or Updated Compensation Peer Group with respect to fiscal 2017) and in our industry generally.

For fiscal 2016 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 March 2013 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

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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 2016, 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. The Compensation Committee and Board of Directors determined that many of the prior observations made by Pay Governance in March 2013 continued to be relevant as a point of reference for fiscal 2016. 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 2016 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 2016 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 year while maintaining base salaries at an appropriately competitive level for each Named Executive Officer's position. The Compensation Committee recommended to the Board of Directors to increase base salaries for all of our continuing Named Executive Officers from fiscal 2015 to fiscal 2016 to reflect our strong operational and financial performance during the prior fiscal year overseen by our executive management team, annual merit increases and individual performances. Mr. Severson's salary increase of 10.0% also reflected consideration of Mr. Severson's time served in his position, success of Abaxis in the past year and over an extended period and the importance of Mr. Severson to the continued success of Abaxis. Mr. Taylor's salary reflects his increased duties and responsibilities in the new position of Chief Financial Officer, Vice President of Finance and Secretary. The increase in Dr. Tockman's salary of 11.5% reflects a merit increase and recognition of the additional responsibilities assumed by Dr. Tockman during fiscal 2015 with respect to sales and marketing in North America, Latin America and the U.S. Government. The increase of 16.7% in Mr. Wood's salary reflects his promotion from Chief Operating Officer to President and Chief Operating Officer in April 2015 and increased responsibilities to oversee sales and marketing in North America.

Based on the recommendations of the Compensation Committee, our Board of Directors approved the following base salaries (except as otherwise noted, effective June 2015 for fiscal 2016 and June 2016 for fiscal 2017) for our Named Executive Officers:

Named Executive Officer	Fiscal 2016 Base Salary	Fiscal 2017 Base Salary
Clinton H. Severson	\$ 550,000	\$ 575,000
Ross Taylor ⁽¹⁾	\$ 250,000	\$ 257,500
Alberto R. Santa Ines ⁽²⁾	\$ 290,000	—
Kenneth P. Aron, Ph.D.	\$ 290,000	\$ 298,700
Craig M. Tockman, DVM	\$ 290,000	\$ 298,700
Donald P. Wood	\$ 350,000	\$ 360,500

(1) Mr. Taylor's fiscal 2016 base salary was effective upon his appointment as Chief Financial Officer, Vice President of Finance and Secretary in August 2015.

(2) Upon Mr. Santa Ines' retirement, effective as of July 31, 2015, he became a part-time, nonexecutive employee and was paid on an hourly basis at \$10.00 per hour until May 15, 2016.

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Fiscal 2016 and 2017 base salary increases for the Named Executive Officers were as follows:

Named Executive Officer	Fiscal 2016 Percent Increase In Base Salary from Fiscal 2015	Fiscal 2017 Percent Increase In Base Salary from Fiscal 2016
Clinton H. Severson	10.0 %	4.6 %
Ross Taylor ⁽¹⁾	—	3.0 %
Alberto R. Santa Ines ⁽²⁾	3.6 %	—
Kenneth P. Aron, Ph.D.	3.6 %	3.0 %
Craig M. Tockman, DVM	11.5 %	3.0 %
Donald P. Wood	16.7 %	3.0 %

(1) Mr. Taylor first became an executive officer upon his appointment to Chief Financial Officer, Vice President of Finance and Secretary, effective August 1, 2015.

(2) Upon Mr. Santa Ines' retirement on July 31, 2015, he ceased receiving his fiscal 2016 annual base salary and was eligible to be paid for part-time, non-executive employee services thereafter until May 15, 2016.

Annual Cash Incentive Bonus

Our annual cash incentive bonus program is designed 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 achieve our overall objective of tying this element of compensation to the attainment of Company performance goals that will create shareholder value.

The cash incentive bonuses are paid quarterly upon meeting pre-determined quarterly financial goals, which 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 2016, 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 2016, the Chief Executive Officer and other Named Executive Officers earned the bonuses at 97% of their targets, which was commensurate with the level of achievement of the corporate performance goals.

Target Bonus Opportunities for Fiscal 2016

For fiscal 2016, our Compensation Committee generally targeted total cash compensation 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 because base salary is generally set at or below the median of the Compensation Peer Group, as well as to ensure we retain and motivate our executives, and align pay with performance. 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 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 on the peer company analysis of total compensation prepared by Pay Governance in March 2013, the Compensation Committee recommended to the Board of Directors to increase target bonus opportunities for fiscal 2016 for Mr. Severson and Dr. Tockman. Mr. Severson's increase in target bonus reflected the time he has served in his position, success of Abaxis in the past year and over an extended period and the importance of Mr. Severson to

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the continued success of Abaxis. Mr. Taylor's target bonus was determined appropriate to reflect his increased duties and responsibilities in the new position of Chief Financial Officer, Vice President of Finance and Secretary, and was set with the aim to maintain internal equity of our executive officer's total compensation. The increase in Dr. Tockman's target bonus was determined appropriate to reflect the additional responsibilities he assumed with respect to sales and marketing in North America, Latin America and the U.S. Government and was set with the aim to maintain internal equity of our executive officer's total compensation. The Compensation Committee considered the total direct compensation for Mr. Santa Ines, Dr. Aron and Mr. Wood and determined that the target bonus from fiscal 2015 would be maintained and remained appropriate for Mr. Santa Ines, Dr. Aron and Mr. Wood in fiscal 2016. In April 2015, our Compensation Committee and Board of Directors (with Mr. Severson abstaining) approved the fiscal 2016 target bonus levels for our executive officers. The following table summarizes the fiscal 2016 target bonus amounts for our Named Executive Officers:

Named Executive Officer	Fiscal 2015 Target Bonus	Fiscal 2016 Target Bonus	Fiscal 2016 Target Bonus Increase From Fiscal 2015
Clinton H. Severson	\$ 700,000	\$ 800,000	14.3 %
Ross Taylor ⁽¹⁾	—	\$ 425,000	—
Alberto R. Santa Ines ⁽²⁾	\$ 425,000	\$ 425,000	—
Kenneth P. Aron, Ph.D.	\$ 425,000	\$ 425,000	—
Craig M. Tockman, DVM	\$ 300,000	\$ 425,000	41.7 %
Donald P. Wood	\$ 525,000	\$ 525,000	—

(1) Mr. Taylor first became an executive officer upon his appointment to Chief Financial Officer, Vice President of Finance and Secretary, effective August 1, 2015.

(2) Upon Mr. Santa Ines' retirement, effective as of July 31, 2015, he ceased to be eligible for any bonus related to Abaxis' performance for the fiscal quarters starting after June 30, 2015.

Corporate Performance Measures

For fiscal 2016, our Compensation Committee selected quarterly revenues and quarterly income before income tax provision at the beginning of the fiscal year as the 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.

Each of the fiscal 2016 corporate financial performance measures and target goals are disclosed above under Pay-for-Performance Philosophy. The Compensation Committee selected quarterly revenues and quarterly income before income tax provision as the performance metrics under the bonus plan with equal weightings, as it believes that because we are a growth company, revenues is an important indicator of Abaxis' potential for increasing long-term shareholder value and income before income tax provision is an important indicator of Abaxis' current profitability, a priority to our shareholders.

Using these two equally-weighted performance measures, the Compensation Committee established bonus targets 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 increase annual corporate financial performance during the applicable fiscal year, compared to our previous year's actual financial results. Accordingly, meeting the bonus targets, 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 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

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for cash incentives to be paid to our executive officers. Our Compensation Committee has the discretion to grant bonuses even if these 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 2016.

Bonus Calculations

Payment of the target bonus is equally weighted between achievement of our quarterly revenues performance goal and our quarterly income 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 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 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 against the year.

Bonus Decisions and Analysis

The Compensation Committee evaluated our financial performance for each quarter of fiscal 2016 and the level of achievement of each of the corporate performance measures for those quarters. As noted above, the fiscal 2016 bonus to each Named Executive Officer was based upon the achievement of two equally-weighted financial goals, our quarterly revenues and income before income tax provision goals. 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. Based on this evaluation, the Compensation Committee determined that our Named Executive Officers had achieved 97% of their target performance goals for fiscal 2016. The actual quarterly results and quarterly targets for fiscal 2016 are summarized below.

Fiscal 2016 (in millions)	Actual Revenues Worldwide	Target Revenues Worldwide at 100%	Actual	Target	Actual Income Before Income Tax Provision ⁽¹⁾	Target Income Before Income Tax Provision at 100% ⁽¹⁾
			Revenues from North America Veterinary Market, Latin America and the U.S. Government at 100%	Revenues from North America Veterinary Market, Latin America and the U.S. Government		
First quarter	\$ 53.1	\$ 53.7	\$ 35.8	\$ 36.2	\$ 11.0	\$ 9.5
Second quarter	\$ 56.0	\$ 55.6	\$ 38.5	\$ 37.4	\$ 12.3	\$ 10.3

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Third quarter	\$ 52.9	\$ 56.7	\$ 33.1	\$ 37.6	\$ 11.5	\$ 12.2
Fourth quarter	\$ 56.9	\$ 59.8	\$ 38.5	\$ 39.8	\$ 12.4	\$ 13.9
Fiscal 2016	\$ 218.9	\$ 225.8	\$ 145.9	\$ 151.0	\$ 47.2	\$ 45.9

(1) The actual and target bonus levels for income before income tax provision include bonus expense, if earned.

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At least 90% achievement of the target level of the pre-established corporate goal is necessary for any bonus payout. The Board of Directors (with Mr. Severson abstaining) approves the achievement of the target bonus levels for each quarter. On April 27, 2016, the Compensation Committee approved the fiscal 2016 bonuses awarded to each of our Named Executive Officers, based on such achievement, which were as follows:

Named Executive Officer	Fiscal 2016 Bonus Awarded	Percentage of Target Bonus
Clinton H. Severson	\$ 776,000	97 %
Ross Taylor	\$ 412,250	97 %
Alberto R. Santa Ines ⁽¹⁾	\$ 76,500	18 %
Kenneth P. Aron, Ph.D.	\$ 412,250	97 %
Craig M. Tockman, DVM	\$ 412,250	97 %
Donald P. Wood	\$ 509,250	97 %

Due to Mr. Santa Ines' retirement, effective as of July 31, 2015, he was paid a bonus of \$76,500, which represented our financial performance for the first fiscal quarter of fiscal 2016. Because Mr. Santa Ines ceased to be an executive officer after such fiscal quarter, he did not earn any further performance bonuses for fiscal 2016. Mr. Santa Ines' bonus for fiscal 2016 represented 120% of his target bonus for such fiscal quarter.

Target Bonus Opportunities for Fiscal 2017

For fiscal 2017, our Compensation Committee generally aimed for total cash compensation to be at or slightly above the 75th percentile of the Updated 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 because base salary is generally set below the median of the Updated Compensation Peer Group, with certain exceptions deemed appropriate by the Compensation Committee. Also, the Compensation Committee believed that this was appropriate to ensure we retain and motivate our executives, and align pay with performance. The actual total cash compensation earned could be above or below the 75th percentile of the Updated 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 Updated Compensation Peer Group, considering that the base salaries of the Named Executive Officers are generally below the median of the Updated Compensation Peer Group. The target bonus level for the Named Executive Officers is 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 Updated Compensation Peer Group and to maintain total compensation at an appropriately competitive level in the industry based on market data obtained in connection with the Updated Compensation Peer Group compiled in April 2016.

Based on the individual performances of the Named Executive Officers over the prior year, the scope of responsibilities, and on the peer company 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 for our continuing Named Executive Officers. 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 2017 Target Bonus
Clinton H. Severson	\$ 850,000

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Ross Taylor	\$	500,000
Alberto R. Santa Ines ⁽¹⁾		—
Kenneth P. Aron, Ph.D.	\$	500,000
Craig M. Tockman, DVM	\$	500,000
Donald P. Wood	\$	600,000

(1) Due to Mr. Santa Ines' retirement, effective as of July 31, 2015, he was not eligible to receive a target bonus amount for fiscal 2017.

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Payment of the target bonus, as identified above, for fiscal 2017, 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 quarterly revenue for North America veterinary market and from Latin America and the U.S. Government performance goal) and 50% for achievement of our quarterly income before income tax provision performance goal. For fiscal 2017, bonuses will be paid in the same payout structure as the fiscal 2016 bonus discussed in Bonus Calculations, with the exception of specified financial targets 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 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 (or Updated Compensation Peer Group with respect to fiscal 2017) 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 2005 Equity Incentive Plan and 2014 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. Prior to fiscal 2007, equity-based grants to our executive officers comprised solely of stock options. Beginning in fiscal 2007, we began granting RSUs to our executive officers. Starting in fiscal 2013, we implemented a performance-based vesting equity program. Under this program, our Compensation Committee granted our Named Executive Officers PSUs that vest only if certain financial and/or operating goals are achieved. Additionally, in fiscal 2014, we redesigned the PSUs to better align the objectives of Abaxis and interests of our shareholders. Equity grants to our Named Executive Officers in fiscal 2016 and fiscal 2017 were in the form of RSUs and PSUs, as discussed further below.

Restricted Stock Units

We began granting RSUs in fiscal 2007. Since fiscal 2013, we have maintained a performance-based vesting equity program and began granting PSUs, such that a portion of the equity awards that our Compensation Committee granted to our executive officers vest only if certain financial and/or operating goals were achieved. Our Compensation Committee has determined that a mix of time-based and performance-based vesting for the RSU awards provide 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).

Since April 2013, the Compensation Committee has designed the PSUs so that vesting terms are based on (1) achieving specified financial targets over a single-fiscal year performance period and (2) remaining in the service of

Abaxis over a four-year vesting period. The awards are comprised of two specified corporate performance targets for fiscal 2016, which are both equally weighted at 50%. The Compensation Committee believes that the financial impact from the accounting for the share-based compensation expense of these equity incentive awards, along with the retention of the Named Executive Officers, were aligned with shareholder value.

Fiscal 2016 Equity Incentive Grants

In April 2015, after considering an analysis of total compensation for our Named Executive Officers, the Compensation Committee determined that for fiscal 2016, a mix of RSU and PSU awards would continue to provide

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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 vesting terms of the RSUs and PSUs awarded for fiscal 2016 is summarized in the chart below.

Fiscal 2016 Long-Term Equity Incentive Compensation	Type	RSUs and PSUs
	Vesting for RSUs	Annual vesting over four years (5%, 10%, 15% and 70% on the first, second, third and fourth anniversary of the grant date, respectively)
	Vesting for PSUs	Vesting on the third and fourth anniversary date of grant, based on the achievement of two predefined performance goals
	PSU Metrics for:	
	Corporate performance goal at 90% of target	Minimum vest: 0%; Target and maximum vest: 100%
Corporate performance goal at 100% of target	Minimum vest: 0%; Target and maximum vest: 100%	

The PSUs granted to our Named Executive Officers in fiscal 2016, or the FY2016 PSUs, consist of the right to receive shares of common stock, only if both of the following criteria are satisfied: (1) Abaxis consolidated income from operations for the fiscal year ending March 31, 2016, as certified by the Compensation Committee, is 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.

Shares Issuable Upon Settlement of Fiscal 2016 PSUs	Consolidated Income From Operations for the Year Ending March 31, 2016	Vesting date
25%	> 90% of \$45.5 million	May 4, 2018
25%	> 90% of \$45.5 million	May 4, 2019
25%	> 100% of \$45.5 million	May 4, 2018
25%	> 100% of \$45.5 million	May 4, 2019

The Compensation Committee selected annual consolidated income from operations as the performance metric for the FY2016 PSUs to vest, 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. The FY2016 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.

RSUs subject to time-based vesting granted to the Named Executive Officers in fiscal 2016, or the FY2016 RSUs, were subject to the following vesting schedule: five percent vesting on the first anniversary of the grant date; additional ten percent on the second anniversary of the grant date; additional 15 percent on the third anniversary of the grant date; and the remaining 70 percent on the fourth anniversary of the grant date, in each case subject to continuous service to Abaxis during the vesting period. Time-based vesting terms are intended to encourage retention of our executive officers. 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 Compensation Committee believed that the equity award program for fiscal 2016 aligns the executives' focus on the achievement of specific performance goals intended to help position us for future growth. Furthermore, the Compensation Committee believes that our restricted stock grants will enhance executive share ownership, further aligning their interests with those of shareholders. In determining the appropriate amount of equity incentive grants to award to the Named Executive Officers for fiscal 2016, the Compensation Committee aimed for long-term

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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 be at or slightly above the 75th percentile of the Compensation Peer Group, assuming performance at the target level under the annual incentive compensation plan and also determines such amounts based on 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 would provide incentives to attract and retain highly qualified executives. The Compensation Committee also determined that it was appropriate for all Named Executive Officers (other than our Chief Executive Officer) to generally receive a similarly-size equity grant for fiscal 2016, because this maintains internal pay equity. Mr. Taylor's equity grant reflects his duties and responsibilities in his new position as our Chief Financial Officer, Vice President of Finance and Secretary, relative to our Compensation Peer Group. Dr. Tockman's equity grant reflects the additional responsibilities he assumed with respect to sales and marketing in North America, Latin America and the U.S. Government during fiscal 2015 and was set to maintain internal equity of our other executive officer's total compensation. In April 2015, our Compensation Committee and Board of Directors (with Mr. Severson abstaining) approved the fiscal 2016 long-term equity incentive compensation awards for our Named Executive Officers. The following table summarizes the fiscal 2016 RSUs and PSUs awarded to our Named Executive Officers.

Named Executive Officer	RSUs Granted in Fiscal 2016 (#)	PSUs Granted in Fiscal 2016 (#)
Clinton H. Severson	19,000	36,000
Ross Taylor	9,000	16,000
Alberto R. Santa Ines ⁽¹⁾	9,000	24,000
Kenneth P. Aron, Ph.D.	9,000	24,000
Craig M. Tockman, DVM	9,000	24,000
Donald P. Wood	9,000	24,000

Upon Mr. Santa Ines' retirement from his role as Chief Financial Officer, Vice President of Finance and Secretary (1) effective July 31, 2015, his FY2016 PSUs were cancelled. Mr. Santa Ines' FY 2016 RSUs continued to vest during his part-time services as a nonexecutive employee through May 15, 2016.

The Compensation Committee chose to structure the fiscal 2016 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 Company performance. Accordingly, our Named Executive Officers received, approximately 64-73% of their fiscal 2016 equity awards in the form of PSUs.

On April 27, 2016, the Compensation Committee determined that Abaxis' consolidated income from operations for fiscal 2016 was above 100% of target and accordingly, because the performance criteria was achieved during fiscal 2016, the FY2016 PSUs for all of our Named Executive Officers (other than Mr. Santa Ines) became eligible to vest in full, if each executive officer completes the remaining timed-based service criteria necessary for the award to vest.

Fiscal 2017 Equity Incentive Grants

In April 2016, 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 2017 to the Named Executive Officers continued to have the four-year time-based vesting terms as described above for RSUs granted in fiscal 2016.

The PSUs granted to our continuing 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 consolidated income from operations for the fiscal year ending March 31, 2017, as certified by the Compensation Committee, is 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.

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The FY2017 PSUs granted to Mr. Severson vests as follows.

Shares Issuable Upon Settlement of Fiscal 2017 PSUs	Consolidated Income From Operations for the Year Ending March 31, 2017	Vesting date
9,000	> 90% of target	May 2, 2019
9,000	> 90% of target	May 2, 2020
16,500	> 100% of target	May 2, 2019
16,500	> 100% of target	May 2, 2020

The FY2017 PSUs granted to all other Named Executive Officers vests as follows.

Shares Issuable Upon Settlement of Fiscal 2017 PSUs	Consolidated Income From Operations for the Year Ending March 31, 2017	Vesting date
25%	> 90% of target	May 2, 2019
25%	> 90% of target	May 2, 2020
25%	> 100% of target	May 2, 2019
25%	> 100% of target	May 2, 2020

The Compensation Committee again selected annual consolidated income from operations as the performance metric for the FY2017 PSUs to vest, 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. 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 strengthen and encourage retention since an executive officer must continue employment with us for the awards to vest.

In April 2016, our Compensation Committee and Board of Directors (with Mr. Severson abstaining) approved the fiscal 2017 long-term equity incentive compensation for our Named Executive Officers. As in fiscal 2016, our Named Executive Officers received a substantially greater portion of their fiscal 2017 restricted stock units in the form of PSUs. 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 (#)
Clinton H. Severson	19,000	51,000
Ross Taylor	9,000	16,000
Alberto R. Santa Ines ⁽¹⁾	—	—
Kenneth P. Aron, Ph.D.	9,000	16,000
Craig M. Tockman, DVM	9,000	16,000
Donald P. Wood	9,000	16,000

⁽¹⁾ Due to Mr. Santa Ines' retirement, effective as of July 31, 2015, we did not grant Mr. Santa Ines any equity awards in fiscal 2017.

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.

TABLE OF CONTENTS***Clawback Policy***

Since January 2014, we have maintained a compensation clawback policy that includes, among other things, provisions permitting our Board to require 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 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 is currently 64.1 times his base salary.

Employment Agreements

In October 2010, we entered into an employment agreement with Mr. 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 *Change in Control and Severance 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 for an annual base salary of \$250,000, a target annual cash incentive for fiscal 2016 of \$425,000, an award of 9,000 RSUs and 16,000 PSUs and a relocation bonus of \$25,000. The relocation bonus 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 below.

On May 1, 2015, we entered into a transition agreement providing for Mr. Santa Ines' retirement, effective as of July 31, 2015. Pursuant to this agreement, Mr. Santa Ines remained with Abaxis after his retirement as a part-time, nonexecutive employee on an hourly basis until May 15, 2016 and, subject to Mr. Santa Ines' service through such date and the effectiveness of a release of claims, the time-based vesting of the PSUs granted to Mr. Santa Ines in April 2014 (which have already vested in full as to Abaxis' performance) was accelerated in full on May 15, 2016. and his RSUs continued to vest during his continued service as a nonexecutive employee pursuant to their terms. The transition agreement also provided that upon his retirement on July 31, 2015, Mr. Santa Ines ceased to be eligible for any severance or change of control benefits, including under the Severance Plan.

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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 term, 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 below.

Change in Control and Severance Agreements

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 other than Mr. Santa Ines, who ceased participation in the Severance Plan as of his retirement as Chief Financial Officer, Vice President of Finance and Secretary on July 31, 2015.

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 each of their respective offer letters) 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

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- 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.

Compensation Policies and Practices as They Relate to Risk Management

In fiscal 2015, our Compensation Committee commissioned its outside compensation consultant Pay Governance to conduct a risk assessment of our executive compensation policies and practices. After reviewing such analysis and reviewing our compensation policies and practice in fiscal 2016, our Compensation Committee concluded that the mix and design of these policies and practices are not reasonably likely to encourage our employees to take excessive risks. 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.

TABLE OF CONTENTS**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table sets forth for fiscal 2016, 2015 and 2014, the compensation awarded or paid to, or earned by, Abaxis Chief Executive Officer, Chief Financial Officer, former Chief Financial Officer and the three other most highly compensated executive officers as of March 31, 2016 (collectively, the Named Executive Officers).

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$) ⁽²⁾	Stock Awards (\$) ⁽³⁾⁽⁴⁾	Non-Equity Incentive		Total (\$)
					Plan Compensation (\$) ⁽⁵⁾	All Other Compensation (\$) ⁽⁶⁾	
Clinton H. Severson Chief Executive Officer and Chairman of the Board ⁽¹⁾	2016	542,115	—	3,029,400	776,000	13,679 ⁽⁷⁾	4,361,194
	2015	498,231	302,260	2,245,100	889,000	13,858	3,948,449
	2014	478,116	—	2,333,650	72,563	10,841	2,895,170
Ross Taylor⁽⁸⁾ Chief Financial Officer, Vice President of Finance and Secretary	2016	239,808	—	1,377,000	412,250	25,044 ⁽⁹⁾	2,054,102
Alberto R. Santa Ines⁽¹⁰⁾ Former Chief Financial Officer, Vice President of Finance and Secretary	2016	95,911	—	2,387,400 ⁽¹¹⁾	76,500	75,662 ⁽¹²⁾	2,635,473
	2015	276,154	183,515	1,347,060	539,750	13,366	2,359,845
	2014	258,500	—	1,060,750	40,313	9,985	1,369,548
Kenneth P. Aron, Ph.D. Chief Technology Officer	2016	289,808	—	1,817,640	412,250	26,895 ⁽¹³⁾	2,546,593
	2015	276,154	183,515	1,347,060	539,750	27,322	2,373,801
	2014	258,500	—	1,060,750	40,313	24,547	1,384,110
Craig M. Tockman, DVM	2016	284,962	—	1,817,640	412,251	26,768 ⁽¹⁴⁾	2,541,621

Vice President of
Animal Health
Sales and
Marketing for
North America

Donald P. Wood	2016	348,462	—	1,817,640	509,250	21,090 ⁽¹⁵⁾	2,696,442
President and	2015	291,308	226,695	1,347,060	666,750	21,515	2,553,328
Chief Operating Officer	2014	258,500	—	1,060,750	40,313	18,731	1,378,294

(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 2016 and fiscal 2014, 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 of the awards granted in the fiscal year indicated as computed in accordance with Accounting Standards Codification (ASC) 718, Compensation-Stock Compensation (ASC 718). 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 for fiscal 2016, the grant date fair value of PSU awards would be as follows: (a) Mr. Severson, \$2.0 million, (b) Mr. Taylor, \$0.9 million, (c) Mr. Santa Ines, \$1.3 million, (d) Dr. Aron, \$1.3 million, (e) Dr. Tockman, \$1.3 million and (f) Mr. Wood, \$1.3 million.

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- 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 15 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed with the SEC on May 31, 2016.
- (4) Represents the cash performance bonuses earned during each fiscal year based on achievement of corporate financial performance goals, as described under Executive Compensation – 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.
- (5) (6) Amounts listed are based upon our actual costs expensed in connection with such compensation. In fiscal 2016, consists of \$5,773 in supplemental health plan expenses reimbursed by us, \$419 in group life insurance paid by us, \$418 in disability insurance premiums paid by us, \$444 in long-term care insurance premiums paid by us and \$6,625 in matching contributions made by us to Mr. Severson’s 401(k) account. Mr. Taylor was appointed to the position of Chief Financial Officer, Vice President of Finance and Secretary effective August 1, 2015. The amounts in the table reflect all of Mr. Taylor’s compensation from Abaxis earned during fiscal 2016.
- (7) In fiscal 2016, consists of \$19,152 in supplemental health plan expenses reimbursed by us, \$334 in group life insurance paid by us, \$380 in disability insurance premiums paid by us, \$192 in long-term care insurance premiums paid by us and \$4,986 in matching contributions made by us to Mr. Taylor’s 401(k) account. Mr. Santa Ines retired as our Chief Financial Officer, Vice President of Finance and Secretary on July 31, 2015 and remained with us as a part-time non-executive employee on an hourly basis until May 15, 2016. In connection with Mr. Santa Ines’ retirement, we modified Mr. Santa Ines’ outstanding PSUs granted in April 2014, for which the fiscal 2015 performance conditions had been met, to accelerate the time-based vesting conditions in full on May 15, 2016. This modification enabled an additional 24,000 of PSUs to vest and resulted in incremental fair value under ASC 718 of \$0.6 million. Amounts reflect our accounting for these awards and do not correspond to the actual values that may be realized by Mr. Santa Ines.
- (8) In fiscal 2016, consists of RSUs and PSUs granted to Mr. Santa Ines in April 2015 and the incremental fair value of \$0.6 million resulting from the PSU award modification described in footnote 10. For additional information related to the compensation provided to Mr. Santa Ines during his transition, see section titled Severance and Change in Control Agreements – Transition Agreement with Mr. Santa Ines.
- (9) In fiscal 2016, consists of \$1,919 in supplemental health plan expenses reimbursed by us, \$124 in group life insurance paid by us, \$139 in disability insurance premiums paid by us, \$171 in long-term care insurance premiums paid by us, \$3,040 in matching contributions made by us to Mr. Santa Ines’ 401(k) account and a payout of accrued vacation of \$70,269.
- (10) In fiscal 2016, consists of \$19,152 in supplemental health plan expenses reimbursed by us, \$398 in group life insurance paid by us, \$418 in disability insurance premiums paid by us, \$302 in long-term care insurance premiums paid by us and \$6,625 in matching contributions made by us to Dr. Aron’s 401(k) account.
- (11) In fiscal 2016, consists of \$19,152 in supplemental health plan expenses reimbursed by us, \$382 in group life insurance paid by us, \$417 in disability insurance premiums paid by us, \$192 in long-term care insurance premiums paid by us and \$6,625 in matching contributions made by us to Dr. Tockman’s 401(k) account.
- (12) In fiscal 2016, consists of \$13,301 in supplemental health plan expenses reimbursed by us, \$419 in group life insurance paid by us, \$419 in disability insurance premiums paid by us, \$326 in long-term care insurance premiums paid by us and \$6,625 in matching contributions made by us to Mr. Wood’s 401(k) account.
- (13) In fiscal 2016, consists of \$13,301 in supplemental health plan expenses reimbursed by us, \$419 in group life insurance paid by us, \$419 in disability insurance premiums paid by us, \$326 in long-term care insurance premiums paid by us and \$6,625 in matching contributions made by us to Mr. Wood’s 401(k) account.

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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 2016.

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	12	%	18	%
Ross Taylor	12	%	20	%
Alberto R. Santa Ines ⁽²⁾	5	%	4	%
Kenneth P. Aron, Ph.D.	11	%	16	%
Craig M. Tockman, DVM	11	%	16	%
Donald P. Wood	13	%	19	%

Total compensation is defined as total compensation as reported in the Summary Compensation Table for fiscal (1) 2016. 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.

Mr. Santa Ines retired as our Chief Financial Officer, Vice President of Finance and Secretary effective as of July (2) 31, 2015. The percentages in the table reflect his compensation earned during his position as the Chief Financial Officer, Vice President of Finance and Secretary from April 1, 2015 until his retirement on July 31, 2015.

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 Change in Control and Severance 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 for an annual base salary of \$250,000, a target annual cash incentive for fiscal 2016 of \$425,000, an award of 9,000 RSUs and 16,000 PSUs and a relocation bonus of \$25,000. The relocation bonus 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 below.

On May 1, 2015, we entered into a transition agreement providing for Mr. Santa Ines' retirement, effective as of July 31, 2015. Pursuant to this agreement, Mr. Santa Ines remained with Abaxis after his retirement as a part-time,

nonexecutive employee on an hourly basis until May 15, 2016 and, subject to Mr. Santa Ines' service through such date and the effectiveness of a release of claims, the time-based vesting of the PSUs granted to Mr. Santa Ines in April 2014 (which had already vested in full as to Abaxis' performance) was accelerated in full on May 15, 2016 and his RSUs continued to vest during his continued service as a nonexecutive employee pursuant to their terms. The transition agreement also provided that upon his retirement on July 31, 2015, Mr. Santa Ines ceased to be eligible for any severance or change of control benefits, including under the Severance Plan.

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The following table sets forth the grants of plan-based awards to our Named Executive Officers during fiscal 2016.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares or Units (#) ⁽³⁾	Grant Date Fair Value of Stock and Option Awards (\$) ⁽⁴⁾
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Clinton H. Severson									
Annual cash incentive bonus		200,000	800,000	1,600,000					
RSUs	5/4/2015						19,000	1,046,520	
PSUs	5/4/2015				0	36,000	36,000	1,982,880	
Ross Taylor									
Annual cash incentive bonus		106,250	425,000	850,000					
RSUs	5/4/2015						9,000	495,720	
PSUs	5/4/2015				0	16,000	16,000	881,280	
Alberto R. Santa Ines ⁽⁵⁾									
Annual cash incentive bonus		106,250	425,000	850,000					
RSUs	5/4/2015						9,000	495,720	
PSUs	5/4/2015				0	24,000	24,000	1,321,920	
Kenneth P. Aron, Ph.D.									
Annual cash incentive bonus		106,250	425,000	850,000					
RSUs	5/4/2015						9,000	495,720	
PSUs	5/4/2015				0	24,000	24,000	1,321,920	

Craig M.
Tockman,
DVM

Annual cash incentive bonus		106,250	425,000	850,000				
RSUs	5/4/2015						9,000	495,720
PSUs	5/4/2015				0	24,000	24,000	1,321,920

Donald P.
Wood

Annual cash incentive bonus		131,250	525,000	1,050,000				
RSUs	5/4/2015						9,000	495,720
PSUs	5/4/2015				0	24,000	24,000	1,321,920

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 2016, were paid for within one month following the end of the quarter upon

(1) 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) Consists of PSUs granted under, and are subject to, the terms of our 2014 Equity Incentive Plan. PSUs were subject to vesting only if both of the following criteria were satisfied: (a) consolidated income from operations for the fiscal year ended March 31, 2016 was in excess of the applicable target amount; and (b) the recipient remained in the service of Abaxis until the applicable vesting date set forth as follows:

(i) 25% shares issuable upon settlement of FY2016 PSUs upon satisfying 90% of target of consolidated income from operations for the year ended March 31, 2016, and time-based vesting on May 4, 2018;

(ii) 25% shares issuable upon settlement of FY2016 PSUs upon satisfying 90% of target of consolidated income from operations for the year ended March 31, 2016, and time-based vesting on May 4, 2019;

(iii) 25% shares issuable upon settlement of FY2016 PSUs upon satisfying 100% of target of consolidated income from operations for the year ended March 31, 2016, and time-based vesting on May 4, 2018; and

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(iv) 25% shares issuable upon settlement of FY2016 PSUs upon satisfying 100% of target of consolidated income from operations for the year ended March 31, 2016, and time-based vesting on May 4, 2019.

Additional information on RSUs granted is described above in Restricted Stock Units.

(3) Consists 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: five percent of the shares vest after the first year; ten percent of the shares vest after the second year; 15 percent of the shares vest after the third year; and 70 percent of the shares vest after the fourth year. Additional information on PSUs granted is described above in Restricted Stock Units.

(4) Represents the fair value of the RSUs and PSUs on the date of grant, pursuant to ASC 718. See Note 15 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed with the SEC on May 31, 2016, for additional information. 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 such awards would be as follows: (a) Mr. Severson, \$2.0 million, (b) Mr. Taylor, \$0.9 million, (c) Mr. Santa Ines, \$1.3 million, (d) Dr. Aron, \$1.3 million, (e) Dr. Tockman, \$1.3 million and (f) Mr. Wood, \$1.3 million.

(5) Upon Mr. Santa Ines' retirement from his role as Chief Financial Officer, Vice President of Finance and Secretary effective July 31, 2015, his FY2016 PSUs were cancelled. Mr. Santa Ines' FY 2016 RSUs continued to vest during his part-time services as a nonexecutive employee through May 15, 2016. In addition to the grant date fair value of the fiscal 2016 stock awards, in connection with his retirement, Mr. Santa Ines also had \$0.6 million of incremental fair value resulting from the modification in April 2015 of his outstanding PSUs granted in April 2014, for which the fiscal 2015 performance conditions had been met, to accelerate the time-based vesting conditions in full on May 15, 2016. For additional information related to the compensation provided to Mr. Santa Ines during his transition, see section titled Employment Agreements.

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The following table shows, for the fiscal year ended March 31, 2016, certain information regarding outstanding equity awards at fiscal year-end for our Named Executive Officers.

Name	Grant Date	Stock Awards	
		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	4/30/2012	16,100	(2) 730,779
	4/29/2013	16,150	(2) 733,049
	4/28/2014	18,050	(2) 819,289
	4/28/2014	36,000	(3) 1,634,040
	5/4/2015	19,000	(2) 862,410
	5/4/2015	36,000	(3) 1,634,040
Ross Taylor	10/23/2014	9,500	(2) 431,205
	5/4/2015	9,000	(2) 408,510
	5/4/2015	16,000	(3) 726,240
Alberto R. Santa Ines ⁽⁴⁾	4/30/2012	7,350	(2) 333,617
	4/29/2013	7,650	(2) 347,234
	4/28/2014	8,550	(2) 388,084
	4/28/2014	24,000	(3) 1,089,360
Kenneth P. Aron, Ph.D.	4/30/2012	7,350	(2) 333,617
	4/29/2013	7,650	(2) 347,234
	4/28/2014	8,550	(2) 388,084
	4/28/2014	24,000	(3) 1,089,360
	5/4/2015	9,000	(2) 408,510
	5/4/2015	24,000	(3) 1,089,360
Craig M. Tockman, DVM	7/30/2012	350	(2) 15,886
	7/29/2013	425	(2) 19,291
	10/24/2013	4,250	(2) 192,907
	4/28/2014	8,550	(2) 388,085
	4/28/2014	16,000	(3) 726,240

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	5/4/2015	9,000	(2)	408,510
	5/4/2015	24,000	(3)	1,089,360
Donald P. Wood	4/30/2012	7,350	(2)	333,617
	4/29/2013	7,650	(2)	347,234
	4/28/2014	8,550	(2)	388,084
	4/28/2014	24,000	(3)	1,089,360
	5/4/2015	9,000	(2)	408,510
	5/4/2015	24,000	(3)	1,089,360

(1) The value of the equity award is based on the closing price of our common stock of \$45.39 on March 31, 2016, as reported on the NASDAQ Global Select Market.

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(2) The four-year vesting terms of the RSUs are as follows, assuming continuous employment: five percent of the shares vest after the first year; ten percent of the shares vest after the second year; 15 percent of the shares vest after the third year; and 70 percent of the shares vest after the fourth year. Additional information on RSUs granted during fiscal 2016 is described above in Restricted Stock Units.

(3) The RSUs vest upon satisfying both performance and service criteria. On April 27, 2016, the Compensation Committee determined that Abaxis' consolidated income from operations for fiscal 2016 was above 100% of target and accordingly, because the performance criteria were achieved during fiscal 2016, the FY2016 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.

(4) Mr. Santa Ines retired as our Chief Financial Officer, Vice President of Finance and Secretary effective as of July 31, 2015. Pursuant to his transition agreement, Mr. Santa Ines remained with Abaxis after his retirement as a part-time, nonexecutive employee and his RSUs continued to vest during the transition period (through May 15, 2016) pursuant to the terms of the governing agreement and the applicable equity incentive plan. In addition, the time-based vesting requirements of the FY2016 PSUs granted in April 2014 were accelerated and deemed satisfied in full on May 15, 2016, the separation date outlined in Mr. Santa Ines' transition agreement.

Option Exercises and Stock Vested in Fiscal 2016

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 2016. None of our Named Executive Officers exercised any outstanding stock options during fiscal 2016 and as of the end of fiscal 2016, there were no outstanding stock options to purchase our common stock.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)⁽¹⁾
Clinton H. Severson	44,800	2,467,584
Ross Taylor	500	25,760
Alberto R. Santa Ines	20,425	1,125,009
Kenneth P. Aron, Ph.D.	20,425	1,125,009
Craig M. Tockman, DVM	1,425	74,027
Donald P. Wood	20,425	1,125,009

(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***

In October 2010, we entered into an employment agreement with Mr. 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) 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 for an annual base salary of \$250,000, a target annual cash incentive for fiscal 2016 of \$425,000, an award of 9,000 RSUs and 16,000 PSUs and a relocation bonus of \$25,000. The relocation bonus 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

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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 also provides that Mr. Taylor will be a participant in the Severance Plan, on the specific terms and adjustments described below.

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 below.

Transition Agreement with Mr. Santa Ines

On May 1, 2015, we entered into a transition agreement providing for Mr. Santa Ines' retirement, effective as of July 31, 2015. Pursuant to this agreement, Mr. Santa Ines remained with Abaxis after his retirement as a part-time, nonexecutive employee on an hourly basis until May 15, 2016. In addition, contingent upon Mr. Santa Ines' service through such date and Mr. Santa Ines' release of claims that he may have on account of his employment with us, the time-based vesting of the PSUs granted to Mr. Santa Ines in April 2014 (which had already vested in full as to the Company's performance) was accelerated in full on May 15, 2016. This acceleration enabled an additional 24,000 of PSUs to vest and resulted in incremental fair value of \$0.6 million.

Pursuant to the transition agreement, we also paid Mr. Santa Ines the bonus amount of \$76,500 for the quarter ended June 30, 2015 that he would have been paid had he continued in his full time executive officer capacity until the date bonuses were earned and paid to other executive officers for such quarter. Mr. Santa Ines also received all accrued and unused vacation earned, totaling \$70,269, upon his retirement on July 31, 2015. Mr. Santa Ines also received \$1,385 in matching contributions earned after his retirement as a part-time, nonexecutive employee. Upon his retirement on July 31, 2015, Mr. Santa Ines ceased to be eligible for any severance or change of control benefits, including under the Severance Plan.

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, however Mr. Santa Ines ceased such participation as of his retirement as our Chief Financial Officer, Vice President of Finance and Secretary effective July 31, 2015.

The Board of Directors has amended the Severance Plan from time to time to ensure its compliance with Section 409A of 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 each of their respective employment letters) provides that if the participant's employment is terminated by us (or any successor of Abaxis)

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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 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.

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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, 2016, and do not include amounts in which the Named Executive Officer had already vested as of March 31, 2016. 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.

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The following table includes an estimate of the potential compensation and benefits payable to our named executive officers, other than Mr. Santa Ines, 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, 2016. For information with respect to the compensation and benefits we actually provided to Mr. Santa Ines in connection with his resignation, see Transition Agreement with Mr. Santa Ines above.

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	\$ 2,700,000	—	\$ 2,700,000
Vesting of RSUs	\$ 3,145,527 (3)	\$ 3,145,527 (3)	\$ 3,145,527 (3)
Vesting of PSUs	\$ 3,268,080 (3)	\$ 3,268,080 (3)	\$ 3,268,080 (3)
Health and welfare benefits	\$ 14,108 (4)	—	\$ 14,108 (4)
Excise tax reimbursement and related gross up	—	—	\$ 0 (5)
Total	\$ 9,127,715	\$ 6,413,607	\$ 9,127,715
Ross Taylor			
Salary and bonus	—	—	\$ 1,350,000
Vesting of RSUs	—	—	\$ 839,715 (3)
Vesting of PSUs	—	—	\$ 726,240 (3)
Health and welfare benefits	—	—	\$ 39,732 (6)
Excise tax reimbursement and related gross up	—	—	—
Total	—	—	\$ 2,955,687 (7)
Kenneth P. Aron, Ph.D.			
Salary and bonus	—	—	\$ 1,430,000
Vesting of RSUs	—	\$ 1,477,445 (3)	\$ 1,477,445 (3)
Vesting of PSUs	—	\$ 2,178,720 (3)	\$ 2,178,720 (3)
Health and welfare benefits	—	—	\$ 39,936 (6)
Excise tax reimbursement and related gross up	—	—	\$ 0 (5)
Total	—	\$ 3,656,165	\$ 5,126,101
Craig M. Tockman, DVM			
Salary and bonus	—	—	\$ 1,430,000
Vesting of RSUs	—	—	\$ 1,024,679 (3)
Vesting of PSUs	—	—	\$ 1,815,600 (3)
Health and welfare benefits	—	—	\$ 39,902 (6)
	—	—	—

Excise tax reimbursement and related
gross up

Total	—	—	\$	4,310,181	(7)
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Donald P. Wood

Salary and bonus	—	—	\$	1,750,000	
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Vesting of RSUs	—	\$ 1,477,445	(3)	\$ 1,477,445	(3)
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Vesting of PSUs	—	\$ 2,178,720	(3)	\$ 2,178,720	(3)
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Health and welfare benefits	—	—	\$	28,278	(6)
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Excise tax reimbursement and related
gross up

	—	—	\$	0	(5)
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Total	—	\$ 3,656,165		\$ 5,434,443	
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(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).

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- (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.
The values of the RSUs and PSUs assume that the market price per share of our common stock on the date of
- (3) termination of employment was equal to the closing price of our common stock of \$45.39 on March 31, 2016, 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.
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 2012 through 2016. No
- (5) 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.
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
- (8) 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 \$309,000 and \$369,000, respectively.

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The table below summarizes the compensation paid to our non-employee directors for fiscal 2016.

Name (1)	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)^{(2) (3)}	Total (\$)
Vernon E. Altman	33,250	275,400	308,650
Richard J. Bastiani, Ph.D.	34,750	275,400	310,150
Michael D. Casey	26,250	275,400	301,650
Henk J. Evenhuis	39,750	275,400	315,150
Prithipal Singh, Ph.D.	32,250	275,400	307,650

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.

Each non-employee director listed in the table above was granted an award of 5,000 RSUs on May 4, 2015 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 15 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K filed with the SEC on May 31, 2016. No stock awards were forfeited by our non-employee directors during fiscal 2016.

As of March 31, 2016, each of our non-employee directors held 5,000 shares subject to outstanding RSUs.

Cash Compensation Paid to Board Members

During fiscal 2016, 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. In April 2014, we designated Mr. Altman as our lead independent director and he received an annual supplement of \$7,000 in connection with this appointment. 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 awards under the 2005 Plan or the 2014 Plan, as applicable, but such awards are discretionary and not automatic. In fiscal 2016, 2015 and 2014, each non-employee director received an annual equity award of 5,000, 5,000 and 4,000, respectively, RSUs for the services provided by the non-employee director during the respective period. Each award of RSUs 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 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 2005 Plan and the director agreements under the 2014 Plan.

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TRANSACTIONS WITH RELATED PERSONS

Certain Relationships and Related Transactions

During the fiscal year ended March 31, 2016, there was not, nor is there any currently proposed transaction or series of similar transactions to which Abaxis was or is to be a party in which the amount involved exceeded or exceeds \$120,000 and in which any executive officer, director or holder of more than 5% of any class of voting securities of Abaxis 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 Related Person Transaction Policy and Procedures 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.

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for annual meeting materials with respect to two or more shareholders sharing the same address by delivering a single set of annual meeting materials addressed to those shareholders. This process, which is commonly referred to as householding, potentially means extra convenience for shareholders and cost savings for companies.

This year, a number of brokers with account holders who are Company shareholders may be householding proxy materials. A single set of annual meeting materials may be delivered to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to

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participate in householding and would prefer to receive a separate set of annual meeting materials, please notify your broker. Direct your written request to Abaxis, Inc., Ross Taylor, Chief Financial Officer and Secretary, 3240 Whipple Road, Union City, California 94587 or contact Mr. Taylor at (510) 675-6500. Shareholders who currently receive multiple copies of the annual meeting materials at their addresses and would like to request householding of their communications should contact their brokers.

SHAREHOLDER PROPOSALS AND DIRECTOR NOMINATIONS FOR THE 2017 ANNUAL MEETING

Pursuant to Rule 14a-8 under the Exchange Act, shareholder proposals to be considered for inclusion in next year's proxy materials, must be submitted in writing and received by us by May 18, 2017, to our Secretary at 3240 Whipple Road, Union City, California 94587, and must otherwise comply with Rule 14a-8 under the Exchange Act. However, if the date of next year's annual meeting has been changed by more than 30 days from the date of this year's meeting, then the deadline is a reasonable time before we begin to print and send our proxy materials.

In addition, our bylaws contain an advance notice provision with respect to matters to be brought before an annual meeting, including director nominations, whether or not included in our proxy statement. If you would like to nominate a director or bring any other business before the shareholders at next year's annual meeting, you must comply with the procedures contained in our bylaws, including notifying us in writing in a timely manner, and such business must otherwise be a proper matter for action by our shareholders. To be timely under our current bylaws, the notice must be received by us by May 18, 2017, to our Secretary at 3240 Whipple Road, Union City, California 94587, our principal executive office, except that, if the date of next year's annual meeting is more than 30 calendar days earlier than the date contemplated at this time, notice by the shareholders to be timely must be received not later than the close of business on the 10th day following the day on which the date of the annual meeting is publicly announced and in the event that the number of directors to be elected at the annual meeting is increased and there is no public announcement by us naming the nominees for the additional directorships by May 8, 2017, a shareholder's notice shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered not later than the close of business on the 10th day following the day on which such public announcement is first made.

You are also advised to review our bylaws, which contain additional requirements for advance notice of shareholder proposals. These additional requirements are also described under "Information regarding the Board of Directors and Corporate Governance -- Nominating and Corporate Governance Committee" above.

OTHER MATTERS

The Board knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

Ross Taylor
Chief Financial Officer, Vice President of Finance and Secretary

September 15, 2016

A copy of our Annual Report to the SEC on Form 10-K for the fiscal year ended March 31, 2016 and an amendment to such report on Form 10-K/A is available without charge upon written request to: Investor Relations, Abaxis, Inc.,

3240 Whipple Road, Union City, California 94587.

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APPENDIX A

ABAXIS, INC.

2014 EQUITY INCENTIVE PLAN

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Abaxis, Inc.

2014 Equity Incentive Plan

Adopted by the Board of Directors: July 23, 2014

Approved by the Shareholders: October 22, 2014

Amended by the Board of Directors: July 20, 2016

[Approved by the Shareholders: October 26, 2016]

1. General.

(a) **Successor to and Continuation of Prior Plan.** The Plan is intended as the successor to and continuation of the Abaxis, Inc. 2005 Equity Incentive Plan, as amended (the *Prior Plan*). Following the Effective Date, no additional stock awards may be granted under the Prior Plan. Any unallocated shares remaining available for issuance pursuant to the exercise of options or issuance or settlement of stock awards not previously granted under the Prior Plan as of 12:01 a.m. Pacific time on the Effective Date (the *Prior Plan's Available Reserve*) will cease to be available under the Prior Plan at such time and will be added to the Share Reserve (as further described in Section 3(a) below) and be then immediately available for issuance pursuant to Stock Awards granted hereunder. In addition, from and after 12:01 a.m. Pacific time on the Effective Date, all outstanding stock awards granted under the Prior Plan or the Abaxis, Inc. 1998 Stock Option Plan (the *1998 Plan*) will remain subject to the terms of the Prior Plan or the 1998 Plan, as applicable; *provided, however*, that any shares subject to outstanding stock awards granted under the Prior Plan or the 1998 Plan that (i) expire or terminate for any reason prior to exercise or settlement; (ii) are forfeited, cancelled or otherwise returned to the Company because of the failure to meet a contingency or condition required to vest such shares; or (iii) are reacquired, withheld (or not issued) to satisfy a tax withholding obligation in connection with an award or to satisfy the purchase price or exercise price of a stock award (the *Returning Shares*) will immediately be added to the Share Reserve (as further described in Section 3(a) below) as and when such shares become Returning Shares, and become available for issuance pursuant to Awards granted hereunder. All Awards granted on or after 12:01 a.m. Pacific time on the Effective Date will be subject to the terms of this Plan.

(b) **Eligible Award Recipients.** Employees, Directors and Consultants are eligible to receive Awards.

(c) **Available Awards.** The Plan provides for the grant of the following types of Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) Stock Appreciation Rights, (iv) Restricted Stock Awards, (v) Restricted Stock Unit Awards, (vi) Performance Stock Awards, (vii) Performance Cash Awards, and (viii) Other Stock Awards.

(d) **Purpose.** The Plan, through the granting of Awards, is intended to help the Company secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate and provide a means by which the eligible recipients may benefit from increases in value of the Common Stock.

2. Administration.

(a) **Administration by Board.** The Board will administer the Plan. The Board may delegate administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) **Powers of Board.** The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine (A) who will be granted Awards; (B) when and how each Award will be granted; (C) what type of Award will be granted; (D) the provisions of each Award (which need not be identical), including when a person will be permitted to exercise or otherwise receive cash or Common Stock under the Award; (E) the number of shares of

Common Stock subject to, or the cash value of, an Award; and (F) the Fair Market Value applicable to a Stock Award.

(ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan and Awards. The Board, in the exercise of these powers, may correct any defect, omission or inconsistency in the Plan or in any Award Agreement, in a manner and to the extent it will deem necessary or expedient to make the Plan or Award fully effective.

(iii) To settle all controversies regarding the Plan and Awards granted under it.

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- (iv) To accelerate, in whole or in part, the time at which an Award may be exercised or vest (or at which cash or shares of Common Stock may be issued).
- (v) To suspend or terminate the Plan at any time. Except as otherwise provided in the Plan or an Award Agreement, suspension or termination of the Plan will not impair a Participant's rights under his or her then-outstanding Award without his or her written consent except as provided in subsection (viii) below.
- (vi) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, by adopting amendments relating to Incentive Stock Options and certain nonqualified deferred compensation under Section 409A of the Code and/or to make the Plan or Awards granted under the Plan compliant with the requirements for Incentive Stock Options or exempt from or compliant with the requirements for nonqualified deferred compensation under Section 409A of the Code, subject to the limitations, if any, of applicable law. However, if required by applicable law or listing requirements, and except as provided in Section 9(a) relating to Capitalization Adjustments, the Company will seek shareholder approval of any amendment of the Plan that (A) materially increases the number of shares of Common Stock available for issuance under the Plan, (B) materially expands the class of individuals eligible to receive Awards under the Plan, (C) materially increases the benefits accruing to Participants under the Plan, (D) materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (E) materially extends the term of the Plan, or (F) materially expands the types of Awards available for issuance under the Plan. Except as provided in the Plan (including Section 2(b)(viii)) or an Award Agreement, no amendment of the Plan will impair a Participant's rights under an outstanding Award without the Participant's written consent.
- (vii) To submit any amendment to the Plan for shareholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of (A) Section 162(m) of the Code regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to Covered Employees, (B) Section 422 of the Code regarding incentive stock options or (C) Rule 16b-3.
- (viii) To approve forms of Award Agreements for use under the Plan and to amend the terms of any one or more Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; *provided however*, that a Participant's rights under any Award will not be impaired by any such amendment unless (A) the Company requests the consent of the affected Participant, and (B) such Participant consents in writing. Notwithstanding the foregoing, (1) a Participant's rights will not be deemed to have been impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant's rights, and (2) subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Awards without the affected Participant's consent (A) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (B) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award solely because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (C) to clarify the manner of exemption from, or to bring the Award into compliance with, Section 409A of the Code; or (D) to comply with other applicable laws or listing requirements.
- (ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Awards.
- (x) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States (provided that Board approval will not be necessary for immaterial modifications to the Plan or any Award Agreement that are required for compliance with the laws of the relevant foreign jurisdiction).

(c) Delegation to Committee.

(i) General. The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee, as applicable). Any delegation of administrative powers will be reflected in resolutions, not

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inconsistent with the provisions of the Plan, adopted from time to time by the Board or Committee (as applicable). The Committee may, at any time, abolish the subcommittee and/or revert in the Committee any powers delegated to the subcommittee. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revert in the Board some or all of the powers previously delegated.

(ii) Section 162(m) and Rule 16b-3 Compliance. The Committee may consist solely of two (2) or more Outside Directors, in accordance with Section 162(m) of the Code, or solely of two (2) or more Non-Employee Directors, in accordance with Rule 16b-3.

(d) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

(e) Cancellation and Re-Grant of Stock Awards. Neither the Board nor any Committee will have the authority to: (i) reduce the exercise, purchase or strike price of any outstanding Option or SAR under the Plan, or (ii) cancel any outstanding Option or SAR that has an exercise price or strike price greater than the current Fair Market Value of the Common Stock in exchange for cash or other Stock Awards under the Plan, unless the shareholders of the Company have approved such an action within twelve (12) months prior to such an event.

3. Shares Subject to the Plan.

(a) Share Reserve.

(i) Subject to Section 9(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock that may be issued pursuant to Stock Awards will not exceed two million six hundred twelve thousand four hundred and nine (2,612,409) shares, which number is the sum of (A) the number of shares (eight hundred seventy five thousand five hundred and five (875,505) shares) subject to the Prior Plan's Available Reserve, (B) the nine hundred thousand (900,000) shares and (C) the Returning Shares, if any, which become available for grant under this Plan from time to time (such aggregate number of shares described in (A), (B) and (C) above, the **Share Reserve**).

(ii) For clarity, the Share Reserve in this Section 3(a) is a limitation on the number of shares of Common Stock that may be issued pursuant to the Plan. Accordingly, this Section 3(a) does not limit the granting of Stock Awards except as provided in Section 7(a). Shares may be issued in connection with a merger or acquisition as permitted by NASDAQ Listing Rule 5635(c) or, if applicable, NYSE Listed Company Manual Section 303A.08, AMEX Company Guide Section 711 or other applicable rule, and such issuance will not reduce the number of shares available for issuance under the Plan.

(b) Reversion of Shares to the Share Reserve. If a Stock Award or any portion thereof (i) expires or otherwise terminates without all of the shares covered by such Stock Award having been issued or (ii) is settled in cash (*i.e.*, the Participant receives cash rather than stock), such expiration, termination or settlement will not reduce (or otherwise offset) the number of shares of Common Stock that may be available for issuance under the Plan. If any shares of Common Stock issued pursuant to a Stock Award are forfeited back to or repurchased by the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares that are forfeited or repurchased will revert to and again become available for issuance under the Plan. Any shares reacquired by the Company in satisfaction of tax withholding obligations on a Stock Award or as consideration for the exercise or purchase price of a Stock Award will again become available for issuance under the Plan.

(c) Incentive Stock Option Limit. Subject to the Share Reserve and Section 9(a) relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options will be 1,712,409 shares of Common Stock.

(d) Section 162(m) Limitations. Subject to the Share Reserve and Section 9(a) relating to Capitalization Adjustments, at such time as the Company may be subject to the applicable provisions of Section 162(m) of the Code, the following limitations shall apply.

(i) A maximum of one hundred thousand (100,000) shares of Common Stock subject to Options, SARs and Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least one hundred percent (100%) of the Fair Market Value on the date any such Stock Award is granted may be granted to any one Participant during any calendar year. Notwithstanding the foregoing, if any additional Options, SARs or Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least one hundred percent (100%) of the Fair Market Value on the date the Stock Award is granted to any

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Participant during any calendar year, compensation attributable to the exercise of such additional Stock Awards will not satisfy the requirements to be considered qualified performance-based compensation under Section 162(m) of the Code unless such additional Stock Award is approved by the Company's shareholders.

(ii) A maximum of five hundred thousand (500,000) shares of Common Stock subject to Performance Stock Awards may be granted to any one Participant during any one calendar year (whether the grant, vesting or exercise is contingent upon the attainment during the Performance Period of the Performance Goals).

(iii) A maximum of five million dollars (\$5,000,000) may be granted as a Performance Cash Award to any one Participant during any one calendar year.

(e) **Source of Shares.** The stock issuable under the Plan will be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.

4. Eligibility.

(a) **Eligibility for Specific Stock Awards.** Incentive Stock Options may be granted only to employees of the Company or a parent corporation or subsidiary corporation thereof (as such terms are defined in Sections 424(e) and 424(f) of the Code). Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants; provided, however, that Stock Awards may not be granted to Employees, Directors and Consultants who are providing Continuous Service only to any parent of the Company, as such term is defined in Rule 405, unless (i) the stock underlying such Stock Awards is treated as service recipient stock under Section 409A of the Code (for example, because the Stock Awards are granted pursuant to a corporate transaction such as a spin off transaction) or (ii) the Company, in consultation with its legal counsel, has determined that such Stock Awards are otherwise exempt from or alternatively comply with the distribution requirements of Section 409A of the Code.

(b) **Ten Percent Shareholders.** A Ten Percent Shareholder will not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value on the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant.

5. Provisions Relating to Options and Stock Appreciation Rights.

Each Option or SAR will be in such form and will contain such terms and conditions as the Board deems appropriate. All Options will be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, or if an Option is designated as an Incentive Stock Option but some portion or all of the Option fails to qualify as an Incentive Stock Option under the applicable rules, then the Option (or portion thereof) will be a Nonstatutory Stock Option. The provisions of separate Options or SARs need not be identical; *provided, however*, that each Award Agreement will conform to (through incorporation of provisions hereof by reference in the applicable Award Agreement or otherwise) the substance of each of the following provisions:

(a) **Term.** Subject to the provisions of Section 4(b) regarding Ten Percent Shareholders, no Option or SAR will be exercisable after the expiration of ten (10) years from the date of its grant or such shorter period specified in the Award Agreement.

(b) **Exercise Price.** Subject to the provisions of Section 4(b) regarding Ten Percent Shareholders, the exercise or strike price of each Option or SAR will be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option or SAR on the date the Award is granted. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise or strike price lower than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Award if such Award is granted pursuant to an assumption of or

substitution for another option or stock appreciation right pursuant to a Corporate Transaction and in a manner consistent with the provisions of Section 409A of the Code and, if applicable, Section 424(a) of the Code. Each SAR will be denominated in shares of Common Stock equivalents.

(c) **Purchase Price for Options.** The purchase price of Common Stock acquired pursuant to the exercise of an Option may be paid, to the extent permitted by applicable law and as determined by the Board in its sole

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discretion, by any combination of the methods of payment set forth below. The Board will have the authority to grant Options that do not permit all of the following methods of payment (or that otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to use a particular method of payment. The permitted methods of payment are as follows:

- (i) by cash, check, bank draft or money order payable to the Company;
- (ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds;
- (iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock;
- (iv) if an Option is a Nonstatutory Stock Option, by a net exercise arrangement pursuant to which the Company will reduce the number of shares of Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; *provided, however*, that the Company will accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued. Shares of Common Stock will no longer be subject to an Option and will not be exercisable thereafter to the extent that (A) shares issuable upon exercise are used to pay the exercise price pursuant to the net exercise, (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations; or
- (v) in any other form of legal consideration that may be acceptable to the Board and specified in the applicable Award Agreement.

(d) Exercise and Payment of a SAR. To exercise any outstanding SAR, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Award Agreement evidencing such SAR. The appreciation distribution payable on the exercise of a SAR will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the SAR) of a number of shares of Common Stock equal to the number of Common Stock equivalents in which the Participant is vested under such SAR, and with respect to which the Participant is exercising the SAR on such date, over (B) the aggregate strike price of the number of Common Stock equivalents with respect to which the Participant is exercising the SAR on such date. The appreciation distribution may be paid in Common Stock, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Award Agreement evidencing such SAR.

(e) Transferability of Options and SARs. The Board may, in its sole discretion, impose such limitations on the transferability of Options and SARs as the Board will determine. In the absence of such a determination by the Board to the contrary, the following restrictions on the transferability of Options and SARs will apply:

(i) Restrictions on Transfer. An Option or SAR will not be transferable except by will or by the laws of descent and distribution (and pursuant to Sections 5(e)(ii) and 5(e)(iii) below), and will be exercisable during the lifetime of the Participant only by the Participant. The Board may permit transfer of the Option or SAR in a manner that is not prohibited by applicable tax and securities laws. Except as explicitly provided in the Plan, neither an Option nor a SAR may be transferred for consideration.

(ii) Domestic Relations Orders. Subject to the approval of the Board or a duly authorized Officer, an Option or SAR may be transferred pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by Treasury Regulations Section 1.421-1(b)(2). If an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(iii) Beneficiary Designation. Subject to the approval of the Board or a duly authorized Officer, a Participant may, by delivering written notice to the Company, in a form approved by the Company (or the designated broker), designate a third party who, upon the death of the Participant, will thereafter be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, upon the death of the Participant, the executor or administrator of the Participant's estate will

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be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. However, the Company may prohibit designation of a beneficiary at any time, including due to any conclusion by the Company that such designation would be inconsistent with the provisions of applicable laws.

(f) Vesting Generally. The total number of shares of Common Stock subject to an Option or SAR may vest and become exercisable in periodic installments that may or may not be equal. The Option or SAR may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of Performance Goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options or SARs may vary. The provisions of this Section 5(f) are subject to any Option or SAR provisions governing the minimum number of shares of Common Stock as to which an Option or SAR may be exercised.

(g) Termination of Continuous Service. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates (other than for Cause and other than upon the Participant's death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Award as of the date of termination of Continuous Service) within the period of time ending on the earlier of (i) the date three (3) months following the termination of the Participant's Continuous Service (or such longer or shorter period specified in the applicable Award Agreement), and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR (as applicable) within the applicable time frame, the Option or SAR will terminate.

(h) Extension of Termination Date. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if the exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause and other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option or SAR will terminate on the earlier of (i) the expiration of a total period of time (that need not be consecutive) equal to the applicable post-termination exercise period after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of such registration requirements, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement. In addition, unless otherwise provided in a Participant's Award Agreement, if the sale of any Common Stock received upon exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause) would violate the Company's insider trading policy, then the Option or SAR will terminate on the earlier of (i) the expiration of a period of time (that need not be consecutive) equal to the applicable post-termination exercise period after the termination of the Participant's Continuous Service during which the sale of the Common Stock received upon exercise of the Option or SAR would not be in violation of the Company's insider trading policy, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement.

(i) Disability of Participant. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if a Participant's Continuous Service terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination of Continuous Service (or such longer or shorter period specified in the Award Agreement), and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR (as applicable) will terminate.

(j) Death of Participant. Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Company, if (i) a Participant's Continuous Service terminates as a result of the Participant's death, or (ii) the Participant dies within the period (if any) specified in the Award Agreement for exercisability after the termination of the Participant's Continuous Service (for a reason other than death), then the Option or SAR may be exercised (to the extent the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant's death, but only within the period ending on the earlier of (i) the date eighteen (18) months following the date of death (or such longer or

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shorter period specified in the Award Agreement), and (ii) the expiration of the term of such Option or SAR as set forth in the Award Agreement. If, after the Participant's death, the Option or SAR is not exercised within the applicable time frame, the Option or SAR (as applicable) will terminate.

(k) Termination for Cause. Except as explicitly provided otherwise in a Participant's Award Agreement or other individual written agreement between the Company or any Affiliate and the Participant, if a Participant's Continuous Service is terminated for Cause, the Option or SAR will terminate immediately upon such Participant's termination of Continuous Service, and the Participant will be prohibited from exercising his or her Option or SAR from and after the time of such termination of Continuous Service.

(l) Non-Exempt Employees. If an Option or SAR is granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, the Option or SAR will not be first exercisable for any shares of Common Stock until at least six (6) months following the date of grant of the Option or SAR (although the Award may vest prior to such date). Consistent with the provisions of the Worker Economic Opportunity Act, (i) if such non-exempt employee dies or suffers a Disability, (ii) upon a Corporate Transaction in which such Option or SAR is not assumed, continued, or substituted, (iii) upon a Change in Control, or (iv) upon the Participant's retirement (as such term may be defined in the Participant's Award Agreement, in another agreement between the Participant and the Company, or, if no such definition, in accordance with the Company's then current employment policies and guidelines), the vested portion of any Options and SARs may be exercised earlier than six (6) months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay. To the extent permitted and/or required for compliance with the Worker Economic Opportunity Act to ensure that any income derived by a non-exempt employee in connection with the exercise, vesting or issuance of any shares under any other Stock Award will be exempt from the employee's regular rate of pay, the provisions of this Section 5(l) will apply to all Stock Awards and are hereby incorporated by reference into such Stock Award Agreements.

6. Provisions of Stock Awards Other than Options and SARs.

(a) Restricted Stock Awards. Each Restricted Stock Award Agreement will be in such form and will contain such terms and conditions as the Board deems appropriate. To the extent consistent with the Company's bylaws, at the Board's election, shares of Common Stock underlying a Restricted Stock Award may be (i) held in book entry form subject to the Company's instructions until any restrictions relating to the Restricted Stock Award lapse; or (ii) evidenced by a certificate, which certificate will be held in such form and manner as determined by the Board. The terms and conditions of Restricted Stock Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Award Agreements need not be identical. Each Restricted Stock Award Agreement will conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Restricted Stock Award may be awarded in consideration for (A) cash, check, bank draft or money order payable to the Company, (B) past services to the Company or an Affiliate, or (C) any other form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. Shares of Common Stock awarded under the Restricted Stock Award Agreement may be subject to forfeiture to the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant's Continuous Service. If a Participant's Continuous Service terminates, the Company may receive through a forfeiture condition or a repurchase right any or all of the shares of Common Stock held by the Participant as of the date of termination of Continuous Service under the terms of the Restricted Stock Award Agreement.

(iv) Transferability. Rights to acquire shares of Common Stock under the Restricted Stock Award Agreement will be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Award Agreement, as the Board will determine in its sole discretion, so long as Common Stock awarded under the Restricted Stock Award Agreement remains subject to the terms of the Restricted Stock Award Agreement.

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(v) **Dividends.** A Restricted Stock Award Agreement may provide that any dividends paid on Restricted Stock will be subject to the same vesting and forfeiture restrictions as apply to the shares subject to the Restricted Stock Award to which they relate.

(b) **Restricted Stock Unit Awards.** Each Restricted Stock Unit Award Agreement will be in such form and will contain such terms and conditions as the Board deems appropriate. The terms and conditions of Restricted Stock Unit Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Unit Award Agreements need not be identical. Each Restricted Stock Unit Award Agreement will conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

(i) **Consideration.** At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) **Vesting.** At the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

(iii) **Payment.** A Restricted Stock Unit Award may be settled by the delivery of shares of Common Stock, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Restricted Stock Unit Award Agreement.

(iv) **Additional Restrictions.** At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

(v) **Dividend Equivalents.** Dividend equivalents may be credited in respect of shares of Common Stock covered by a Restricted Stock Unit Award, as determined by the Board and contained in the Restricted Stock Unit Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional shares of Common Stock covered by the Restricted Stock Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Stock Unit Award credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Restricted Stock Unit Award Agreement to which they relate.

(vi) **Termination of Participant's Continuous Service.** Except as otherwise provided in the applicable Restricted Stock Unit Award Agreement, such portion of the Restricted Stock Unit Award that has not vested will be forfeited upon the Participant's termination of Continuous Service.

(c) **Performance Awards.**

(i) **Performance Stock Awards.** A Performance Stock Award is a Stock Award (covering a number of shares not in excess of that set forth in Section 3(d)(ii)) that is payable (including that may be granted, vest or be exercised) contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Stock Award may, but need not, require the Participant's completion of a specified period of Continuous Service. The length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the

Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee), in its sole discretion. In addition, to the extent permitted by applicable law and the applicable Award Agreement, the Board may determine that cash may be used in payment of Performance Stock Awards.

(ii) Performance Cash Awards. A Performance Cash Award is a cash award (for a dollar value not in excess of that set forth in Section 3(d)(iii)) that is payable contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Cash Award may also require the Participant's completion of a specified period of Continuous Service. At the time of grant of a Performance Cash Award, the length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the

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Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee), in its sole discretion. The Board may specify the form of payment of Performance Cash Awards, which may be cash or other property, or may provide for a Participant to have the option for his or her Performance Cash Award, or such portion thereof as the Board may specify, to be paid in whole or in part in cash or other property.

(iii) Committee and Board Discretion. The Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee) retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for a Performance Period.

(iv) Section 162(m) Compliance. Unless otherwise permitted in compliance with Section 162(m) of the Code with respect to an Award intended to qualify as performance-based compensation thereunder, the Committee will establish the Performance Goals applicable to, and the formula for calculating the amount payable under, the Award no later than the earlier of (A) the date ninety (90) days after the commencement of the applicable Performance Period, and (B) the date on which twenty-five percent (25%) of the Performance Period has elapsed, and in any event at a time when the achievement of the applicable Performance Goals remains substantially uncertain. Prior to the payment of any compensation under an Award intended to qualify as performance-based compensation under Section 162(m) of the Code, the Committee will certify the extent to which any Performance Goals and any other material terms under such Award have been satisfied (other than in cases where the Performance Goals relate solely to the increase in the value of the Common Stock). Notwithstanding satisfaction or any completion of any Performance Goals, shares subject to Options, cash or other benefits granted, issued, retainable and/or vested under an Award on account of satisfaction of such Performance Goals may be reduced by the Committee on the basis of any further considerations as the Committee, in its sole discretion, will determine.

(d) Other Stock Awards. Other forms of Stock Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, including the appreciation in value thereof (e.g., options or stock rights with an exercise price or strike price less than one hundred percent (100%) of the Fair Market Value of the Common Stock at the time of grant) may be granted either alone or in addition to Stock Awards granted under Section 5 and this Section 6. Subject to the provisions of the Plan, the Board will have sole and complete authority to determine the persons to whom and the time or times at which such Other Stock Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Stock Awards and all other terms and conditions of such Other Stock Awards.

7. Covenants of the Company.

(a) Availability of Shares. The Company will keep available at all times the number of shares of Common Stock reasonably required to satisfy then-outstanding Stock Awards.

(b) Securities Law Compliance. The Company will seek to obtain from each regulatory commission or agency having jurisdiction over the Plan the authority required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; *provided, however*, that this undertaking will not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts and at a reasonable cost, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company will be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained. A Participant will not be eligible for the grant of an Award or the subsequent issuance of cash or Common Stock pursuant to the Award if such grant or issuance would be in violation of any applicable securities law.

(c) **No Obligation to Notify or Minimize Taxes.** The Company will have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising such Stock Award. Furthermore, the Company will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Award to the holder of such Award.

8. Miscellaneous.

(a) **Use of Proceeds from Sales of Common Stock.** Proceeds from the sale of shares of Common Stock issued pursuant to Stock Awards will constitute general funds of the Company.

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(b) Corporate Action Constituting Grant of Awards. Corporate action constituting a grant by the Company of an Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Award Agreement or related grant documents as a result of a clerical error in the papering of the Award Agreement or related grant documents, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement or related grant documents.

(c) Shareholder Rights. No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to an Award unless and until (i) such Participant has satisfied all requirements for exercise of, or the issuance of shares of Common Stock under, the Award pursuant to its terms, and (ii) the issuance of the Common Stock subject to such Award has been entered into the books and records of the Company.

(d) No Employment or Other Service Rights. Nothing in the Plan, any Award Agreement or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or will affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without Cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(e) Change in Time Commitment. In the event a Participant's regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee) after the date of grant of any Award to the Participant, the Board has the right in its sole discretion to (x) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (y) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

(f) Incentive Stock Option Limitations. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and any Affiliates) exceeds one hundred thousand dollars (\$100,000) (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(g) Investment Assurances. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring

Common Stock subject to the Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if (A) the issuance of the shares upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (B) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

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(h) Withholding Obligations. Unless prohibited by the terms of an Award Agreement, the Company may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Stock Award; *provided, however*, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid classification of the Stock Award as a liability for financial accounting purposes); (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Award Agreement.

(i) Electronic Delivery. Any reference herein to a written agreement or document will include any agreement or document delivered electronically, filed publicly at www.sec.gov (or any successor website thereto) or posted on the Company's intranet (or other shared electronic medium controlled by the Company to which the Participant has access).

(j) Deferrals. To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Company. The Board is authorized to make deferrals of Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(k) Compliance with Section 409A of the Code. To the extent that the Board determines that any Award granted hereunder is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the shares of Common Stock are publicly traded and a Participant holding an Award that constitutes deferred compensation under Section 409A of the Code is a specified employee for purposes of Section 409A of the Code, no distribution or payment of any amount shall be made upon a separation from service before a date that is six (6) months following the date of such Participant's separation from service (as defined in Section 409A of the Code without regard to alternative definitions thereunder) or, if earlier, the date of the Participant's death.

(l) Clawback/Recovery. All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company has adopted as of the Effective Date or is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Board determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property upon the occurrence of Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for good reason or constructive termination (or similar term) under any agreement with the Company.

9. Adjustments upon Changes in Common Stock; Other Corporate Events.

(a) Capitalization Adjustments. In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section

3(a), (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(c), (iii) the class(es) and maximum number of securities that may be awarded to any person pursuant to Section 3(d), and (iv) the class(es) and number of securities and price per share of stock subject to outstanding Stock Awards. The Board will make such adjustments, and its determination will be final, binding and conclusive.

(b) Dissolution or Liquidation. Except as otherwise provided in the Stock Award Agreement, in the event of a dissolution or liquidation of the Company, all outstanding Stock Awards (other than Stock Awards consisting of

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vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company's right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the Participant is providing Continuous Service, *provided, however*, that the Board may, in its sole discretion, cause some or all Stock Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Stock Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(c) Corporate Transactions. The following provisions will apply to Stock Awards in the event of a Transaction unless otherwise provided in the Stock Award Agreement or any other written agreement between the Company or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of a Stock Award. In the event of a Transaction, then, notwithstanding any other provision of the Plan, the Board may take one or more of the following actions with respect to Stock Awards, contingent upon the closing or completion of the Transaction:

(i) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the Stock Award or to substitute a similar stock award for the Stock Award (including, but not limited to, an award to acquire the same consideration paid to the shareholders of the Company pursuant to the Transaction);

(ii) arrange for the assignment of any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to the Stock Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company);

(iii) accelerate the vesting, in whole or in part, of the Stock Award (and, if applicable, the time at which the Stock Award may be exercised) to a date prior to the effective time of such Transaction as the Board determines (or, if the Board does not determine such a date, to the date that is five (5) days prior to the effective date of the Transaction), with such Stock Award terminating if not exercised (if applicable) at or prior to the effective time of the Transaction; *provided, however*, that the Board may require Participants to complete and deliver to the Company a notice of exercise before the effective date of a Transaction, which exercise is contingent upon the effectiveness of such Transaction;

(iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Company with respect to the Stock Award;

(v) 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 Transaction, in exchange for such cash consideration, if any, as the Board, in its sole discretion, may consider appropriate; and

(vi) make a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value of the property the Participant would have received upon the exercise of the Stock Award immediately prior to the effective time of the Transaction, over (B) any exercise price payable by such Participant in connection with such exercise. For clarity, this payment may be zero (\$0) if the value of the property is equal to or less than the exercise price. Payments under this provision may be delayed to the same extent that payment of consideration to the holders of the Company's Common Stock in connection with the Transaction is delayed as a result of escrows, earn outs, holdbacks or any other contingencies.

The Board need not take the same action or actions with respect to all Stock Awards or portions thereof or with respect to all Participants. The Board may take different actions with respect to the vested and unvested portions of a

Stock Award.

(d) Change in Control. A Stock Award may be subject to acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the Stock Award Agreement for such Stock Award or as may be provided in any other written agreement between the Company or any Affiliate and the Participant, but in the absence of such provision, no such acceleration will occur.

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10. Plan Term; Earlier Termination or Suspension of the Plan.

(a) The Board may suspend or terminate the Plan at any time. No Incentive Stock Option will be granted after the tenth (10th) anniversary of the earlier of (i) the date the Plan is adopted by the Board, or (ii) the date the Plan is approved by the shareholders of the Company. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) **No Impairment of Rights.** Suspension or termination of the Plan will not impair rights and obligations under any Award granted while the Plan is in effect except with the written consent of the affected Participant or as otherwise permitted in the Plan.

11. Effective Date of Plan.

This Plan will become effective on the Effective Date.

12. Choice of Law.

The laws of the State of California will govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that state's conflict of laws rules.

13. Definitions. As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

(a) **Affiliate** means, at the time of determination, any parent or subsidiary of the Company as such terms are defined in Rule 405. The Board will have the authority to determine the time or times at which parent or subsidiary status is determined within the foregoing definition.

(b) **Award** means a Stock Award or a Performance Cash Award.

(c) **Award Agreement** means a written agreement between the Company and a Participant evidencing the terms and conditions of an Award.

(d) **Board** means the Board of Directors of the Company.

(e) **Capitalization Adjustment** means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Stock Award after the Effective Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, as that term is used in Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

(f) **Cause** will have the meaning ascribed to such term in any written agreement between the Participant and the Company defining such term and, in the absence of such agreement, such term means, with respect to a Participant, the occurrence of any of the following events: (i) such Participant's commission of any felony or any crime involving fraud, dishonesty or moral turpitude under the laws of the United States or any state thereof; (ii) such Participant's attempted commission of, or participation in, a fraud or act of dishonesty against the Company; (iii) such Participant's intentional, material violation of any contract or agreement between the Participant and the Company or of any statutory duty owed to the Company; (iv) such Participant's unauthorized use or disclosure of the Company's confidential information or trade secrets; or (v) such Participant's gross misconduct. The determination that a termination of the Participant's Continuous Service is either for Cause or without Cause will be made by the Company, in its sole discretion. Any determination by the Company that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect upon any

determination of the rights or obligations of the Company or such Participant for any other purpose.

(g) ***Change in Control*** means the occurrence, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) any Exchange Act Person becomes the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities other than by virtue of a merger, consolidation or similar transaction. Notwithstanding the foregoing, a Change in Control will not be deemed to occur (A) on account of the acquisition of securities of the

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Company directly from the Company, (B) on account of the acquisition of securities of the Company by an investor, any Affiliate thereof or any other Exchange Act Person that acquires the Company's securities in a transaction or series of related transactions the primary purpose of which is to obtain financing for the Company through the issuance of equity securities, or (C) solely because the level of Ownership held by any Exchange Act Person (the **Subject Person**) exceeds the designated percentage threshold of the outstanding voting securities as a result of a repurchase or other acquisition of voting securities by the Company reducing the number of shares outstanding, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of voting securities by the Company, and after such share acquisition, the Subject Person becomes the Owner of any additional voting securities that, assuming the repurchase or other acquisition had not occurred, increases the percentage of the then outstanding voting securities Owned by the Subject Person over the designated percentage threshold, then a Change in Control will be deemed to occur;

(ii) there is consummated a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the shareholders of the Company immediately prior thereto do not Own, directly or indirectly, either (A) outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving Entity in such merger, consolidation or similar transaction or (B) more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving Entity in such merger, consolidation or similar transaction, in each case in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such transaction;

(iii) the shareholders of the Company approve or the Board approves a plan of complete dissolution or liquidation of the Company, or a complete dissolution or liquidation of the Company will otherwise occur, except for a liquidation into a parent corporation; or

(iv) there is consummated a sale, lease, exclusive license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its Subsidiaries to an Entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are Owned by shareholders of the Company in substantially the same proportions as their Ownership of the outstanding voting securities of the Company immediately prior to such sale, lease, license or other disposition.

Notwithstanding the foregoing definition or any other provision of this Plan, the term Change in Control will not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company.

(h) **Code** means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(i) **Committee** means a committee of two (2) or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(j) **Common Stock** means the common stock of the Company.

(k) **Company** means Abaxis, Inc., a California corporation.

(l) **Consultant** means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of

a fee for such service, will not cause a Director to be considered a Consultant for purposes of the Plan. Notwithstanding the foregoing, a person is treated as a Consultant under this Plan only if a Form S-8 Registration Statement under the Securities Act is available to register either the offer or the sale of the Company's securities to such person.

(m) *Continuous Service* means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Director or Consultant or a change in the Entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's service with the Company or an Affiliate, will not terminate a Participant's Continuous Service; *provided, however,* that if the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as

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determined by the Board, in its sole discretion, such Participant's Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or to a Director will not constitute an interruption of Continuous Service. Unless otherwise provided by law, the Board, the chief executive officer of the Company or the Company's leave of absence policy, any military leave, sick leave or other bona fide leave of absence approved by the Company shall not be treated as causing a termination of Continuous Service. However, any such leave that exceeds ninety (90) days may cause any Incentive Stock Option held by the Participant to cease to be treated as an Incentive Stock Option pursuant to the Code. Notwithstanding the foregoing, a leave of absence will be treated as Continuous Service for purposes of vesting in a Stock Award only to such extent as may be provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law.

(n) **Corporate Transaction** means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale or other disposition of all or substantially all, as determined by the Board, in its sole discretion, of the consolidated assets of the Company and its Subsidiaries;

(ii) a sale or other disposition of at least ninety percent (90%) of the outstanding securities of the Company;

(iii) a merger, consolidation or similar transaction following which the Company is not the surviving corporation; or

(iv) a merger, consolidation or similar transaction following which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(o) **Covered Employee** will have the meaning provided in Section 162(m)(3) of the Code.

(p) **Director** means a member of the Board.

(q) **Disability** means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months, as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, and will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

(r) **Effective Date** means the effective date of this Plan document, which is the date of the annual meeting of shareholders of the Company held in 2014, provided this Plan is approved by the Company's shareholders at such meeting.

(s) **Employee** means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an Employee for purposes of the Plan.

(t) **Entity** means a corporation, partnership, limited liability company or other entity.

(u) **Exchange Act** means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(v) **Exchange Act Person** means any natural person, Entity or group (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that Exchange Act Person will not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) an Entity Owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or group (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date, is the Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities.

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- (w) **Fair Market Value** means, as of any date, the value of the Common Stock determined as follows:
- (i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock will be, unless otherwise determined by the Board, the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in a source the Board deems reliable.
- (ii) Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value will be the closing selling price on the last preceding date for which such quotation exists.
- (iii) In the absence of such markets for the Common Stock, the Fair Market Value will be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.
- (x) **Incentive Stock Option** means an option granted pursuant to Section 5 that is intended to be, and that qualifies as, an incentive stock option within the meaning of Section 422 of the Code.
- (y) **Non-Employee Director** means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act (**Regulation S-K**)), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a non-employee director for purposes of Rule 16b-3.
- (z) **Nonstatutory Stock Option** means any option granted pursuant to Section 5 that does not qualify as an Incentive Stock Option.
- (aa) **Officer** means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.
- (bb) **Option** means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.
- (cc) **Option Agreement** means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an Option grant. Each Option Agreement will be subject to the terms and conditions of the Plan.
- (dd) **Optionholder** means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.
- (ee) **Other Stock Award** means an award based in whole or in part by reference to the Common Stock which is granted pursuant to the terms and conditions of Section 6(d).
- (ff) **Other Stock Award Agreement** means a written agreement between the Company and a holder of an Other Stock Award evidencing the terms and conditions of an Other Stock Award grant. Each Other Stock Award Agreement will be subject to the terms and conditions of the Plan.

(gg) *Outside Director* means a Director who either (i) is not a current employee of the Company or an affiliated corporation (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an affiliated corporation who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year, has not been an officer of the Company or an affiliated corporation, and does not receive remuneration from the Company or an affiliated corporation, either directly or indirectly, in any capacity other than as a Director, or (ii) is otherwise considered an outside director for purposes of Section 162(m) of the Code.

(hh) A person or Entity will be deemed to *Own*, to have *Owned*, to be the *Owner* of, or to have acquired *Ownership* of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

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(ii) *Participant* means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(jj) *Performance Cash Award* means an award of cash granted pursuant to the terms and conditions of Section 6(c)(ii).

(kk) *Performance Criteria* means the one or more criteria that the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee) will select for purposes of establishing the Performance Goals for a Performance Period. The Performance Criteria that will be used to establish such Performance Goals may be based on any one of, or combination of, the following as determined by the Committee or the Board, as applicable: (1) earnings (including earnings per share and net earnings); (2) earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation, amortization, legal settlements, other income (expense) and/or changes in deferred revenue; (3) total shareholder return; (4) return on equity or average shareholders' equity; (5) return on assets, investment, or capital; (6) stock price; (7) margin (including gross margin and/or operating margin); (8) income (before or after taxes); (9) operating income (before or after taxes); (10) net income (before or after taxes); (11) pre-tax profit; (12) operating cash flow; (13) sales or revenue targets; (14) increases in revenue or product revenue; (15) expenses and cost reduction goals; (16) improvement in or attainment of working capital levels; (17) economic value added (or an equivalent metric); (18) balance of cash, cash equivalents and marketable securities; (19) free cash flow or cash flow; (20) market share; (21) operating cash flow; (22) cash flow per share; (23) share price performance; (24) daily average revenue trades; (25) asset gathering metrics; (26) number of customers; (27) customer satisfaction; (28) product development; (29) product quality; (30) debt reduction or debt levels; (31) implementation or completion of projects or processes (including, without limitation, regulatory filing submissions, regulatory filing acceptances, regulatory authority interactions, regulatory approvals and other regulatory milestones); (32) shareholders' equity; (33) capital expenditures; (34) operating profit or net operating profit; (35) workforce diversity; (36) growth of net income or operating income; (37) billings; (38) bookings; (39) employee retention; (40) employee satisfaction; (41) budget management; (42) completion of a joint venture or other corporate transaction; (43) completion of identified special project; (44) overall effectiveness of management; (45) progress of internal research and development programs; (46) strategic partnerships or transactions (including in-licensing and out-licensing of intellectual property); and (47) to the extent that an Award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee).

(ll) *Performance Goals* means, for a Performance Period, the one or more goals established by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee) for the Performance Period based upon the Performance Criteria. Performance Goals may be based on a Company-wide basis, with respect to one or more business units, divisions, Affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. The Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee) is authorized to make appropriate adjustments in the method of calculating the attainment of Performance Goals for a Performance Period as follows; *provided, however*, that to the extent that an Award is intended to qualify as performance-based compensation under Section 162(m) of the Code, any such adjustment may be made only if such adjustment is objectively determinable and specified (i) in the Award Agreement at the time the Award is granted or (ii) in such other document setting forth the Performance Goals at the time the Performance Goals are established: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude or include the impact of exchange rate effects, if applicable; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; (5) to exclude the effects of items that are unusual in nature or occur infrequently as determined under generally accepted accounting principles; (6) to exclude effects of acquisitions or joint ventures; (7) to assume that any business divested by the Company achieved performance objectives at targeted levels during the balance of a Performance Period following such divestiture; (8) to exclude the

effect of any change in the outstanding shares of common stock of the Company by reason of any stock dividend or split, stock repurchase, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other similar corporate change, or any distributions to common shareholders other than regular cash dividends; (9) to exclude the effects of stock based compensation and the award of bonuses under the Company's bonus plans; (10) to exclude costs incurred in connection with potential acquisitions or divestitures that are required to be expensed under generally accepted accounting principles; (11) to exclude the goodwill and intangible asset impairment charges that are required to be recorded under generally accepted accounting principles; (12) to exclude the effects of the timing of acceptance for review and/or approval of

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submissions to any regulatory body; and (13) to the extent that an Award is not intended to qualify as performance-based compensation under Section 162(m) of the Code, to make other appropriate adjustments selected by the Board or the Committee. In addition, the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee) retains the discretion to reduce or eliminate the compensation or economic benefit due upon attainment of Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for such Performance Period. Partial achievement of the specified criteria may result in the payment or vesting corresponding to the degree of achievement as specified in the Stock Award Agreement, the written terms of a Performance Cash Award or in such other document setting forth the Performance Goals at the time the Performance Goals are established.

(mm) Performance Period means the period of time selected by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee) over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of a Performance Stock Award or a Performance Cash Award. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Committee or the Board, if applicable.

(nn) Performance Stock Award means a Stock Award granted under the terms and conditions of Section 6(c)(i).

(oo) Plan means this Abaxis, Inc. 2014 Equity Incentive Plan.

(pp) Restricted Stock Award means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(a).

(qq) Restricted Stock Award Agreement means a written agreement between the Company and a holder of a Restricted Stock Award evidencing the terms and conditions of a Restricted Stock Award grant. Each Restricted Stock Award Agreement will be subject to the terms and conditions of the Plan.

(rr) Restricted Stock Unit Award means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(b).

(ss) Restricted Stock Unit Award Agreement means a written agreement between the Company and a holder of a Restricted Stock Unit Award evidencing the terms and conditions of a Restricted Stock Unit Award grant. Each Restricted Stock Unit Award Agreement will be subject to the terms and conditions of the Plan.

(tt) Rule 16b-3 means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(uu) Rule 405 means Rule 405 promulgated under the Securities Act.

(vv) Securities Act means the Securities Act of 1933, as amended.

(ww) Stock Appreciation Right or **SAR** means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 5.

(xx) Stock Appreciation Right Agreement means a written agreement between the Company and a holder of a Stock Appreciation Right evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Agreement will be subject to the terms and conditions of the Plan.

(yy) **Stock Award** means any right to receive Common Stock granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Stock Award, a Restricted Stock Unit Award, a Stock Appreciation Right, a Performance Stock Award or any Other Stock Award.

(zz) **Stock Award Agreement** means a written agreement between the Company and a Participant evidencing the terms and conditions of a Stock Award grant. Each Stock Award Agreement will be subject to the terms and conditions of the Plan.

(aaa) **Subsidiary** means, with respect to the Company, (i) any corporation of which more than fifty percent (50%) of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such

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corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%).

(bbb) *Ten Percent Shareholder* means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Affiliate.

(ccc) *Transaction* means a Corporate Transaction or a Change in Control.

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