QUIDEL

2016

ANNUAL REPORT

Inflection Point

Fortify, Attack and Forge Ahead

Our goal is to create new products that did not exist before, or to address diagnostic challenges in novel and unique ways, both of which result in better information across the continuum of healthcare.

Dear Fellow Shareholders,

Quidel is a Point-of-Care market leader with significant market share in rapid immunoassay testing for Influenza, Strep, RSV and Pregnancy testing. We also have a meaningful position in the clinical virology market segment, where our cell-based assays for respiratory viruses and herpes are widely used, and a unique position in the larger reference labs with our Graves' disease diagnostic product, Thyretain. And importantly, we have recently introduced a molecular diagnostic platform called Solana, and many Solana molecular assays that are increasingly becoming a revenue and margin growth driver for us.

Traditional healthcare is changing, and is likely to continue changing. In our view, large numbers of patients seeking treatment for routine conditions are likely to migrate from the professional healthcare segment to what we call alternate sites. Thus far early migration of a generation of patients has benefitted urgent care centers, retail clinics and pharmacies, including grocery store chains that now have pharmacies embedded in them. It's early, but this segment appears to be another important source of revenue and margin growth for us, and with our Sofia and Virena platforms, we believe that we are as well positioned as any company in our industry to address this emerging market.

Our intent is to build a broader-based diagnostics company that delivers revenue and margin more consistently. To do that, we have invested resources in our product development and commercial organizations that are grouped under three strategic headings: Fortify, Attack, and Forge Ahead. Over the last several years we have successfully deployed resources: to fortify price and volume in our core rapid point-of-care businesses with the introduction of a market-leading instrument system, Sofia; to attack the limitations of competitors in other market segments, like molecular diagnostics with our Lyra, AmpliVue, Solana, and Savanna product platforms; and to forge ahead by creating new markets or segments with first-of-a-kind new products and data that are meant to address diagnostic testing needs in the future.

Fortify

Throughout 2016, global commercialization of our Sofia platform was a focus, and we exited the year with over 17,500 placements, further fortifying our position in the rapid point-of-care market. We were also focused on the development of a second generation analyzer, Sofia 2, which we now anticipate introducing globally early in 2017. Sofia 2 is expected to be an important product for us moving forward as it has a number of features that will be beneficial to an even larger set of existing and new customers. The Sofia 2 instrument is completely compatible with existing Sofia test cartridges, has a modern graphical user interface, is portable and small enough for exam rooms, will be connected to our cloud, and has an integrated barcode scanner. From our perspective, Sofia 2's much lower manufacturing cost is an important benefit, as it will allow us to place instruments in an increased number of settings and to expand our reach. From the customer's perspective,

Sofia 2, second generation Sofia delivering accurate, objective and automated results in as few as 3 minutes.

Sofia, lateral-flow technology with proprietary fluorescence chemistry and assay development techniques incorporated into a small bench top analyzer.

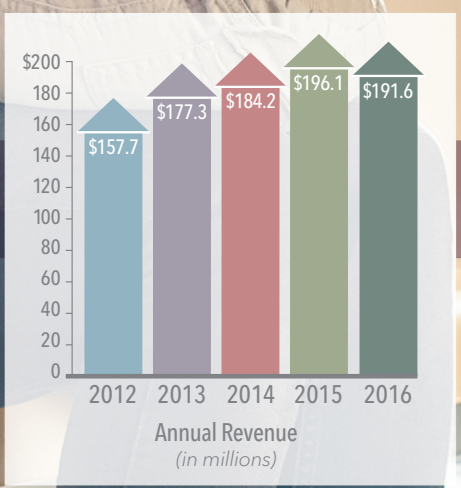
Solana, a simplified molecular testing platform combining proprietary helicase-dependent amplication (HDA) with fluorescence detection delivering results up to 12 tests at a time.

Savanna, currently in development, sample-to-answer molecular system that can run both real-time PCR and isothermal helicase-dependent amplification assays.

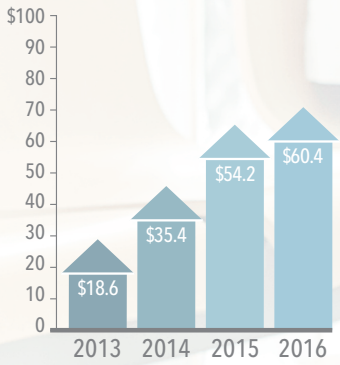
Lyra, real-time PCR assays that are an open platform solution for high throughput, high quality molecular testing on multiple platforms.

AmpliVue, small hand-held device using HDA eliminates the barrier of a large capital investment bringing molecular testing to smaller labs.

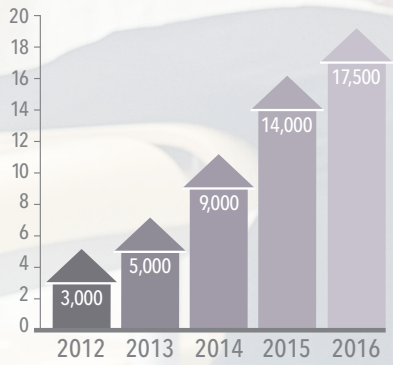
Our aim is not to develop just another molecular instrument, with the typical assay menu, but to carefully consider both the limitations of existing molecular diagnostic products, as well as the significant healthcare issues yet to be resolved.



Annual Revenue
(in millions)



Annual Revenue Sofia + Molecular
(in millions)



Sofia Placements by Year

we believe that the biggest benefit for Sofia 2 users will be its ability to report a positive test result in as few as 3 minutes, which will be a significant help in managing patient workflow.

Attack

Every *in vitro* diagnostic system in the market has certain capabilities, and it has certain limitations. This is especially true in the molecular diagnostic segment. Our aim is not to develop just another molecular instrument, with the typical assay menu, but to carefully consider both the limitations of existing molecular diagnostic products, as well as the significant healthcare issues yet to be resolved. Among examples of our approach to the molecular diagnostic segment, the introduction of a solution to the problem of over-prescribing antibiotics for acute pharyngitis, is one with which we have had success. Often today, children in a physician's office with raw, sore throats are tested with a rapid immunoassay, like one of Quidel's QuickVue or Sofia products. If positive, they are typically treated with an antibiotic, and will feel better within a day or so. The dilemma for the physician occurs when the test is negative, which is most often the case. Since there is a small chance that the patient's illness is still caused by a group A Strep infection, a second swab sample may be sent to microbiologists at the hospital or reference lab who will either successfully grow strep bacteria on a culture plate, which happens occasionally, or they will confirm after 48 to 72 hours that it's not a case of "Strep throat" and the child indeed does not need an antibiotic. Using culture to confirm a negative rapid strep result is a standard, acceptable and proven methodology, but it creates long periods of indecision for the doctor. On the other hand, if the microbiologist were able to run multiple Strep confirmatory assays quickly, the lab could make a definitive negative test result available to the doctor, who would then feel confident in not writing a script for an antibiotic, thus reducing the unnecessary use of antibiotics and potentially slowing the advancement of antibiotic-resistant organisms. With the introduction of Solana Group A Strep, up to 12 confirmatory results are possible within about 30 minutes, and with better, more timely information, children are not given antibiotics when they don't need them. And at a total cost to the lab that is not significantly higher than the cost of culture. Solana Group A Strep is not simply another molecular diagnostic product; it's a concept enabled by a product that happens to use one of our molecular diagnostic technologies. It's a way to improve healthcare, which is also the aim of many of our other molecular diagnostic offerings and developments.

Forge Ahead

In this category of effort, our goal is to create new products that did not exist before, or to address diagnostic challenges in novel and unique ways, both of which result in better information across the continuum of healthcare. Creating something that did not exist before can be challenging, but being first to market with ideas, concepts and products can create tremendous brand value, in addition to the opportunity for revenue and margin growth. With this goal in mind, we continue to work on a product and

concept called Virena, our cloud-based connectivity solution that collects de-identified test data from each of our instrument platforms, and formats those data in ways that are useful to several constituents, including patients, physicians, laboratorians and public health officials. With Virena, laboratorians, for the first time, can monitor QC data across their networks for Sofia analyzers at the point of care; labs can also effortlessly participate with public health officials in disease tracking on a real-time basis, which is now possible as Virena surveillance data are pushed to public health sites nightly; physicians can see test positivity rates for diseases like influenza and Strep today, and Lyme disease in the very near future; and with Communidy, an influenza tracking web app powered by Virena test data, individuals can learn about influenza in their community, and where they can get tested if they are not feeling well. While Virena is a good example of efforts to forge ahead, to create something new, there are other programs that we are resourcing as well. For example, we continue to work on assays for Lyme disease and to determine a patient's Vitamin D level, both of which would interrogate a whole blood finger stick sample, similar to how glucose monitoring for diabetic patients is done today. And we continue to look at novel biomarker combinations that would help clinicians diagnose life threatening conditions quickly and accurately, and technologies that would improve the performance and speed of commonly performed assays at the point of care.

Building on our Success

In recent years, we have leveraged our investment in our R&D organization and have developed a number of innovative products that have served each of our three strategic initiatives well. With more than 30 U.S. clinical trials and submissions to the FDA since 2011, we have fortified our core businesses, put ourselves in a position to attack competitors in their markets, and forged ahead with the creation of solutions aimed at where the healthcare market appears to be going. Now recognized as a leading product development company in the point of care diagnostic segment, we believe that we are at an inflection point, at a time when we demonstrate our ability to grow revenue at an increasing rate. With years of effort and investment in R&D behind us, we are now ready to face the challenge of commercializing an ever-growing portfolio of diagnostic products, and are poised for sustained growth for several years to come.

Sincerely,

Douglas C. Bryant
President and CEO
Quidel Corporation
April 2017

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

OR

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

For the transition period from N/A to N/A
Commission file number: 0-10961

QUIDEL CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	**94-2573850**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
12544 High Bluff Drive, Suite 200 San Diego, California	**92130**
(Address of principal executive offices)	(Zip Code)

858-552-1100
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $0.001 par value	Nasdaq Global Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒
Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
(Check One):

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $486,300,707 based on the closing sale price at which the common stock was last sold, as of the last business day of the registrant's most recently completed second fiscal quarter.

As of February 10, 2017, 32,950,618 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
(To the Extent Indicated Herein)

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the registrant's 2017 Annual Meeting of Stockholders (to be held on May 16, 2017) are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Annual Report on Form 10-K

QUIDEL CORPORATION

FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

TABLE OF CONTENTS

		Page
	Forward-Looking Statements	3
	Part I	
Item 1.	Business	4
Item 1A.	Risk Factors	14
Item 1B.	Unresolved Staff Comments	24
Item 2.	Properties	24
Item 3.	Legal Proceedings	24
Item 4.	Mine Safety Disclosures	24
	Part II	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	25
Item 6.	Selected Financial Data	27
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	28
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	40
Item 8.	Financial Statements and Supplementary Data	41
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	70
Item 9A.	Controls and Procedures	70
Item 9B.	Other Information	72
	Part III	
Item 10.	Directors, Executive Officers and Corporate Governance	73
Item 11.	Executive Compensation	73
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	73
Item 13.	Certain Relationships and Related Transactions, and Director Independence	73
Item 14.	Principal Accountant Fees and Services	73
	Part IV	
Item 15.	Exhibits and Financial Statement Schedules	74
	Signatures	78

A Warning About Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws that involve material risks, assumptions and uncertainties. Many possible events or factors could affect our future financial results and performance, such that our actual results and performance may differ materially from those that may be described or implied in the forward-looking statements. As such, no forward-looking statement can be guaranteed. Differences in actual results and performance may arise as a result of a number of factors including, without limitation, fluctuations in our operating results resulting from seasonality, the timing of the onset, length and severity of cold and flu seasons, government and media attention focused on influenza and the related potential impact on humans from novel influenza viruses, adverse changes in competitive conditions in domestic and international markets, changes in sales levels as it relates to the absorption of our fixed costs, lower than anticipated market penetration of our products, the reimbursement system currently in place and future changes to that system, changes in economic conditions in our domestic and international markets, the quantity of our product in our distributors' inventory or distribution channels, changes in the buying patterns of our distributors, and changes in the healthcare market and consolidation of our customer base; our development and protection of intellectual property; our development of new technologies, products and markets; our reliance on a limited number of key distributors; our reliance on sales of our influenza diagnostics tests; our ability to manage our growth strategy, including our ability to integrate companies or technologies we have acquired or may acquire; intellectual property risks, including but not limited to, infringement litigation; our inability to settle conversions of our Convertible Senior Notes in cash; the effect on our operating results from the trigger of the conditional conversion feature of our Convertible Senior Notes; the possibility that we may incur additional indebtedness; our need for additional funds to finance our operating needs; volatility and disruption in the global capital and credit markets; acceptance of our products among physicians and other healthcare providers; competition with other providers of diagnostic products; adverse actions or delays in new product reviews or related to currently-marketed products by the U.S. Food and Drug Administration (the "FDA"); changes in government policies; compliance with other government regulations, such as safe working conditions, manufacturing practices, environmental protection, fire hazard and disposal of hazardous substances; third-party reimbursement policies; our ability to meet demand for our products; interruptions in our supply of raw materials; product defects; business risks not covered by insurance and exposure to other litigation claims; interruption to our computer systems; competition for and loss of management and key personnel; international risks, including but not limited to, compliance with product registration requirements, exposure to currency exchange fluctuations and foreign currency exchange risk sharing arrangements, longer payment cycles, lower selling prices and greater difficulty in collecting accounts receivable, reduced protection of intellectual property rights, political and economic instability, taxes, and diversion of lower priced international products into U.S. markets; dilution resulting from future sales of our equity; volatility in our stock price; provisions in our charter documents, Delaware law and our Convertible Senior Notes that might delay or impede stockholder actions with respect to business combinations or similar transactions; and our intention of not paying dividends. Forward-looking statements typically are identified by the use of terms such as "may," "will," "should," "might," "expect," "anticipate," "estimate," "plan," "intend," "goal," "project," "strategy," "future," and similar words, although some forward-looking statements are expressed differently. Forward-looking statements in this Annual Report include, among others, statements concerning: our outlook for the upcoming fiscal year, projected capital expenditures for the upcoming fiscal year and our source of funds for such expenditures; the sufficiency of our liquidity and capital resources; our strategy, goals, initiatives and objectives; the anticipated beneficial attributes of products and platforms under development; anticipated new product and development results; that we expect to continue to depend on a few key distributors for sales of our products; expected growth and the sources of that growth; the impact of new accounting standards; that point-of-care testing is increasing; that clinical reference laboratories will continue to be a competitive threat; that we will continue to make substantial expenditures for sales and marketing, manufacturing and product research and development activities; that influenza test revenues will continue to be a significant portion of our total revenue; industry consolidation and competition trends; competition for management and key personnel; that we may enter into additional foreign currency exchange risk sharing arrangements; that the price of our common stock will continue to fluctuate; the sufficiency of our insurance and our exposure to claims and litigation; our intention to not pay dividends; that we will continue to obtain licenses from third parties; and our intention to continue to evaluate technology and acquisition opportunities. The risks described under "Risk Factors" in Item 1A of this Annual Report and elsewhere herein and in reports and registration statements that we file with the Securities and Exchange Commission (the "SEC") from time to time, should be carefully considered. You are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of this Annual Report. Except as required by law, we undertake no obligation to publicly release the results of any revision or update of these forward-looking statements, whether as a result of new information, future events or otherwise.

Part I

Item 1. Business

All references to "we," "our," and "us" in this Annual Report refer to Quidel Corporation and its subsidiaries.

Overview

We have a leadership position in the development, manufacturing and marketing of rapid diagnostic testing solutions. These diagnostic testing solutions are separated into our four product categories, including: immunoassays, molecular assays, virology and specialty products. We sell our products directly to end users and distributors, in each case, for professional use in physician offices, hospitals, clinical laboratories, reference laboratories, leading universities, retail clinics, pharmacies and wellness screening centers. We market our products in the United States through a network of national and regional distributors, and through a direct sales force. Internationally, we market primarily through distributor arrangements.

We commenced our operations in 1979 and launched our first products, dipstick-based pregnancy tests, in 1983. Since such time, our product base and technology platforms have expanded through internal development and acquisitions of other products, technologies and companies. Our diagnostic solutions aid in the detection and diagnosis of many critical diseases and other medical conditions, including infectious diseases, women's health, gastrointestinal diseases, autoimmune diseases, bone health and thyroid diseases.

Corporate Information

We are a corporation, originally incorporated as Monoclonal Antibodies, Inc. in California in 1979 and re-incorporated as Quidel Corporation in the State of Delaware in 1987. Our executive offices are located at 12544 High Bluff Drive, Suite 200, San Diego, California 92130, and our telephone number is (858) 552-1100. This Annual Report and each of our other periodic and current reports, including any amendments thereto, are available, free of charge, on our website, www.quidel.com, as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The information contained on our website is not incorporated by reference into this Annual Report and should not be considered part of this Annual Report. In addition, the SEC website contains reports, proxy and information statements, and other information about us at www.sec.gov.

Business Strategy

Our primary objective is to increase shareholder value by building a broader-based diagnostic company capable of delivering revenue growth and consistent operating results. Our strategy is to identify potential market segments that provide, or are expected to provide, significant total market opportunities, and in which we can be successful by applying our significant expertise and know-how to develop differentiated technologies and products.

Our diagnostic testing solutions are designed to provide specialized results that serve a broad range of customers, by addressing the market requirements of ease of use, reduced cost, increased test accuracy and reduced time to result. Our current approach to address this diagnostic continuum relative to our strategy is comprised of the following:

- rapid point-of-care immunoassay tests for use in physician offices, hospital laboratories and emergency departments, retail clinics, pharmacies and other urgent care or alternative site settings;
- direct fluorescent assays ("DFA") and culture-based tests for the clinical virology laboratory;
- molecular diagnostic tests across a number of laboratory and other segments; and
- specialty products serving the bone health, autoimmune and complement research communities.

Our current focus to accomplish our primary objective includes the following:

- leveraging our current infrastructure to develop and launch new rapid immunoassays such as additional assays for our Sofia® Analyzer and next generation analyzer (Sofia 2);
- developing a molecular diagnostics franchise that incorporates three distinct testing platforms, AmpliVue®, Solana® and Savanna™ and that leverages our molecular assay development competencies; and
- strengthening our position with distribution partners and our end-user customers to gain more emphasis on our products in the U.S. and abroad.

Our current initiatives to execute this strategy include the following:

- continue to provide products that can compete effectively in the healthcare market where cost is important;
- continue to focus our research and development efforts on three areas:
    - new proprietary product platform development;
    - the creation of improved products and new products for existing markets and unmet clinical needs; and
    - pursuit of collaborations with, or acquisitions of, other companies for new and existing products and markets that advance our differentiated strategy.
- provide clinicians with validated studies that encompass the clinical efficacy and economic efficiency of our diagnostic tests for the professional market;
- strengthen our market and brand leadership in current markets by acquiring and/or developing and introducing clinically superior diagnostic solutions;
- strengthen our direct sales force to enhance relationships with integrated delivery networks, laboratories and hospitals, with a goal of driving growth through improved physician and laboratorian satisfaction;
- leverage our wireless connectivity and data management systems, including cloud-based tools;
- support payer evaluation of diagnostic tests and establishment of favorable reimbursement rates;
- continue to create strong global alliances to support our efforts to achieve leadership in key markets and expand our presence in emerging markets; and
- further refine our manufacturing efficiencies and productivity improvements to improve profit, with continued focus on profitable products and markets and our efforts to leverage our core competency in new product development.

Product development activities are inherently uncertain, and there can be no assurance that we will be able to obtain regulatory body clearance to market any of our products, or if we obtain clearances, that we will successfully commercialize any of our products. In addition, we may terminate our development efforts with respect to one or more of our products under development at any time, including before or during clinical trials.

The Overall Market for *In Vitro* Diagnostics

Customers for *In Vitro* Diagnostics ("IVD") products are primarily centralized laboratories and decentralized point-of-care settings.

Centralized testing market

The centralized in vitro diagnostic testing process typically involves obtaining a specimen of blood, urine or other sample from the patient and sending the sample from the healthcare provider's office, hospital unit or clinic to a central laboratory. In a typical visit to the physician's office, after the patient's test specimen is collected, the patient is usually sent home and receives the results of the test several hours or days later. The result of this process is that the patient may leave the physician's office without confirmation of the diagnosis and the opportunity to begin potentially more effective immediate care.

Decentralized POC market

Point-of-care ("POC") testing for certain diseases has become an accepted adjunct to central laboratory and self-testing. The professional POC market is comprised of two general segments: decentralized testing in non-institutional settings, such as physicians' offices, and hospital testing (e.g., emergency rooms and bedside).

- Hospital POC testing is accepted and growing and is generally an extension of the hospital's central laboratory. Hospitals in the U.S. have progressively sought to reduce the length of patient stays and, consequently, the proportion of cases seen as outpatients have increased. If the U.S. experience is representative of future trends, emergency departments and other critical care units such as intensive care units, operating rooms, trauma and cardiac centers are increasingly becoming the principal centers for the management of moderate and severe acute illness.
- Out-of-hospital testing sites consist of physicians' office laboratories, nursing homes, pharmacies, retail clinics and other non-institutional, ambulatory settings in which healthcare providers perform diagnostic tests.

This decentralized POC market encompasses a large variety of IVD products ranging from moderate-sized instrumented diagnostic systems serving larger group practices to single-use, disposable tests. We believe POC testing is increasing due to its clinical benefit, fast results, cost-effectiveness and patient satisfaction.

We believe that the growth in POC testing is in part due to evolving technological improvements creating high quality tests with laboratory accuracy and POC ease-of-use, some of which are capable of being granted a waiver under the Clinical Laboratory Improvement Amendments of 1988 ("CLIA").

Products

We provide diagnostic testing solutions under various brand names, including, among others, the following: Quidel®, QuickVue®, QuickVue+®, Sofia®, AmpliVue®, Solana®, Virena®, MicroVue™, Lyra®, FreshCells™, D3®, FastPoint®, ReadyCells®, Super E-Mix™, ELVIRA®, ELVIS® and Thyretain®.

System Platforms:

Our diagnostic testing solutions are separated into our four product categories: immunoassay, molecular, virology and specialty products. The key platforms are described below:

Immunoassays

Quickvue. Quickvue is the brand name for our rapid, visually-read, lateral flow immunoassay products. We have been a leader in the development and production of high quality lateral flow diagnostics since the early 1990s and offer a broad portfolio of products to diagnose a wide variety of infectious diseases and medical conditions.

Sofia Analyzer. Sofia is the brand name for our fluorescent immunoassay ("FIA") system. The easy-to-use Sofia Analyzer combines unique software, when used in conjunction with Sofia FIA tests, to yield an automatic, objective result that is readily available on the instrument's screen, in a hard-copy printout, and in a transmissible electronic form that can network via a lab information system to hospital and medical center databases. The Sofia FIA tests employ advanced lateral flow and immunofluorescence technologies to provide enhanced performance for several assays as noted in our disease state discussion below. The Sofia Analyzer provides for different operational modes to accommodate both small and large laboratories as well as other features designed to facilitate use in a variety of healthcare settings, including hospitals, medical centers, and small clinics.

Next Generation Analyzer. We are developing the next generation Sofia Analyzer (Sofia 2) with added benefits and features and at a cost point that allows us to better address the lower-volume segment of the diagnostic testing market. We believe users will see an improvement in individual test performance and workflow. Enhanced optics are designed to provide added performance benefits and kinetic reading is designed to enable positive test results to be read in as short as a few minutes. Similar to the original Sofia Analyzer, the next generation analyzer is planned to initially center around respiratory assays and then extend into Lyme Disease and Vitamin D tests.

Molecular

Lyra. Our open system molecular assays run on several thermocyclers currently on the market. We have several existing Lyra Molecular Real-Time Polymerase Chain Reaction ("PCR") assays that provide important benefits to the customer, including, among others, room temperature storage, reduced process time, and ready-to-use reagent configurations. These include several assays as noted in our disease state discussion below.

AmpliVue. With our Molecular AmpliVue hand-held molecular diagnostic assay platform, the detection of the pathogen is achieved using a hand-held, fully contained cassette that combines isothermal Helicase Dependent Amplification ("HDA") with lateral flow detection technology, and is currently used in several assays also noted in our disease state discussion below.

Solana. The Solana system was developed as an extension to the AmpliVue product line, running the same proprietary HDA technology. Solana is an easy to run amplification and detection system that has the ability to concurrently run up to 12 assays at a time.

Savanna. We are developing the Savanna system as a rugged, low-cost, fully-integrated system with novel extraction, and sample in/result out simplicity. The system is expected to be able to run either PCR or HDA assays from multiple sample types.

Virology

Virology. We provide a wide variety of traditional cell lines, specimen collection devices, media and controls for use in laboratories that culture and test for many human viruses, including, among others, respiratory and herpes family viruses. We provide cell-based products under the FreshCells brand in multiple different formats, including tubes, shell vials and multi-well plates. Our Virology product category includes the FDA cleared bioassay Thyretain, which is used for the differential diagnosis of an autoimmune disease called Graves Disease.

Specialty Products

Specialty Products. As a leader in the research space with our biomarkers for bone health, we produce both clinical and research products for the assessment of osteoporosis and the evaluation of bone resorption/formation, which, including our metabolic bone markers, are used by physicians to monitor the effectiveness of therapy in pharmaceutical and related research. In the area of autoimmune disease, we have developed Enzyme Linked Immunosorbent Assay ("ELISA") based assays and reagents for the detection of activation products from the three main complement pathways. Assays are developed on a microwell platform and are currently marketed to clinicians and researchers. We currently sell these products both directly and through select distributors throughout the world under the Quidel and MicroVue brands.

Connectivity and Data Management

Virena. Virena is a wireless cellular data management and surveillance system that operates as a cloud-based solution connecting Quidel instruments across a healthcare system and automatically transmitting de-identified test results to a secure database. With Virena, a health system, physician office laboratory ("POL"), urgent care or retail clinic has the ability to compile, analyze, map and generate reports of de-identified test results improving operational efficiencies, quality and patient outcome initiatives.

Medical and Wellness Categories:

Our products address the following medical and wellness categories:

Infectious Diseases

Influenza. Our Sofia Influenza A+B test, used in conjunction with our Sofia Analyzer, and our QuickVue influenza tests are rapid, qualitative tests for the detection of the viral antigens of influenza type A and B, the two most common types of the influenza virus. In addition, our Sofia Influenza A+B test has special 510(k) clearance for an update to our package insert to include analytical reactivity with an avian Influenza A (H7N9) strain, A/Anhui/1/2013. In addition, Quidel offers molecular testing options with the recently launched Solana Influenza A+B assay utilizing HDA technology and our Lyra Influenza A+B real-time PCR assay.

Streptococci. We offer a variety of products designed to detect various Streptococcal disease states utilizing fluorescent immunoassay, lateral flow and molecular technologies. Our Sofia Strep A fluorescent immunoassay, used in conjunction with our Sofia Analyzer, and our QuickVue Strep A tests are intended for the rapid, qualitative detection of Group A Streptococcal antigen from throat swabs or confirmation of presumptive Group A Streptococcal colonies recovered from culture. Our Solana Strep Complete and Solana Group A Strep assays allow for the rapid, accurate detection of Group A and pyogenic Group C/G Strep and Group A Strep, respectively, utilizing our molecular HDA technology. In addition, our Lyra Direct Strep Assay is a multiplex real-time PCR assay that detects and differentiates between pyogenic Group A and pyogenic C or G Streptococcal throat infections.

RSV. Our Sofia RSV test and our QuickVue RSV test are rapid immunoassay tests for Respiratory Syncytial Virus ("RSV"). Quidel also offers our combo Quidel Molecular RSV + human metapneumovirus (hMPV) test. The majority of upper respiratory tract infections in children are caused by viruses, and RSV is generally recognized as a frequent agent responsible for these infections.

Herpes and Herpes Family. We offer a variety of products designed to detect various herpes simplex virus ("HSV") and herpes family viruses utilizing molecular and cell culture technologies. In the fall of 2016, we obtained FDA clearance of our Solana HSV-1+2/VZV Assay, used in conjunction with our Solana instrument, for the detection of HSV type 1, HSV type 2, and varicella-zoster virus ("VZV"). We also offer our Lyra Direct HSV 1+2/VZV and AmpliVue HSV 1+2 assays. In addition, our proprietary engineered cell culture system, ELVIS HSV, is an FDA cleared and highly sensitive system for the isolation and detection of HSV types 1 and 2. We also provide a multiplex cell culture solution using a propriety cell platform called H&V-Mix™ that is used to isolate HSV, VZV and Cytomegalovirus, all in the herpes family of viruses. Antibody detection and identification of each of these viruses can be performed with FDA cleared antibody products provided under the D3 DFA brand. HSV is a widespread sexually transmitted infection. VZV is a DNA virus of the family Herpesviridae; infection results

in chickenpox (varicella) and may lead to complications such as pneumonia and may reactivate later in life to produce shingles.

Multiplex Respiratory. Our cell culture and DFA detection solutions, including D3 FastPoint technology, are used by reference laboratories, public health labs and acute care hospitals to detect eight major viral respiratory pathogens. Our proprietary cell culture platform R-Mix™ combined with our D3 Ultra DFA antibody kit, detects Influenza A and B, RSV, Adenovirus and Parainfluenza types 1, 2 and 3, with turn-around times between 16 and 48 hours. The same D3 Ultra DFA antibody kit can also be used for direct specimen testing for those viruses with turn-around times in less than 90 minutes. Our D3 FastPoint antibody kit detects eight viruses, with human metapneumovirus added to the testing menu, and provides laboratories, in a direct specimen testing format, the ability to produce virus identification in less than 25 minutes from specimen receipt.

S. pneomoniae. Our Sofia S. Pneomoniae FIA, used in conjunction with our Sofia Analyzer, was CE Marked for sale in the European market in 2016. The assay is used to aid in the detection of both pneumococcal pneumonia and pneumococccal menigitis. Streptoccus pneumoniae is a leading cause of community-acquired pneumonia and bacterial meningitis.

Legionella. Our Sofia Legionella FIA, used in conjunction with our Sofia Analyzer, is CE Marked for sale in the European market. The assay is used to aid in the detection of Legionella pneumophila seorgroup 1 antigen, which is the major causative agent of Legionnaires' disease, a disease primarily of pneumonia.

Bordetella Pertussis. In 2014, we received FDA clearance for our AmpliVue Bordetella Assay, used in detection of *Bordetella pertussis*. Pertussis, or whooping cough, is a very contagious disease of caused by the Bordetella pertussis bacteria and there has been increasing incidence in recent years.

Adenovirus and Parainfluenza. Quidel offers the Lyra Adenovirus Assay, a real-time PCR test for the qualitative detection of human adenovirus (HAdV) viral DNA, and our Lyra Parainfluenza Assay, a real-time PCR test for the qualitative detection and identification of Parainfluenza virus infections for types 1, 2 or 3 viral RNA.

POC Women's and General Health

Pregnancy. Our Sofia hCG fluorescent immunoassay and our QuickVue pregnancy tests are used for the qualitative detection of hCG in serum or urine for the early detection of pregnancy. The early detection of pregnancy enables the physician and patient to institute proper care, helping to promote the health of both the woman and the developing embryo.

Graves Disease. Our FDA cleared bioassay called Thyretain is used for the differential diagnosis of an autoimmune disease called Graves Disease. Graves Disease is caused by antibodies that stimulate the thyroid hormone receptors to create a hyperthyroid condition causing symptoms that include heart palpitations, unexplained weight loss, anxiety, depression and fatigue. Graves Disease is considered the most common autoimmune disorder in the U.S. according to an article published in the New England Journal of Medicine and it predominantly affects women. Thyretain is sold to reference laboratories and select acute care hospitals and has been successfully deployed on automated testing platforms.

Chlamydia. Our QuickVue Chlamydia test is a lateral flow immunoassay for the rapid, qualitative detection of Chlamydia trachomatis from endocervical swab and cytology brush specimens. The test is intended for use as an aid in the presumptive diagnosis of Chlamydia. *Chlamydia trachomatis* is responsible for the most widespread sexually transmitted disease in the U.S. Over one-half of infected women do not have symptoms and, if left untreated, *Chlamydia trachomatis* can cause sterility.

Trichomonas. In 2016, we obtained FDA clearance of our Solana Trichomonas assay, used in conjunction with our Solana instrument, to aid in the diagnosis of trichomoniasis, a sexually transmitted disease attributable to infection from the Trichomonas vaginalis parasite. Trichomoniasis affects millions of people in the U.S., is more common in women and can be treated with antibiotics upon diagnosis.

Bone Health. Osteoporosis is a systemic skeletal disease characterized by low bone mass and deterioration of the microarchitecture of bone tissue, with a consequent increase in bone fragility and susceptibility to fractures. The risk for fracture increases exponentially with age. A key set of parameters in the monitoring of osteoporosis, both before and after therapy, are biochemical markers of bone metabolism. As a leader in the research space with our biomarkers for bone health, we produce both clinical and research products for the assessment of osteoporosis and the evaluation of bone resorption/ formation, which, including our metabolic bone markers, are used by physicians to monitor the effectiveness of therapy in pharmaceutical and related research.

Gastrointestinal Diseases

Clostridium difficile. Our Lyra Direct C. difficile Assay, is a qualitative, multiplexed real-time PCR test for the detection of *Clostridium difficile* Toxin A or Toxin B genes and is approved for use on a variety of real-time PCR instruments. We also sell our AmpliVue C. difficile Assay, utilizing our HDA technology, for the detection of the *Clostridium difficile* Toxin A gene.

Clostridium difficile ("C. *diff*") is a life threatening bacterial infection, especially for the elderly and patients on a prolonged antibiotic regimen. Currently more than 500,000 cases of C. *diff* infections are diagnosed each year in the U.S.

Enterovirus. Enteroviruses reproduce initially in the gastrointestinal tract before spreading to other organs such as the nervous system, heart and skin. Enteroviruses can also infect the respiratory tract. Enteroviruses such as Coxsackievirus A16 are referred to as Hand Foot and Mouth disease and commonly affect infants and children. Our indirect fluorescent antibody ("IFA") products sold under the name Super E-Mix and D3 IFA Enterovirus kit are used by reference laboratories and acute care hospitals.

Immunoassay fecal occult blood. Our QuickVue fecal immunochemical test ("FIT") is a rapid test intended to detect the presence of blood in stool specimens. Blood in the stool is an indication of a number of gastrointestinal disorders, including colorectal cancer.

Helicobacter pylori ("H. pylori"). H. pylori is the bacterium associated with approximately 80% of patients diagnosed with peptic ulcers in the U.S. *H. pylori* is implicated in chronic gastritis and is recognized by the World Health Organization as a Class 1 carcinogen that may increase a person's risk of developing stomach cancer. Our QuickVue rapid test is a serological test that measures antibodies circulating in the blood caused by the immune response to the *H. pylori* bacterium.

Seasonality

Sales of our infectious disease products are subject to, and significantly affected by, the seasonal demands of the cold and flu seasons, prevalent during the fall and winter. As a result of these seasonal demands, we typically experience lower sales volume in the second and third quarters of the calendar year, and typically have higher sales in the first and fourth quarters of the calendar year. Historically, sales of our infectious disease products have varied from year to year based in large part on the severity, length and timing of the onset of the cold and flu season. For the years ended December 31, 2016, 2015 and 2014, sales of our infectious disease products accounted for 71%, 73% and 71%, respectively, of total revenue.

Research and Development

We continue to focus our research and development efforts on three areas:

- new proprietary product platform development,
- the creation of improved products and new products for existing markets and unmet clinical needs, and
- pursuit of collaborations with, or acquisitions of, other companies for new and existing products and markets that advance our differentiated strategy.

Research and development expenses were approximately $38.7 million, $35.5 million, and $37.9 million for the years ended December 31, 2016, 2015 and 2014, respectively. We anticipate that we will continue to devote a significant amount of financial resources to product and technology research and development for the foreseeable future.

Marketing and Distribution

Our business strategy is designed around serving the continuum of healthcare delivery needs starting with POC clinicians located in small doctor's office practices to moderately complex POLs through the highly complex environment in hospital and clinical reference laboratories.

Within the inherent operational diversity of these various segments, we focus on ensuring market leadership and providing points of differentiation by specializing in the diagnosis and monitoring of selected disease states. Our marketing strategy includes ensuring that our key product portfolios are supported by clinical validation and health economic and outcomes research that demonstrates to hospitals, laboratories, acute care facilities and POC clinicians that these tests deliver fast, high quality results, are cost-effective to use, and improve patient outcomes.

Our distribution strategy takes into account the fact that the U.S. POC market is highly fragmented, with many small or medium-sized customers. A network of national and regional distributors is utilized, combined with our own sales force, to reach customers using POC diagnostic tests. We have developed priority status with several of the major distributors in the U.S., resulting in many of our products having preferred product status with these distributors.

We have expanded the size of our U.S. sales force in the past few years. As of December 31, 2016, we employed more than 100 U.S. sales representatives. We are utilizing this expanded sales force to work closely with our key distributors to drive market penetration of our products in the U.S. POC market, with a particular focus on addressing acute care and integrated delivery network customers.

The sales, distribution and service of our cell culture and molecular diagnostic tests are controlled primarily by us. Laboratory end-users in hospitals and clinical reference laboratories utilizing these diagnostic tests are reached through our own direct sales force and technical support services that have specialized training and understanding of the product portfolio.

Internationally, the use of professional rapid POC diagnostic tests, the acceptance of testing outside the central laboratory, the regulatory requirements to sell POC tests and consumer interest in over-the-counter and self-test products, differ considerably from the U.S. Our international sales are significantly lower than domestic sales, largely due to the POC market being more developed in the U.S. relative to the overall IVD market in other countries.

We derive a significant portion of our total revenue from a relatively small number of distributors. Three of our distributors, which are considered to be among the market leaders, collectively accounted for approximately 44%, 48% and 48% of our total revenue for the years ended December 31, 2016, 2015 and 2014, respectively. These distributors were McKesson Corporation, Cardinal Health, Inc., and Fisher Scientific Company ("Fisher").

See Note 7 "Industry and Geographic Information" in the Notes to Consolidated Financial Statements included in this Annual Report.

Manufacturing

We have two primary manufacturing sites. These two sites are in San Diego, California and Athens, Ohio. Our San Diego facility consists of laboratories devoted to tissue culture, cell culture, protein purification and immunochemistry and production areas dedicated to manufacturing and assembly. In the manufacturing process, biological and chemical supplies and equipment are used. Since the year 2000, the San Diego facility has operated under a Quality Management System certified to the International Organization for Standardization ("ISO") 9001 certification. During 2005, we became certified to the ISO 13485:2003 Regulatory Standard as required for medical device manufacturers distributing product within the European Union and other countries. Many of the immunoassay products manufactured in our San Diego facility are packaged and shipped by a local third party.

Our Athens facility consists of a molecular manufacturing laboratory dedicated to the manufacture and assembly of our molecular products, clean rooms (FS-209E Class 1000: ISO Class 6) for the culturing and dispensing of cell cultures under cGMP conditions and laboratories devoted to tissue culture for the production of monoclonal antibodies and the development and manufacture of research and MicroVue products. In the manufacturing process, biological and chemical supplies are used, as well as specialized equipment. The facility is also certified to the ISO 13485:2003 medical device standard. Packaging and shipping logistics are also handled at the facility.

We seek to conduct all of our manufacturing in compliance with the FDA Quality System Regulations ("QSR") (formerly Good Manufacturing Practices) governing the manufacture of medical devices. Our manufacturing facilities have been registered with the FDA and the Department of Health Services of the State of California for our San Diego facility (the "State FDA"), and have passed routine federal and state inspections confirming compliance with the QSR regulatory requirements.

Government Regulation

Regulation in the United States

The testing, manufacture and commercialization of our products are subject to regulation by numerous governmental authorities, principally the FDA and corresponding state and foreign regulatory agencies. Pursuant to the U.S. Federal Food, Drug, and Cosmetic Act and the regulations promulgated thereunder, the FDA regulates the preclinical and clinical testing, manufacture, labeling, distribution and promotion of medical devices. Noncompliance with applicable requirements can result in, among other matters, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, failure of the FDA to grant premarket clearance or premarket approval for devices, withdrawal of marketing clearances or approvals and criminal prosecution. The FDA also has the authority to request a recall, repair, replacement or refund of the cost of any device manufactured or distributed in the U.S. if the device is deemed to be unsafe.

In the U.S., devices are classified into one of three classes (Class I, II or III) on the basis of the controls deemed necessary by the FDA to reasonably ensure their safety and effectiveness. Class I and II devices are subject to general controls including, but not limited to, performance standards, premarket notification ("510(k)") and post market surveillance. Class III devices generally pose the highest risk to the patient and are typically subject to premarket approval to ensure their safety and effectiveness. Our current products are all Class I or II.

Prior to commercialization in the U.S. market, manufacturers must obtain FDA clearance through a premarket notification or premarket approval process, which can be lengthy, expensive and uncertain. The FDA has been requiring more rigorous demonstration of product performance as part of the 510(k) process, including submission of extensive clinical data. It generally takes from three to six months to obtain clearance but may take longer. A premarket approval application must be supported by valid scientific evidence to demonstrate the safety and effectiveness of the device, typically including the results of clinical investigations, bench tests and reference laboratory studies. In addition, modifications or enhancements for existing products that could significantly affect safety or effectiveness, or constitute a major change in the intended use of the device, will require new submissions to the FDA.

On January 30, 2008, the FDA issued guidance entitled "Guidance for Industry and FDA Staff Recommendation for CLIA waiver applications." The guidance sets forth new requirements for obtaining a CLIA waiver that are onerous and have increased the time and cost required to obtain a CLIA waiver.

Any devices we manufacture or distribute pursuant to FDA clearance or approvals are subject to continuing regulation by the FDA and certain state agencies, including adherence to QSR relating to testing, control, documentation and other quality assurance requirements. We must also comply with Medical Device Reporting ("MDR") requirements mandating reporting to the FDA of any incident in which a device may have caused or contributed to a death or serious injury, or in which a device malfunctioned and, if the malfunction were to recur, would be likely to cause or contribute to a death or serious injury. Labeling and promotional activities are also subject to scrutiny by the FDA and, in certain circumstances, by the Federal Trade Commission. Current FDA enforcement policy prohibits the marketing of approved medical devices for unapproved uses.

Regulation Outside of the United States

For marketing outside the U.S., we are subject to foreign regulatory requirements governing human clinical testing and marketing approval for our products. These requirements vary by jurisdiction, differ from those in the U.S., and may require us to perform additional or different preclinical or clinical testing regardless of whether we have obtained FDA approval. The amount of time required to obtain necessary approvals may be longer or shorter than that required for FDA approval. In many foreign countries, pricing and reimbursement approvals are also required.

Our initial focus for obtaining marketing approval outside the U.S. is typically the European Union (the "EU"), Japan and China. EU Regulations and Directives generally classify healthcare products either as medicinal products, medical devices or *in vitro* diagnostics. The CE Mark certification for the EU requires us to receive ISO certification for the manufacture of our products. This certification comes only after the development of an all-inclusive quality system, which is reviewed for compliance with ISO standards by a licensed body working within the EU. After certification is received, a technical file is developed which attests to the product's compliance with EU directive 98/79/EC for *in vitro* diagnostic medical devices. Only after this point is the product CE marked. Japanese regulations require registration of *in vitro* diagnostic products with the Japanese Ministry of Health, Labor and Welfare. Chinese regulations require registration of diagnostic products with the China FDA, or CFDA. Additional clinical trials are typically required for registration purposes. For products marketed in Canada, registration is required with Health Canada and we have our independent party certification under the Canadian Medical Device Regulation.

Intellectual Property

The healthcare industry has traditionally placed considerable importance on obtaining and maintaining patent and trade secret protection for commercially relevant technologies, devices, products and processes. We and other companies engaged in research and development of new diagnostic products actively pursue patents for technologies that are considered novel and patentable. However, important factors, many of which are not within our control, can affect whether and to what extent patent protection in the U.S. and in other important markets worldwide is obtained. By way of example, the speed, accuracy and consistency in application of the law in a patent office within any particular jurisdiction is beyond our control and can be unpredictable. The resolution of issues such as these and their effect upon our long-term success is likewise indeterminable. We have issued patents, both in the U.S. and internationally, with expiration dates ranging from the present through approximately 2034 and have patent applications pending throughout the world.

It has been our policy to file for patent protection in the U.S. and other countries with significant markets, such as Western European countries and Japan, if the economics are deemed to justify such filing and our patent counsel advises that relevant patent protection may be obtained.

A large number of individuals and commercial enterprises seek patent protection for technologies, products and processes in fields in, or related to, our areas of product development. To the extent such efforts are successful, we may be required to obtain licenses and pay significant royalties in order to exploit certain of our product strategies and avoid a material adverse effect on our business. Licenses may not be available to us at all or, if so available, may not be available on acceptable terms.

We are aware of certain patents issued to various developers of diagnostic products with potential applicability to our diagnostic technology. We have licensed certain rights from certain companies to assist with the manufacturing of certain products. In the future, we expect that we will require or desire additional licenses from other parties in order to refine our products further and to allow us to develop, manufacture and market commercially viable or superior products effectively.

We seek to protect our trade secrets and technology by entering into confidentiality agreements with employees and third parties (such as potential licensees, customers, strategic partners and consultants). In addition, we have implemented certain security measures in our laboratories and offices. Also, to the extent that consultants or contracting parties apply technical or scientific information independently developed by them to our projects, disputes may arise as to the proprietary rights to such data.

Under many of our contractual agreements, we have agreed to indemnify the counterparty against costs and liabilities arising out of any patent infringement claims and other intellectual property claims asserted by a third party relating to products sold under those agreements.

Competition

Competition in the development and marketing of IVD products is intense, and innovation, product development, regulatory clearance to market and commercial introduction of new IVD technologies can occur rapidly. We believe that some of the most significant competitive factors in the rapid diagnostic market include convenience, speed to result, specimen flexibility, product menu, clinical needs, price, reimbursement and product performance as well as effective distribution, advertising, promotion and brand name recognition. The competitive factors in the central laboratory market are also significant and include price, product performance, reimbursement, compatibility with routine specimen procurement methods, and manufacturing products in testing formats that meet the workflow demands of larger volume laboratories. We believe our success will depend on our ability to remain abreast of technological advances, to develop, gain regulatory clearance and introduce technologically advanced products, to effectively market to customers a differentiated value proposition represented by our commercialized products, to maintain our brand strength and to attract and retain experienced personnel. The majority of diagnostic tests requested by physicians and other healthcare providers are performed by independent clinical reference laboratories. These laboratories, we expect, will continue to compete vigorously to maintain their dominance of the testing market. In order to achieve market acceptance for our products, we will be required to continue to demonstrate that our products provide physicians and central laboratories cost-effective and time-saving alternatives to competitive products and technologies.

Many of our current and prospective commercial competitors, including several large pharmaceutical and diversified healthcare companies, have substantially greater financial, marketing and other resources than we have. These competitors include, among others, Alere Inc. (“Alere”), Beckman Coulter Primary Care Diagnostics, Fisher, Becton Dickinson and Company, Meridian Bioscience, Inc., Danaher Corporation and Chemicon International, Inc. We also face competition from our distributors since some have created, and others may decide to create, their own products to compete with ours. Competition may also be provided from large, medium and small development companies whose portfolio and technologies are dedicated to the development of diagnostic solutions in areas in which we currently have relevant market share.

Human Resources

As of December 31, 2016, we had 627 employees, none of whom are represented by a labor union. We have experienced no work stoppages and believe that our employee relations are good.

Executive Officers of Quidel Corporation

The names, ages and positions of all executive officers as of December 31, 2016 are listed below, followed by a brief account of their business experience. There are no family relationships among these officers, nor any arrangements or understandings between any officer and any other person pursuant to which an officer was selected.

Douglas C. Bryant, 59, was named President, Chief Executive Officer and a member of the Board of Directors in February 2009. Mr. Bryant’s appointment as President and Chief Executive Officer was effective on March 1, 2009. Prior to

joining us, Mr. Bryant served as Executive Vice President and Chief Operating Officer at Luminex Corporation, managing its Bioscience Group, Luminex Molecular Diagnostics (Toronto), manufacturing, R&D, technical operations, and commercial operations. From 1983 to 2007, Mr. Bryant held various worldwide commercial operations positions with Abbott Laboratories including, among others: Vice President of Abbott Vascular for Asia/Japan, Vice President of Abbott Molecular Global Commercial Operations and Vice President of Abbott Diagnostics Global Commercial Operations. Earlier in his career with Abbott, Mr. Bryant was Vice President of Diagnostic Operations in Europe, the Middle East and Africa, and Vice President of Diagnostic Operations Asia Pacific. Mr. Bryant has over 30 years of industry experience in sales and marketing, product development, manufacturing and service and support in both the diagnostics and life sciences markets. Mr. Bryant holds a B.A. in Economics from the University of California at Davis.

Randall J. Steward, 62, became our Chief Financial Officer in October 2011. Prior to joining us, Mr. Steward served as the Chief Financial Officer for Navilyst Medical, Inc, a medical device company based in Massachusetts. From 2008 to January 2011, Mr. Steward served as Chief Operating Officer for SeQual Technologies, Inc., a San Diego-based medical device company, where he was responsible for all aspects of engineering, manufacturing, finance, and information systems. Prior to SeQual Technologies, Mr. Steward spent 11 years with Spectrum Brands as Executive Vice President and Chief Financial Officer. Mr. Steward holds a B.B.A. in Accounting from Southern Methodist University. He is also a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

Michael D. Abney, Jr., 53, became our Senior Vice President, Distribution in January 2015. Prior to joining us, he served as Vice President, Channel and Distribution for ConvaTec from 2013 to 2014 and held a number of positions at PSS World Medical, Inc. from 1989 to 2013, including most recently as Vice President, Supplier Management. Mr. Abney received his B.A. degree in Finance from the University of Florida in 1989.

Robert J. Bujarski, J.D., 48, became our Senior Vice President, General Counsel and Corporate Secretary in June 2008 and in 2010 became our Senior Vice President, Business Development, General Counsel and Corporate Secretary. Mr. Bujarski previously served as our Senior Vice President, General Counsel and Corporate Secretary from March 2007 through March 2008. From July 2005 to March 2007, he was our General Counsel and Vice President. Mr. Bujarski was an associate attorney with the law firm of Gibson, Dunn & Crutcher LLP in its transactions practice group from October 2001 to July 2005. Mr. Bujarski received his B.A. degree in 1991 and his law degree in 2001 from the University of Arizona.

Werner Kroll, Ph.D., 60, became our Senior Vice President, R&D in May 2014. Prior to joining us, Dr. Kroll was Vice President and Global Head Research and Innovation for Novartis Molecular since 2009. Prior to holding that position he held a variety of senior positions from 2005 to 2009 at Novartis. Dr. Kroll has also held senior positions at Bayer from 1991 to 2005. Dr. Kroll received his Ph.D. and a Diploma in Chemistry from the University of Marburg.

Edward K. Russell, 49, became our Senior Vice President, Global Commercial Operations in October 2015. Prior to joining the Company, Mr. Russell was employed by Thermo Fisher Scientific, a life sciences company based in Massachusetts, and its predecessor company Life Technologies for ten years. Mr. Russell served in various leadership roles from 2005 through 2015, including North America Commercial Leader of the BioSciences Division, General Manager of Life Technologies' Global Services & Support Division, and President of Life Technologies Japan. Prior to joining Life Technologies in 2005, Mr. Russell held various leadership positions at FedEx Kinko's, ExxonMobil and Toyota/Lexus. Mr. Russell started his career as an officer in the U.S. Coast Guard. Mr. Russell holds a B.S. in Civil Engineering from the U.S. Coast Guard Academy and an MBA from The Wharton School, University of Pennsylvania.

Item 1A. Risk Factors

Risks Related to Our Business

Our operating results are heavily dependent on sales of our influenza diagnostic tests.

Although we continue to diversify our products, a significant percentage of our total revenues still continue to come from a limited number of our product families. In particular, revenues from the sale of our influenza tests represent a significant portion of our total revenues and are expected to remain so for at least the near future. In addition, the gross margins derived from sales of our influenza tests are significantly higher than the gross margins from many of our other core products. As a result, if sales or revenues of our influenza tests decline for any reason whether as a result of market share loss or price pressure, obsolescence, a mild flu season, regulatory matters or any other reason our operating results would be materially and adversely affected on a disproportionate basis. For the years ended December 31, 2016, 2015 and 2014, sales of our infectious disease products (including influenza test sales) accounted for 71%, 73%, and 71% respectively, of total revenue.

Our operating results may fluctuate adversely as a result of many factors that are outside our control, which may negatively impact our stock price.

Fluctuations in our operating results, for any reason, could cause our growth or operating results to fall below the expectations of investors and securities analysts.

We base the scope of our operations and related expenses on our estimates of future revenues. A significant portion of our operating expenses are fixed, and we may not be able to rapidly adjust our expenses if our revenues fall short of our expectations. Our revenue estimates for future periods are based, among other factors, on estimated end-user demand for our products. If end-user consumption is less than estimated, revenues from our distribution partners and other distribution channels would be expected to fall short of expectations, and because such a significant portion of our costs are fixed, could result in operating losses.

Factors that are beyond our control and that could affect our operating results in the future include:

- timing of the onset, length and severity of the cold and flu seasons;
- seasonal fluctuations in our sales of infectious disease tests, which are generally highest in fall and winter, thus resulting in generally lower operating results in the second and third calendar quarters and higher operating results in the first and fourth calendar quarters;
- government and media attention focused on influenza and the related potential impact on humans from novel influenza viruses, such as H1N1 and avian flu;
- changes in the level of competition, such as would occur if one of our competitors introduced a new, better performing or lower priced product to compete with one or more of our products;
- changes in the reimbursement systems or reimbursement amounts that end-users may rely upon in choosing to use our products;
- changes in economic conditions in our domestic and international markets, such as economic downturns, decreased healthcare spending, reduced consumer demand, inflation and currency fluctuations; changes in government laws and regulations affecting our business;
- lower than anticipated market penetration of our new or more recently introduced products;
- significant quantities of our product or that of our competitors in our distributors' inventories or distribution channels;
- changes in distributor buying patterns; and
- changes in the healthcare market including consolidation in our customer base.

To remain competitive, we must continue to develop, obtain and protect our proprietary technology rights; otherwise, we may lose market share or need to reduce prices as a result of competitors selling technologically superior products that compete with our products.

Our ability to compete successfully in the diagnostic market depends on continued development and introduction of new proprietary technology and the improvement of existing technology. If we cannot continue to improve upon or develop, obtain and protect proprietary technology, our operating results could be adversely affected.

Our competitive position is heavily dependent on obtaining and protecting our own proprietary technology or obtaining licenses from others. Our ability to obtain patents and licenses, and their benefits, is uncertain.

- We have issued patents both in the U.S. and internationally, with expiration dates ranging from the present through approximately 2034. In addition to our patents in the U.S., we have patents issued in various other countries including, among others, Australia, Canada, Japan and various European countries, including France, Germany, Italy, Spain and the United Kingdom. Additionally, we have patent applications pending in the U.S. and various foreign jurisdictions. These pending patent applications may not result in the issuance of any patents, or if issued, may not have priority over others' applications or may not offer meaningful protection against competitors with similar technology or may not otherwise provide commercial value. Moreover, any patents issued to us may be challenged, invalidated, found unenforceable or circumvented in the future. Third parties can make, use and sell products covered by our patents in any country in which we do not have patent protection.
- We also license the right to use our products to our customers under label licenses that are for research purposes only. These licenses could be contested and, because we cannot monitor all potential unauthorized uses of our products around the world, we might not be aware of an unauthorized use or might not be able to enforce the license restrictions in a cost-effective manner.
- Our current and future licenses may not be adequate for the operation of our business. In the future, we expect that we will require or desire additional licenses from other parties in order to refine our products further and to allow us to develop, manufacture and market commercially viable or superior products. We may not be able to obtain licenses for technology patented by others and required to produce our products on commercially reasonable terms, if at all.

To protect or enforce our patent rights, it may be necessary for us to initiate patent litigation proceedings against third parties, such as infringement suits or interference proceedings. These lawsuits would be expensive, take significant time and would divert management's attention from other business concerns. In the event that we seek to enforce any of our patents against an infringing party, it is likely that the party defending the claim will seek to invalidate the patents we assert, which could put our patents at risk of being invalidated, held unenforceable, or interpreted narrowly, and our patent applications at risk of not being issued. Further, these lawsuits may provoke the defendants to assert claims against us. If we pursue any such claim, we cannot assure you that we will prevail in any of such suits or proceedings or that the damages or other remedies awarded to us, if any, will be economically valuable.

In addition to our patents, we rely on confidentiality agreements and other similar arrangements with our employees and other persons who have access to our proprietary and confidential information, together with trade secrets and other common law rights, to protect our proprietary and confidential technology. These agreements and laws may not provide meaningful protection for our proprietary technology in the event of unauthorized use or disclosure of such information or in the event that our competitors independently develop technologies that are substantially equivalent or superior to ours. Moreover, the laws of some foreign jurisdictions may not protect intellectual property rights to the same extent as those in the U.S. In the event of unauthorized use or disclosure of such information, if we encounter difficulties or are otherwise unable to effectively protect our intellectual property rights domestically or in foreign jurisdictions, our business, operating results and financial condition could be materially and adversely affected.

In order to remain competitive and profitable, we must expend considerable resources to research new technologies and products and develop new markets, and there is no assurance our efforts to develop new technologies, products or markets will be successful or such technologies, products or markets will be commercially viable.

We devote a significant amount of financial and other resources to researching and developing new technologies, new products and new markets. The development, manufacture and sale of diagnostic products requires a significant investment of resources. The development of new markets also requires a substantial investment of resources, such as new employees, offices and manufacturing facilities. No assurances can be given that our efforts to develop new technologies or products will be successful, that such technologies and products will be commercially viable, or our expansion into new markets will be profitable.

We expect to incur significant operating expenses as a result of continued investment in sales and marketing activities, manufacturing scale-up and new product development associated with our efforts to accomplish our business strategies discussed in "Business - Business Strategy" in Part I of this Annual Report. No assurance can be given that we will be successful in implementing our operational, growth and other strategic efforts. In addition, the funds for our strategic development projects have in the past come primarily from our business operations, borrowings under available lines of credit and the sale of equity or debt securities. If our business slows and we become less profitable, and as a result have less money

available to fund research and development, we may have to reduce or eliminate programs. Similarly, if adequate financial, personnel, equipment or other resources are not available, we may be required to delay or scale back our strategic efforts.

Our operations will be adversely affected if our operating results do not correspondingly increase with our increased expenditures or if our technology, product and market development efforts are unsuccessful or delayed. Furthermore, our failure to successfully introduce new technologies or products and develop new markets could have a material adverse effect on our business and prospects.

We rely on a limited number of key distributors that account for a substantial majority of our total revenue. The loss of any key distributor or an unsuccessful effort by us to directly distribute our products could lead to reduced sales.

Although we have many distributor relationships in the U.S., the market is dominated by a small number of these distributors. Three of our distributors, which are considered to be among the market leaders, collectively accounted (each individually in excess of 10%) for approximately 44%, 48%, and 48% of our total revenue for the years ended December 31, 2016, 2015 and 2014, respectively. In addition, we rely on a few key distributors for a majority of our international sales, and expect to continue to do so for the foreseeable future. The loss or termination of our relationship with any of these key distributors could significantly disrupt our business unless suitable alternatives are timely found or lost sales to one distributor are absorbed by another distributor. Finding a suitable alternative to a lost or terminated distributor may pose challenges in our industry's competitive environment, and another suitable distributor may not be found on satisfactory terms, if at all. For instance, some distributors already have exclusive arrangements with our competitors, and others do not have the same level of penetration into our target markets as our existing distributors. If total revenue from these or any of our other significant distributors were to decrease in any material amount in the future or we are not successful in timely transitioning business to new distributors, our business, operating results and financial condition could be materially and adversely affected.

If we are not able to manage our growth strategy or if we experience difficulties identifying or integrating companies or technologies we may acquire, our operating results may be adversely affected.

Our business strategy contemplates further growth, which would likely result in expanding the scope of operating and financial systems and the geographical area of our operations, including further expansion outside the U.S., as new products and technologies are developed and commercialized or new geographical markets are entered. Because we have a relatively small executive staff, acquisitions and other future growth may divert management's attention from other aspects of our business, and place a strain on existing management and our operational, financial and management information systems. Furthermore, we may expand into markets in which we have less experience or incur higher costs. Some of our growth is expected to come from acquisitions of businesses and technologies. However, we cannot be certain that we will be able to identify attractive acquisition targets, obtain financing for acquisitions on satisfactory terms or successfully acquire identified targets. Additionally, we may experience difficulties integrating the operations of companies or technologies that we may acquire, with our own operations, and we may not realize our anticipated benefits and cost savings within our expected time frame, or at all. We can give no assurance that we will be able to successfully identify, complete and integrate strategic acquisitions. Should we encounter difficulties in managing these tasks and risks, our growth strategy may suffer and our revenue and profitability could be adversely affected.

Intellectual property risks and third-party claims of infringement, misappropriation of proprietary rights or other claims against us could adversely affect our ability to market our products, require us to redesign our products or attempt to seek licenses from third parties, and materially adversely affect our operating results. In addition, the defense of such claims could result in significant costs and divert the attention of our management and other key employees.

Companies in or related to our industry often aggressively protect and pursue their intellectual property rights. There are often intellectual property risks associated with developing and producing new products and entering new markets, and we may not be able to obtain, at reasonable cost or upon commercially reasonable terms, if at all, licenses to intellectual property of others that is alleged to be part of such new or existing products. From time to time, we have received, and may continue to receive, notices that claim we have infringed upon, misappropriated or misused other parties' proprietary rights.

We have hired and will continue to hire individuals or contractors who have experience in medical diagnostics and these individuals or contractors may have confidential trade secret or proprietary information of third parties. We cannot assure you that these individuals or contractors will not use this third-party information in connection with performing services for us or otherwise reveal this third-party information to us. Thus, we could be sued for misappropriation of proprietary information and trade secrets. Such claims are expensive to defend and could divert our attention and result in substantial damage awards and injunctions that could have a material adverse effect on our business, financial condition or results of operations. In addition, to

the extent that individuals or contractors apply technical or scientific information independently developed by them to our projects, disputes may arise as to the proprietary rights to such data and may result in litigation.

Moreover, in the past we have been engaged in litigation with parties that claim, among other matters, that we infringed their patents. The defense and prosecution of patent and trade secret claims are both costly and time consuming. We or our customers may be sued by other parties that claim that our products have infringed their patents or misappropriated their proprietary rights or that may seek to invalidate one or more of our patents. An adverse determination in any of these types of disputes could prevent us from manufacturing or selling some of our products, limit or restrict the type of work that employees involved with such products may perform for us, increase our costs and expose us to significant liability.

As a general matter, our involvement in litigation or in any claims to determine proprietary rights, as may arise from time to time, could materially and adversely affect our business, financial condition and results of operations for reasons such as:

- pending litigation may of itself cause our distributors or end-users to reduce or terminate purchases of our products;
- it may consume a substantial portion of our managerial and financial resources;
- its outcome would be uncertain and a court may find any third-party patent claims valid and infringed by our products (issuing a preliminary or permanent injunction) that would require us to procure costly licensing arrangements from third parties or withdraw or recall such products from the market, redesign such products offered for sale or under development or restrict employees from performing work in their areas of expertise;
- governmental agencies may commence investigations or criminal proceedings against our employees, former employees and us relating to claims of misappropriation or misuse of another party's proprietary rights;
- an adverse outcome could subject us to significant liability in the form of past royalty payments, penalties, special and punitive damages, the opposing party's attorneys' fees, and future royalty payments significantly affecting our future earnings; and
- failure to obtain a necessary license (upon commercially reasonable terms, if at all) upon an adverse outcome could prevent us from selling our current products or other products we may develop.

Even if licenses to intellectual property rights are available, they can be costly. We have entered into various licensing agreements, which largely require payments based on specified product sales as well as the achievement of specific milestones. Royalty and license expenses under these arrangements collectively totaled $0.8 million, $1.1 million and $8.9 million for the years ended December 31, 2016, 2015 and 2014, respectively.

In addition to the foregoing, we may also be required to indemnify some customers, distributors and strategic partners under our agreements with such parties if a third party alleges or if a court finds that our products or activities have infringed upon, misappropriated or misused another person's proprietary rights. Further, our products may contain technology provided to us by other parties such as contractors, suppliers or customers. We may have little or no ability to determine in advance whether such technology infringes the intellectual property rights of a third party. Our contractors, suppliers and licensors may not be required or financially able to indemnify us in the event that a claim of infringement is asserted against us, or they may be required to indemnify us only up to a maximum amount, above which we would be responsible for any further costs or damages.

We may not have the ability to raise the funds necessary to settle conversions of our Convertible Senior Notes, purchase the Convertible Senior Notes as required upon a fundamental change or service or repay the Convertible Notes at maturity, and potential future debt may contain limitations on our ability to pay cash upon conversion or purchase of our Convertible Senior Notes.

Following a fundamental change (as defined in the indenture to our Convertible Senior Notes), the holders of our Convertible Senior Notes will have the right to require us to purchase their notes for cash. In addition, upon conversion of the Convertible Senior Notes, unless we settle our conversion obligation solely in shares of our common stock (other than cash in lieu of any fractional share), we will be required to make cash payments in respect of the Convertible Senior Notes being surrendered for conversion. We may not have sufficient financial resources, or be able to arrange financing, to pay the fundamental change purchase price in cash with respect to any Convertible Senior Notes surrendered by holders for purchase upon a fundamental change or make cash payments upon conversions. Our failure to purchase the Convertible Senior Notes upon a fundamental change or make cash payments upon conversions thereof when required would result in an event of default with respect to the Convertible Senior Notes which could, in turn, constitute a default under the terms of our other then-existing indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods,

we may not have sufficient funds to repay the indebtedness and purchase the Convertible Senior Notes or make cash payments upon conversions thereof.

In addition, our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service or repay our debt. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing capital expenditures, selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

The conditional conversion feature of our Convertible Senior Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Convertible Senior Notes is triggered, holders of Convertible Senior Notes will be entitled to convert their Convertible Senior Notes at any time during specified periods at their option. If one or more Convertible Senior Note holders elects to convert their notes, unless we satisfy our conversion obligation by delivering solely shares of our common stock, we would be required to settle all or a portion of our conversion obligation through the payment of cash, which could adversely affect our liquidity. Furthermore, even if Convertible Senior Note holders did not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Senior Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

We will continue to have the ability to incur debt and our levels of debt may affect our operations and our ability to pay the principal of and interest on our debt.

We and our subsidiaries may be able to incur substantial additional debt in the future. Our indebtedness could be costly or have adverse consequences, such as:

- requiring us to dedicate a substantial portion of our cash flows from operations to payments on our debt;
- limiting our ability to obtain future financing for working capital, capital expenditures, acquisitions, debt obligations and other general corporate requirements;
- making us more vulnerable to adverse conditions in the general economy or our industry and to fluctuations in our operating results, including affecting our ability to comply with and maintain any financial tests and ratios required under our indebtedness;
- limiting our flexibility to engage in certain transactions or to plan for, or react to, changes in our business and the diagnostics industry;
- putting us at a disadvantage compared to competitors that have less relative and/or less restrictive debt; and
- subjecting us to additional restrictive financial and other covenants.

If we incur substantial additional indebtedness in the future, these higher levels of indebtedness may affect our ability to pay the principal of and interest on existing indebtedness and our creditworthiness generally.

We may need to raise additional funds to finance our future capital or operating needs, which could have adverse consequences on our operations and the interests of our stockholders.

Seasonal fluctuations in our operating results could limit the cash we have available for research and development and other operating needs. As a result, we may need to seek to raise funds through public or private debt or sale of equity to achieve our business strategy. In addition, we may need funds to complete acquisitions, or may issue equity in connection with acquisitions. If we raise funds or acquire other technologies or businesses through issuance of equity, this could dilute the interests of our stockholders. Moreover, the availability of additional capital, whether debt or equity from private capital sources (including banks) or the public capital markets, fluctuates as our financial condition and industry or market conditions in general change. There may be times when the private capital markets and the public debt or equity markets lack sufficient liquidity or when our securities cannot be sold at attractive prices, in which case we would not be able to access capital from these sources on favorable terms, if at all. We can give no assurance as to the terms or availability of additional capital.

Our results of operations and financial conditions may be adversely affected by the financial soundness of our customers and suppliers.

If our customers' or suppliers' operating and financial performance deteriorates, or if they are unable to make scheduled payments or obtain credit, our customers may not be able to pay, or may delay payment of, accounts receivable owed to us, and our suppliers may restrict credit or impose different payment terms or reduce or terminate production of products they supply to us. Any inability of customers to pay us for our products and services, or any demands by suppliers for different payment terms, may adversely affect our operating results and financial condition. Additionally, both state and federal government sponsored and private payers, as a result of budget deficits or reductions, may seek to reduce their healthcare expenditures by renegotiating their contracts with us. Any reduction in payments by such government sponsored or private payers may adversely affect our earnings and cash flow. Declining economic conditions may also increase our costs.

We may not achieve market acceptance of our products among healthcare providers and physicians, and this would have a negative effect on future sales.

A large part of our business is based on the sale of rapid POC diagnostic tests. Our future sales depend on, among other matters, capture of sales from central laboratories by achieving market acceptance of POC testing from physicians and other healthcare providers. If we do not capture sales at the levels anticipated in our budget, our total revenue will not be at the levels that we expect and the costs we incur or have incurred will be disproportionate to our sales levels. We expect that clinical reference and hospital-based laboratories will continue to compete vigorously against our POC diagnostic products in order to maintain and expand their existing dominance of the overall diagnostic testing market. Moreover, even if we can demonstrate that our products are more cost-effective, save time, or have better performance, physicians and other healthcare providers may resist changing to POC tests. We also believe that adoption of some of our products may be faster if the products are granted a CLIA waiver. On January 30, 2008, the FDA issued guidance setting forth new requirements for obtaining a CLIA waiver that are onerous and have increased the time and cost required to obtain a CLIA waiver. Our failure to achieve market acceptance from physicians and healthcare providers with respect to the use of our POC diagnostic products would have a negative effect on our future sales.

The industry and market segment in which we operate are highly competitive, and intense competition with other providers of diagnostic products may reduce our sales and margins.

Our diagnostic tests compete with similar products made by our competitors. There are a large number of multinational and regional competitors making investments in competing technologies and products, including several large pharmaceutical and diversified healthcare companies. We also face competition from our distributors as some have created, and others may decide to create, their own products to compete with ours. A number of our competitors have a potential competitive advantage because they have substantially greater financial, technical, research and other resources, and larger, more established marketing, sales, distribution and service organizations than we have. Moreover, some competitors offer broader product lines and have greater name recognition than we have. If our competitors' products are more effective than ours or take market share from our products through more effective marketing or competitive pricing, our operating results could be materially and adversely affected.

In addition, there has been a trend toward industry consolidation in our markets over the last few years. We may not be able to compete successfully in an increasingly consolidated industry. We expect this trend toward industry consolidation may continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue operations.

Our business and products are highly regulated by various governmental agencies. Our results of operations would be negatively affected by failures or delays in the receipt of regulatory approvals or clearances, the loss of previously received approvals or other changes to the existing laws and regulations that adversely impact our ability to manufacture and market our products.

The testing, manufacture and sale of our products are subject to regulation by numerous governmental authorities in the U.S., principally the FDA and corresponding state and foreign regulatory agencies. The FDA regulates most of our products, which are currently all Class I or II devices. The U.S. Department of Agriculture regulates our veterinary products. Our future performance depends on, among other matters, if, when and at what cost we will receive regulatory approval for new products. Regulatory review can be a lengthy, expensive and uncertain process, making the timing and costs of clearances and approvals difficult to predict. In addition, certain of our foreign product registrations are owned or controlled by our international distribution partners, such that any change in our arrangement with such partners could result in the loss of or delay in transfer of any such product registrations, thereby interrupting our ability to sell our products in those markets. Our results of operations would be negatively affected by failures or delays in the receipt of regulatory approvals or clearances, the loss of previously

received approvals or clearances or the placement of limits on the marketing and use of our products. For example, the FDA has recently reclassified rapid influenza detection devices from Class I to Class II devices effective February 13, 2017. If such reclassifications affect our ability to market one or more of our rapid influenza products, our total revenue may be negatively affected. Furthermore, in the ordinary course of business, we must frequently make subjective judgments with respect to compliance with applicable laws and regulations. If regulators subsequently disagree with the manner in which we have sought to comply with these regulations, we could be subjected to substantial civil and criminal penalties, as well as field corrective actions, product recall, seizure or injunction with respect to the sale of our products. The assessment of any civil and criminal penalties against us could severely impair our reputation within the industry and affect our operating results, and any limitation on our ability to manufacture and market our products could also have a material adverse effect on our business.

Changes in government policy could adversely affect our business and profitability.

Changes in government policy could have a significant impact on our business by increasing the cost of doing business, affecting our ability to sell our products and negatively impacting our profitability. Such changes could include modifications to existing legislation, such as U.S. tax policy, or entirely new legislation, such as the Affordable Healthcare Act ("AHA") in the U.S. Although we cannot fully predict the many ways that healthcare reform might affect our business, the AHA imposed a 2.3% medical device excise tax ("MDET") on certain transactions, including many U.S. sales of medical devices, which includes the majority of our US product sales. This tax took effect January 1, 2013. For the year ended December 31, 2015, we incurred $2.1 million related to the MDET, and although the MDET was suspended for 2016 and 2017, it may be reinstated in 2018 or beyond. It is unclear whether and to what extent, if at all, other anticipated developments, including changes due to new presidential administration priorities, or changes resulting from healthcare reform, such as a change in the number of people with health insurance, may impact us.

We are subject to numerous government regulations in addition to FDA regulation, and compliance with laws, including changed or new laws, could increase our costs and adversely affect our operations.

In addition to FDA and other regulations referred to above, numerous laws relating to such matters as safe working conditions, manufacturing practices, data privacy, environmental protection, fire hazard control and disposal of hazardous or potentially hazardous substances impact our business operations. If these laws or their interpretation change or new laws regulating any of our businesses are adopted, the costs of compliance with these laws could substantially increase our overall costs. Failure to comply with any laws, including laws regulating the manufacture and marketing of our products, could result in substantial costs and loss of sales or customers. Because of the number and extent of the laws and regulations affecting our industry, and the number of governmental agencies whose actions could affect our operations, it is impossible to reliably predict the full nature and impact of future legislation or regulatory developments relating to our industry and our products. To the extent the costs and procedures associated with meeting new or changing requirements are substantial, our business, results of operations and financial condition could be adversely affected.

We use hazardous materials in our business that may result in unexpected and substantial claims against us relating to handling, storage or disposal.

Our research and development and manufacturing activities involve the controlled use of hazardous materials. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of hazardous materials. These regulations include federal statutes commonly known as CERCLA, RCRA and the Clean Water Act. Compliance with these laws and regulations is already expensive. If any governmental authorities were to impose new environmental regulations requiring compliance in addition to that required by existing regulations, or alter their interpretation of the requirements of such existing regulations, such environmental regulations could impair our research, development or production efforts by imposing additional, and possibly substantial, costs, restrictions or compliance procedures on our business. In addition, because of the nature of the penalties provided for in some of these environmental regulations, we could be required to pay sizable fines, penalties or damages in the event of noncompliance with environmental laws. Any environmental violation or remediation requirement could also partially or completely shut down our research and manufacturing facilities and operations, which would have a material adverse effect on our business. The risk of accidental contamination or injury from these hazardous materials cannot be completely eliminated and exposure of individuals to these materials could result in substantial fines, penalties or damages that are not covered by insurance.

Our total revenue could be affected by third-party reimbursement policies and potential cost constraints.

The end-users of our products are primarily physicians and other healthcare providers. In the U.S., healthcare providers such as hospitals and physicians who purchase diagnostic products generally rely on third-party payers, principally private health insurance plans, federal Medicare and state Medicaid, to reimburse all or part of the cost of the procedure. Use of our products would be adversely impacted if physicians and other healthcare providers do not receive adequate reimbursement for

the cost of our products by their patients' third-party payers. Our total revenue could also be adversely affected by changes or trends in reimbursement policies of these governmental or private healthcare payers. We believe that the overall escalating cost of medical products and services has led to, and will continue to lead to, increased pressures on the healthcare industry, both foreign and domestic, to reduce the cost of products and services. Given the efforts to control and reduce healthcare costs in the U.S. in recent years, currently available levels of reimbursement may not continue to be available in the future for our existing products or products under development. Third-party reimbursement and coverage may not be available or adequate in either the U.S. or foreign markets, current reimbursement amounts may be decreased in the future and future legislation, regulation or reimbursement policies of third-party payers may reduce the demand for our products or adversely impact our ability to sell our products on a profitable basis.

Unexpected increases in, or inability to meet, demand for our products could require us to spend considerable resources to meet the demand or harm our reputation and customer relationships if we are unable to meet demand.

Our inability to meet customer demand for our products, whether as a result of manufacturing problems or supply shortfalls, could harm our customer relationships and impair our reputation within the industry. In addition, our product manufacturing of certain product lines is concentrated in one or more of our manufacturing sites. Weather, natural disasters (including pandemics), fires, terrorism, political change, failure to follow specific internal protocols and procedures, equipment malfunction, environmental factors or damage to one or more of our facilities could adversely affect our ability to manufacture our products. This, in turn, could have a material adverse effect on our business.

If we experience unexpected increases in the demand for our products, we may be required to expend additional capital resources to meet these demands. These capital resources could involve the cost of new machinery or even the cost of new manufacturing facilities. This would increase our capital costs, which could adversely affect our earnings and cash resources. If we are unable to develop or obtain necessary manufacturing capabilities in a timely manner, our total revenue could be adversely affected. Failure to cost-effectively increase production volumes, if required, or lower than anticipated yields or production problems, including those encountered as a result of changes that we may make in our manufacturing processes to meet increased demand or changes in applicable laws and regulations, could result in shipment delays as well as increased manufacturing costs, which could also have a material adverse effect on our business, operating results and financial condition.

Unexpected increases in demand for our products could also require us to obtain additional raw materials in order to manufacture products to meet the demand. Some raw materials require significant ordering lead time and we may not be able to timely access sufficient raw materials in the event of an unexpected increase in demand, particularly those obtained from a sole supplier or a limited group of suppliers.

Interruptions in the supply of raw materials and other products and services could adversely affect our operations and financial results.

We depend on third-party manufacturers and suppliers for some of our products, or components and materials used in our products. Some of our raw materials, equipment and components are currently obtained from a sole supplier or a limited group of suppliers. We have long-term supply agreements with many of these suppliers, but these long-term agreements involve risks for us, such as our potential inability to obtain an adequate supply of quality raw materials, equipment or components and our reduced control over pricing, quality and timely delivery. It is also possible that one or more of these suppliers may become unwilling or unable to deliver materials or components to us. In addition, due to regulatory requirements relating to the qualification of suppliers, we may not be able to establish additional or replacement sources on a timely basis or without excessive cost. Any shortfall in our supply of raw materials, equipment or components, or our inability to quickly and cost-effectively obtain alternative sources for this supply, could have a material adverse effect on our business and operating results.

In addition, we use third party packaging companies to ship our products to customers. An interruption in the businesses of these third party packaging companies could result in a delay of shipments to customers.

If one or more of our products is claimed to be defective, we could be subject to claims of liability and harm to our reputation that could adversely affect our business.

A claim of a defect in the design or manufacture of our products could have a material adverse effect on our reputation in the industry and subject us to claims of liability for injuries and otherwise. Any substantial underinsured loss resulting from such a claim would have a material adverse effect on our operating results and financial conditions and the damage to our reputation or product lines in the industry could have a material adverse effect on our business.

We are exposed to business risk which, if not covered by insurance, could have an adverse effect on our results of operations.

We face a number of business risks, including exposure to product liability claims. Although we maintain insurance for a number of these risks, we may face claims for types of damages, or for amounts of damages, that are not covered by our insurance. For example, although we currently carry product liability insurance for liability losses, there is a risk that product liability or other claims may exceed the amount of our insurance coverage or may be excluded from coverage under the terms of our policy. Also, our existing insurance may not be renewed at the same cost and level of coverage as currently in effect, or may not be renewed at all. Further, we do not currently have insurance against many environmental risks we confront in our business. If we are held liable for a claim against which we are not insured or for damages exceeding the limits of our insurance coverage, whether arising out of product liability matters, cybersecurity matters, or from some other matter, that claim could have a material adverse effect on our results of operations.

Failures in our information technology and storage systems could significantly disrupt our business or force us to expend excessive costs.

We utilize complex information technology systems to support our business and process, transmit, and store information, including sensitive personal information and proprietary or confidential information. In addition, some of our products include information technology that collects data regarding patients on behalf of our customers and some connect to our systems for maintenance purposes. We cannot be sure that our systems will meet our future business needs or that necessary upgrades will operate as designed, which could result in excessive costs or disruptions in portions of our business. In particular, any disruptions, delays or deficiencies caused by our enterprise resource planning system could adversely affect our ability to process orders, ship products, provide services and customer support, send invoices and track payments, fulfill contractual obligations or otherwise operate our business. In addition, despite the implementation of security measures, information technology systems are vulnerable to damage from a variety of sources, including computer viruses, unauthorized access, telecommunications or network failures, malicious human acts, terrorism and natural disasters. Moreover, despite network security and back-up measures, some of our servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Despite the precautionary measures we have taken to prevent unanticipated problems that could affect our systems, sustained or repeated system failures that interrupt our ability to generate and maintain data, could result in a material disruption in our operations. Furthermore, to the extent that any disruption or security breach resulted in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could face a variety of negative consequences, including regulatory actions or litigation, fines or penalties, adverse publicity, increased cybersecurity protection costs, and lost revenue.

Our business could be negatively affected by the loss of or the inability to hire key personnel.

Our future success depends in part on our ability to retain our key technical, sales, marketing and executive personnel and our ability to identify and hire additional qualified personnel. Competition for these personnel is intense, both in the industry in which we operate and where our operations are located. Further, we expect to grow our operations, and our needs for additional management and other key personnel are expected to increase. If we are not able to retain existing key personnel, or timely identify and hire replacement or additional qualified personnel to meet expected growth, our business could be adversely impacted. In addition, the loss of any of our key personnel, particularly key research and development personnel, could harm our business and prospects and could impede the achievement of our research and development, operation or strategic objectives.

We face risks relating to our international sales, including inherent economic, political and regulatory risks, which could impact our financial performance, cause interruptions in our current business operations and impede our growth strategy.

Our products are sold internationally, with the majority of our international sales to our customers in Europe and Asia-Pacific. We currently sell and market our products through distributor organizations and sales agents. Sales to foreign customers accounted for 17%, 14%, and 13% of our total revenue for the years ended December 31, 2016, 2015 and 2014, respectively. Our international sales are subject to inherent economic, political and regulatory risks, which could impact our financial performance, cause interruptions in our current business operations and impede our international growth. These foreign risks include, among others:

- compliance with multiple different registration requirements and new and changing registration requirements, our inability to benefit from registration for our products inasmuch as registrations may be controlled by a distributor, and the difficulty in transitioning our product registrations;
- compliance with complex foreign and U.S. laws and regulations that apply to our international operations, including U.S. laws such as import/export limitations, the Foreign Corrupt Practices Act, and local laws

prohibiting corrupt payments to governmental officials, could expose us or our employees to fines and criminal sanctions and damage our reputation;

- tariffs or other barriers as we continue to expand into new countries and geographic regions;
- exposure to currency exchange fluctuations against the U.S. dollar;
- longer payment cycles, generally lower average selling prices and greater difficulty in accounts receivable collection;
- reduced, or lack of, protection for, and enforcement of, intellectual property rights;
- political and economic instability in some of the regions where we currently sell our products or that we may expand into in the future;
- complex and potentially adverse tax consequences; and
- diversion to the U.S. of our products sold into international markets at lower prices.

Currently, the majority of our international sales are negotiated for and paid in U.S. dollars. Nonetheless, these sales are subject to currency risks, since changes in the values of foreign currencies relative to the value of the U.S. dollar can render our products comparatively more expensive. These exchange rate fluctuations could negatively impact international sales of our products, as could changes in the general economic conditions in those markets. In order to maintain a competitive price for our products internationally, we may have to continue to provide discounts or otherwise effectively reduce our prices, resulting in a lower margin on products sold internationally. Continued change in the values of the Euro, the Japanese Yen and other foreign currencies could have a negative impact on our business, financial condition and results of operations.

In addition, we have certain supply agreements with foreign vendors whereby we share the foreign currency exchange fluctuation risk. We may, in the future, enter into similar arrangements.

Sales of our common stock in the public market could lower the market price for our common stock and adversely impact the trading price of our securities.

We may need to seek additional capital. If this additional financing is obtained through the issuance of equity securities, debt convertible into equity or options or warrants to acquire equity securities, our existing stockholders could experience significant dilution upon the issuance, conversion or exercise of such securities. In addition, a substantial number of shares of our common stock is reserved for issuance upon the conversion of our Convertible Senior Notes, exercise of stock options and vesting of other equity awards.

The issuance of additional shares of our common stock, or issuances of additional securities convertible into or exercisable for shares of our common stock or other equity linked securities, including, convertible debt, preferred stock or warrants, could dilute the ownership interest of our common stockholders and could depress the market price of shares of our common stock and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock.

We also have a number of institutional stockholders that own significant blocks of our common stock. If one or more of these stockholders were to sell large portions of their holdings in a relatively short time, for liquidity or other reasons, the prevailing market price of shares of our common stock could be negatively affected.

The price of our stock may fluctuate unpredictably in response to factors unrelated to our operating performance.

The stock market periodically experiences significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These broad market fluctuations may cause the market price of our common stock to drop. In particular, the market price of securities of smaller medical device companies, like ours, has been very unpredictable and may vary in response to:

- announcements by us or our competitors concerning technological innovations;
- introductions of new products;
- FDA and foreign regulatory actions;
- developments or disputes relating to patents or proprietary rights;
- failure to meet the expectations of stock market analysts and investors;
- changes in stock market analyst recommendations regarding our common stock;
- changes in healthcare policy in the U.S. or other countries; and
- general stock market conditions and other factors unrelated to our operating performance.

Some provisions of our charter documents, Delaware law, and our Convertible Senior Notes may make takeover attempts difficult, which could depress the price of our stock and inhibit one's ability to receive a premium price for their shares.

Provisions of our amended and restated certificate of incorporation could make it more difficult for a third party to acquire control of our business, even if such change in control would be beneficial to our stockholders. Our amended and restated certificate of incorporation allows our board of directors to issue up to five million shares of preferred stock and to fix the rights and preferences of such shares without stockholder approval. Any such issuance could make it more difficult for a third party to acquire our business and may adversely affect the rights of our stockholders. Our amended and restated bylaws include advance notice requirements for stockholder proposals that require stockholders to give written notice of any proposal or director nomination to us within a specified period of time prior to any stockholder meeting and do not permit stockholders to call a special meeting of the stockholders, unless such stockholders hold not less than 50% of our stock entitled to vote at the meeting.

We are also subject to anti-takeover provisions under Delaware law. Together these provisions may delay, deter or prevent a change in control of us, adversely affecting the market price of our common stock.

In addition, the terms of our Convertible Senior Notes require us to offer to purchase the notes for cash in the event of a fundamental change. A non-stock takeover of our company may trigger the requirement that we purchase the Convertible Senior Notes. This feature may have the effect of delaying or preventing a takeover of our company that would otherwise be beneficial to investors.

We do not anticipate declaring any cash dividends on our common stock.

We have never declared or paid cash dividends on our common stock and do not plan to pay any cash dividends in the near future. Our current policy is to retain all funds and any earnings for use in the operation and expansion of our business.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At December 31, 2016, we occupied the indicated square footage in the leased facilities described below:

Location	Status	Lease term	Square Footage	Primary Use
San Diego, CA (McKellar).....	Leased	2020 - options to extend for three additional 5 year periods	78,000	Administrative offices, research and development and manufacturing
San Diego, CA (High Bluff)...	Leased	2022 - options to extend for two additional 5 year periods	30,000	Administrative offices, sales and marketing (principal executive offices)
Athens, OH.....	Leased	2022 - options to extend for one additional 5 year period	94,000	Administrative offices, sales and marketing, research and development and manufacturing
Beverly, MA.....	Leased	2020 - options to extend for two additional 5 year periods	9,700	Administrative offices, research and development and manufacturing

We believe that our facilities are adequate for our current needs, and we currently do not anticipate any material difficulty in renewing any of our leases as they expire or securing additional or replacement facilities, in each case, on commercially reasonable terms. However, in anticipation of our growth strategy, we may pursue alternative facilities.

Item 3. Legal Proceedings

We are involved in various claims and litigation matters from time to time in the ordinary course of business. We believe that all such current legal actions, in the aggregate, will not have a material adverse effect on the company. We also maintain insurance, including coverage for product liability claims, in amounts which we believe are appropriate given the nature of our business.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

COMMON STOCK PRICE RANGE

Our common stock is traded on the Nasdaq Global Market under the symbol "QDEL." The following table sets forth the range of high and low sales prices for our common stock for the periods indicated.

Quarter Ended	Low	High
December 31, 2016	$ 20.88	$ 21.44
September 30, 2016	$ 20.96	$ 22.20
June 30, 2016	$ 17.20	$ 18.00
March 31, 2016	$ 16.98	$ 17.48
December 31, 2015	$ 21.07	$ 21.41
September 30, 2015	$ 18.56	$ 19.07
June 30, 2015	$ 22.75	$ 23.16
March 31, 2015	$ 26.66	$ 27.53

As of February 10, 2017, we had approximately 400 common stockholders of record. No cash dividends were declared for our common stock during the fiscal years ended in 2016 or 2015, and we do not anticipate paying any dividends in the foreseeable future.

Stock Repurchases

During the year ended December 31, 2016, we repurchased 1,152,386 shares of outstanding common stock under the Company's previously announced share repurchase program for approximately $19.6 million. Additionally, 29,095 shares of outstanding common stock with a value of $0.5 million were repurchased in connection with payment of minimum tax withholding obligations for certain employees relating to the lapse of restrictions on certain RSUs. These shares are not considered repurchases under the Company's repurchase program. As of December 31, 2016, there was $35.0 million available under the Company's share repurchase program.

The table below sets forth information regarding repurchases of our common stock by us during the three months ended January 1, 2017:

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (2)
October 3, 2016 - October 30, 2016	—		—	$ 35,006,981
October 31, 2016 - November 27, 2016	—		—	$ 35,006,981
November 28, 2015 - January 1, 2016	3,396	$ 21.35	—	$ 35,006,981
Total	3,396	$ 21.35	—	$ 35,006,981

(1) We repurchased 3,396 shares of common stock from employees in connection with payment of minimum tax withholding obligations related to the lapse of restrictions on certain RSUs during the three months ended December 31, 2016.

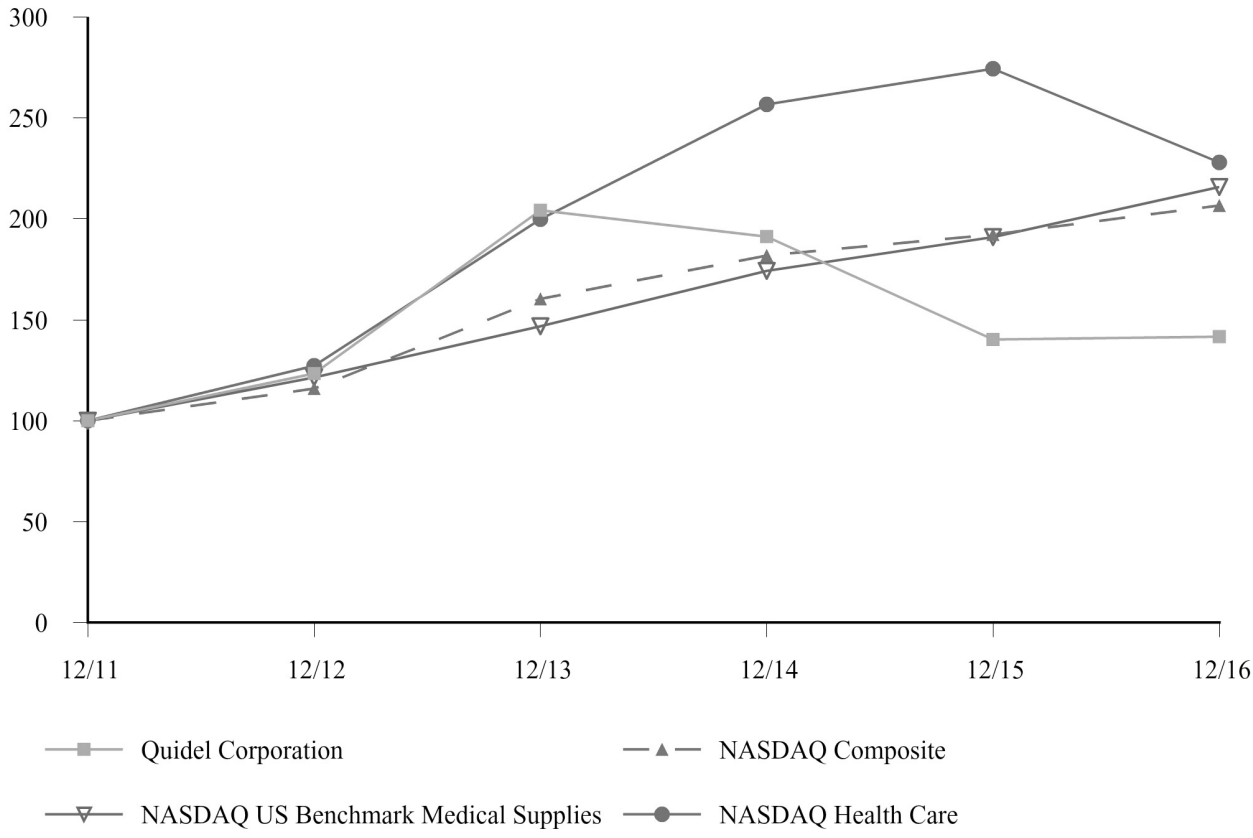
(2) On January 25, 2016, we announced that the Board of Directors authorized an amendment to the Company's previously announced stock repurchase program to (i) replenish the amount available for repurchase under the program back to the previously authorized repurchase amount of $50.0 million, (ii) approve the addition of repurchases of the Company's Convertible Senior Notes under the program and (iii) extend the expiration date of the program to January 25, 2018. Under the amended program, the Company may repurchase, in the aggregate, up to $50.0 million in shares of its common stock and/or its Convertible Senior Notes. The amounts provided in this column give effect to the repurchase of our Convertible Senior Notes that are in addition to the repurchases of our common stock shown in this table.

STOCKHOLDER RETURN PERFORMANCE GRAPH

Set forth below is a line graph comparing the yearly percentage change in the cumulative total stockholder return on our common stock with the cumulative total return of the Nasdaq Composite Index, Nasdaq Health Care Index, and Nasdaq US Benchmark Medical Supplies Index for the period beginning December 31, 2011 and ending December 31, 2016. The graph assumes an initial investment of $100 on December 31, 2011 in our common stock, the Nasdaq Composite Index, the Nasdaq US Benchmark Medical Supplies Index, the Nasdaq Health Care Index and reinvestment of dividends. The stock price performance of our common stock depicted in the graph represents past performance only and is not necessarily indicative of future performance.

COMPARISON OF 5 YEAR TOTAL CUMULATIVE RETURN

Among Quidel Corporation, the NASDAQ Composite, NASDAQ US Benchmark Medical Supplies and NASDAQ Health Care Indices



	Base Period					
Company/Index	**12/31/2011**	**12/31/2012**	**12/31/2013**	**12/31/2014**	**12/31/2015**	**12/31/2016**
Quidel Corporation	**$ 100.00**	$ 123.40	$ 204.16	$ 191.14	$ 140.12	$ 141.57
NASDAQ Composite	**$ 100.00**	$ 115.91	$ 160.32	$ 181.80	$ 192.21	$ 206.63
NASDAQ US Benchmark Medical Supplies	**$ 100.00**	$ 121.40	$ 146.72	$ 174.19	$ 190.86	$ 215.74
NASDAQ Health Care	**$ 100.00**	$ 127.24	$ 199.82	$ 256.70	$ 274.30	$ 227.91

Item 6. Selected Financial Data

The following table presents selected consolidated financial data of Quidel Corporation. This historical data should be read in conjunction with the Consolidated Financial Statements and related Notes thereto in Item 8 and "Management's Discussion and Analysis of Financial Condition and Results of Operation" in Item 7 in this Annual Report.

Consolidated Statements of Operations

	Year ended December 31,				
	2016 (1)	2015	2014	2013 (1)	2012
	(in thousands, except per share data)				
Total revenues	$ 191,603	$ 196,129	$ 184,158	$ 177,325	$ 157,719
Costs and expenses					
Cost of sales (excludes amortization of intangible assets) (2)	73,414	71,688	74,180	66,976	61,285
Research and development	38,672	35,514	37,913	34,186	27,716
Sales and marketing	47,821	47,886	43,076	35,744	32,297
General and administrative	27,062	29,447	25,811	25,581	19,800
Amortization of intangible assets from acquired businesses and technology	9,073	8,856	8,828	8,171	6,935
Impairment loss	—	—	3,558	—	—
Facility restructuring charge	—	—	—	1,825	—
Total costs and expenses	196,042	193,391	193,366	172,483	148,033
Operating income (loss)	(4,439)	2,738	(9,208)	4,842	9,686
Interest expense, net	(11,760)	(12,035)	(1,775)	(1,408)	(2,075)
(Loss) income before (benefit) provision for taxes	(16,199)	(9,297)	(10,983)	3,434	7,611
(Benefit) provision for income taxes	(2,391)	(3,218)	(3,909)	(3,956)	2,618
Net (loss) income	$ (13,808)	$ (6,079)	$ (7,074)	$ 7,390	$ 4,993
Basic earnings (loss) per share	$ (0.42)	$ (0.18)	$ (0.21)	$ 0.22	$ 0.15
Diluted earnings (loss) per share	$ (0.42)	$ (0.18)	$ (0.21)	$ 0.21	$ 0.15
Shares used in basic per share calculation	32,708	34,104	34,451	33,836	33,068
Shares used in diluted per share calculation	32,708	34,104	34,451	34,947	33,702

Balance Sheet Data

	December 31,				
	2016 (1)	2015	2014	2013 (1)	2012
	(in thousands)				
Cash and cash equivalents	$ 169,508	$ 191,471	$ 200,895	$ 8,388	$ 14,856
Working capital	$ 191,782	$ 209,834	$ 238,096	$ 54,610	$ 52,271
Total assets	$ 388,250	$ 406,505	$ 447,411	$ 271,485	$ 242,099
Long-term debt and lease obligation, net of current portion	$ 148,319	$ 147,329	$ 142,575	$ 5,126	$ 10,567
Stockholders' equity	$ 200,630	$ 218,676	$ 245,011	$ 223,779	$ 199,780
Common shares outstanding	32,897	33,323	34,433	34,073	33,451

(1) Includes the results of operations of BioHelix, AnDiaTec and Immutopics from dates of acquisition, May 6, 2013, August 26, 2013 and March 18, 2016, respectively.

(2) Excludes amortization of intangible assets of $6,458, $6,341, $6,283, $6,079 and $5,753 for the years ended December 31, 2016, 2015, 2014, 2013 and 2012, respectively.

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

The following discussion of our financial condition and results of operations contains forward-looking statements within the meaning of the federal securities laws that involve material risks and uncertainties. This discussion should be read in conjunction with "A Warning About Forward-Looking Statements" on page 2 and "Risk Factors" under Item 1A of this Annual Report. In addition, our discussion of the financial condition and results of operations of Quidel Corporation in this Item 7 should be read in conjunction with our Consolidated Financial Statements and the related Notes included elsewhere in this Annual Report.

Overview and Executive Summary

We have a leadership position in the development, manufacturing and marketing of diagnostic testing solutions. These diagnostic testing solutions are separated into our four product categories, including: immunoassays, molecular assays, virology and specialty products. We sell our products directly to end users and distributors, in each case, for professional use in physician offices, hospitals, clinical laboratories, reference laboratories, leading universities, retail clinics, pharmacies and wellness screening centers. We market our products in the U.S. through a network of national and regional distributors and a direct sales force. Internationally, we sell primarily through distributor arrangements.

For the year ended December 31, 2016, total revenue decreased 2% to $191.6 million as compared to the year ended December 31, 2015. A majority of our total revenues relate to three product families: Influenza, Strep A and pregnancy tests. For the years ended December 31, 2016, 2015 and 2014, we derived approximately 62%, 65% and 64%, respectively, of our total revenues from sales of our influenza, Group A Strep and pregnancy tests. Additionally, a significant portion of our total revenue is from a relatively small number of distributors. Approximately 44%, 48% and 48% of our total revenue for the years ended December 31, 2016, 2015 and 2014, respectively, were related to sales through our three largest distributors.

Our primary objective is to increase shareholder value by building a broader-based diagnostic company capable of delivering revenue growth and consistent operating results. Our strategy is to identify potential market segments that provide, or are expected to provide, significant total market opportunities, and in which we can be successful by applying our significant expertise and know-how to develop differentiated technologies and products.

Our diagnostic testing solutions are designed to provide specialized results that serve a broad range of customers, by addressing the market requirements of ease of use, reduced cost, increased test accuracy and reduced time to result. Our current approach to address this diagnostic continuum relative to our strategy is comprised of the following:

- rapid point-of-care immunoassay tests for use in physician offices, hospital laboratories and emergency departments, retail clinics, pharmacies and other urgent care or alternative site settings;
- direct fluorescent assays ("DFA") and culture-based tests for the clinical virology laboratory;
- molecular diagnostic tests across a number of laboratory and other segments; and
- specialty products serving the bone health, autoimmune and complement research communities.

Our current focus to accomplish our primary objective includes the following:

- leveraging our current infrastructure to develop and launch new rapid immunoassays such as additional assays for our FDA approved Sofia® and next generation analyzers;
- developing a molecular diagnostics franchise that incorporates three distinct testing platforms, AmpliVue®, Savanna™ and Solana® and that leverages our molecular assay development competencies; and
- strengthening our position with distribution partners and our end-user customers to gain more emphasis on our products in the U.S. and abroad.

Our current initiatives to execute this strategy include the following:

- continue to focus our research and development efforts on three areas:
  - new proprietary product platform development;
  - the creation of improved products and new products for existing markets and unmet clinical needs; and
  - pursuit of collaborations with, or acquisitions of, other companies for new and existing products and markets that advance our differentiated strategy.
- provide clinicians with validated studies that encompass the clinical efficacy and economic efficiency of our diagnostic tests for the professional market;

- strengthen our market and brand leadership in infectious diseases, women's health and gastrointestinal diseases by acquiring and/or developing and introducing clinically superior diagnostic solutions;
- strengthen our direct sales force to enhance relationships with integrated delivery networks, laboratories and hospitals, with a goal of driving growth through improved physician and laboratorian satisfaction;
- leverage our wireless connectivity and data management systems, including cloud-based tools;
- support payer evaluation of diagnostic tests and establishment of favorable reimbursement rates;
- continue to create strong global alliances to support our efforts to achieve leadership in key markets and expand our presence in emerging markets; and
- further refine our manufacturing efficiencies and productivity improvements to improve profit, with continued focus on profitable products and markets and our efforts to leverage our competency in new product development.

Product development activities are inherently uncertain, and there can be no assurance that we will be able to obtain regulatory body clearance to market any of our products, or if we obtain clearances, that we will successfully commercialize any of our products. In addition, we may terminate our development efforts with respect to one or more of our products under development at any time, including before or during clinical trials.

Outlook

We anticipate revenue growth over the next year and a related positive impact on gross margin and earnings, assuming relatively normal respiratory seasons. This growth is expected to be driven primarily by increased sales of our Sofia assays and molecular products. In addition, we expect continued and significant investment in research and development activities as we invest in our second generation Sofia and molecular platforms. We will continue our focus on prudently managing our business and delivering solid financial results, while at the same time striving to continue to introduce new products to the market and maintaining our emphasis on research and development investments for longer term growth. Finally, we will continue to evaluate opportunities to acquire new product lines, technologies and companies.

Results of Operations

Comparison of years ended December 31, 2016 and 2015

Total Revenues

The following table compares total revenues for the years ended December 31, 2016 and 2015 (in thousands, except percentages):

	For the year ended December 31,		Increase (decrease)	
	2016	2015	$	%
Immunoassays	$ 121,416	$ 130,348	$ (8,932)	(7)%
Molecular	9,506	5,424	4,082	75 %
Virology	40,083	43,747	(3,664)	(8)%
Specialty products	11,211	9,001	2,210	25 %
Royalties, grants and other	9,387	7,609	1,778	23 %
Total revenues	$ 191,603	$ 196,129	$ (4,526)	(2)%

For the year ended December 31, 2016, total revenues decreased 2% to $191.6 million. The decrease in total revenues was due to a decrease in immunoassay and virology product revenues due to a weaker Influenza season in the first quarter of 2016 compared to the previous year. This decrease was partially offset by growth in all of our molecular product lines. The acquisition of Immutopics, Inc. (Immutopics) contributed to the growth in our specialty products category. Royalties, grants and other revenue increased primarily due to timing of grant revenues associated with the amended Bill and Melinda Gates Foundation grant and our Savanna MDx development program.

Cost of Sales

Cost of sales increased to 38% of total revenues, for the year ended December 31, 2016 compared to 37% of total revenues, for the year ended December 31, 2015. The increase in cost of sales as a percentage of revenue was primarily driven by unfavorable product mix, with lower Influenza product sales in the same period as compared to the prior year.

Operating Expenses

The following table compares operating expenses for the years ended December 31, 2016 and 2015 (in thousands, except percentages):

	For the year ended December 31,					
	2016		2015		Increase (decrease)	
	Operating expenses	As a % of total revenues	Operating expenses	As a % of total revenues	$	%
Research and development	$ 38,672	20%	$ 35,514	18%	$ 3,158	9 %
Sales and marketing	$ 47,821	25%	$ 47,886	24%	$ (65)	— %
General and administrative	$ 27,062	14%	$ 29,447	15%	$ (2,385)	(8)%
Amortization of intangible assets from acquired businesses and technology	$ 9,073	5%	$ 8,856	5%	$ 217	2 %

Research and Development Expense

Research and development expense for the year ended December 31, 2016 increased from $35.5 million to $38.7 million primarily due to an increase in development spending for the Savanna MDx platform and our next generation Sofia instrument, and an increase in clinical trials spending for our Solana and Sofia products. These increases are offset by lower spending on development of our Lyra products.

Research and development expenses include direct external costs such as fees paid to third-party contractors and consultants, and internal direct and indirect costs such as compensation and other expenses for research and development personnel, supplies and materials, clinical trials and studies, facility costs and depreciation.

Due to the risks inherent in the product development process and given the early-stage of development of certain projects, we are unable to estimate with meaningful certainty the costs we will incur in the continued development of our product candidates for commercialization. We expect our research and development costs to be substantial as we move other product candidates into preclinical and clinical trials and advance our existing product candidates into later stages of development.

Sales and Marketing Expense

Sales and marketing expense for the year ended December 31, 2016 decreased from $47.9 million to $47.8 million, remaining relatively flat over prior year. In 2014, we expanded our sales force and at December 31, 2016, we employed more than 100 U.S. sales representatives. We are utilizing this sales force to work closely with our key distributors to drive market penetration of our products in the U.S. POC market, with a particular focus on addressing acute care and integrated delivery network customers.

General and Administrative Expense

General and administrative expense for the year ended December 31, 2016 decreased from $29.4 million to $27.1 million. The decline was due primarily to business development expenditures in the prior year period that did not repeat during 2016, as well as the suspension of the medical device excise tax for 2016. These decreases were partially offset by increased integration costs associated with the acquisition of Immutopics.

Amortization of Intangible Assets from Acquired Businesses and Technology

Amortization of intangible assets from acquired businesses consists of customer relationships, purchased technology and patents and trademarks acquired in connection with our acquisitions of Diagnostic Hybrids, Inc., BioHelix, AnDiaTec and Immutopics. Amortization increased slightly in 2016 compared to the prior year primarily due to the additional amortization of intangible assets acquired with the Immutopics acquisition in March 2016.

Interest Expense, Net

Interest expense relates to accrued interest for the coupon and accretion of the discount on our $172.5 million 3.25% Convertible Senior Notes due 2020 ("Convertible Senior Notes") issued in December 2014 and interest paid on our lease obligation associated with our San Diego McKellar facility. The decrease in interest expense of $0.3 million for the year ended December 31, 2016 was primarily due to a gain on extinguishment of debt related to the repurchase of $5.2 million in principal of our Convertible Senior Notes during the first quarter of 2016.

Income Taxes

We recognized an income tax benefit of $2.4 million and $3.2 million for the years ended December 31, 2016 and 2015, respectively. The decrease in the income tax benefit in 2016 was primarily driven by the incremental increase in the valuation allowance for our federal deferred tax assets.

Comparison of years ended December 31, 2015 and 2014

Total Revenues

The following table compares total revenues for the years ended December 31, 2015 and 2014 (in thousands, except percentages):

	For the year ended December 31,		Increase (decrease)	
	2015	2014	$	%
Immunoassays	$ 130,348	$ 118,715	$ 11,633	10 %
Molecular	5,424	3,418	2,006	59 %
Virology	43,747	44,771	(1,024)	(2)%
Specialty products	9,001	7,779	1,222	16 %
Royalties, grants and other	7,609	9,475	(1,866)	(20)%
Total revenues	$ 196,129	$ 184,158	$ 11,971	7 %

For the year ended December 31, 2015, total revenue increased 7% to $196.1 million from $184.2 million for the year ended December 31, 2014. The increase in total revenues was primarily due to an increase in sales of Influenza, Strep A and

RSV products in our immunoassay product category. Gains in the molecular category were driven by growth in our AmpliVue and Lyra products for detecting Herpes, Strep A and C. difficile. Specialty products revenue increased primarily due to growth in our Complement products. These increases were partially offset by a decrease in Virology driven by a decline in Herpes product revenues as customers transitioned to our new molecular platforms. Royalty, grants and other revenue also declined due to timing of grant revenues associated with the amended Bill and Melinda Gates Foundation grant agreement.

Cost of Sales

Cost of sales decreased to 37% of total revenues, for the year ended December 31, 2015 compared to 40% of total revenues, for the year ended December 31, 2014. The absolute dollar decrease in cost of sales of $2.5 million is primarily driven by the expiration of the amortization of the Alere settlement and improved manufacturing efficiencies. This was partially offset by the increased costs associated with greater revenues and increased depreciation expense on our instrument installed base.

Operating Expenses

The following table compares operating expenses for the years ended December 31, 2015 and 2014 (in thousands, except percentages):

	For the year ended December 31,					
	2015		2014			
	Operating expenses	As a % of total revenues	Operating expenses	As a % of total revenues	Increase (decrease) $	Increase (decrease) %
Research and development	$ 35,514	18%	$ 37,913	21%	$ (2,399)	(6)%
Sales and marketing	$ 47,886	24%	$ 43,076	23%	$ 4,810	11 %
General and administrative	$ 29,447	15%	$ 25,811	14%	$ 3,636	14 %
Amortization of intangible assets from acquired businesses and technology	$ 8,856	5%	$ 8,828	5%	$ 28	— %
Impairment loss	$ —	—%	$ 3,558	2%	$ (3,558)	N/A
Facility restructuring charge	$ —	—%	$ —	—%	$ —	N/A

Research and Development Expense

Research and development expense for the year ended December 31, 2015 decreased from $37.9 million to $35.5 million primarily due to delayed timing of third-party developmental spend for the Savanna MDx platform partially offset by increased spend for our next generation Sofia instrument and development of related assays for Strep Pneumo, Vitamin D and Lyme disease.

Research and development expenses include direct external costs such as fees paid to consultants, and internal direct and indirect costs such as compensation and other expenses for research and development personnel, supplies and materials, clinical trials and studies, facility costs and depreciation.

Due to the risks inherent in the product development process and given the early-stage of development of certain projects, we are unable to estimate with meaningful certainty the costs we will incur in the continued development of our product candidates for commercialization. We expect our research and development costs to be substantial as we move other product candidates into preclinical and clinical trials and advance our existing product candidates into later stages of development.

Sales and Marketing Expense

Sales and marketing expense for the year ended December 31, 2015 increased from $43.1 million to $47.9 million driven primarily by increased headcount-related costs associated with the full year effect of a sales force expansion in 2014. At December 31, 2015, we employed more than 100 U.S. sales representatives. We utilized this expanded sales force to work closely with our key distributors to drive market penetration of our products in the U.S. POC market, with a particular focus on addressing acute care and integrated delivery network customers.

General and Administrative Expense

General and administrative expense for the year ended December 31, 2015 increased from $25.8 million to $29.4 million primarily due to an increase in one-time fees for professional services and internal costs related to business development activities. General and administrative expenses in 2015 and 2014 also included the 2.3% MDET.

Amortization of Intangible Assets from Acquired Businesses and Technology

Amortization of intangible assets from acquired businesses primarily consists of customer relationships, purchased technology and patents and trademarks acquired in connection with our acquisitions of DHI, BioHelix and AnDiaTec.

Impairment Loss

In 2014, we determined we would not be able to recover the carrying value of certain capitalized software, purchased in-process research and development and manufacturing line assets related to Project Stella (Bobcat). As a result, we recorded an impairment loss totaling $3.6 million in the third quarter of 2014. No such impairment occurred in 2015. See further discussion in Note 10 in the Notes to the Consolidated Financial Statements.

Interest Expense, Net

Interest expense primarily relates to accrued interest for the coupon and accretion of the discount on our $172.5 million 3.25% Convertible Senior Notes due 2020 ("Convertible Senior Notes") issued in December 2014 and interest paid on our lease obligation associated with our San Diego McKellar facility. The increase in interest expense of $10.3 million for the year ended December 31, 2015 was due to the interest expense related to the Convertible Senior Notes. There were no borrowings under our then existing senior secured syndicated credit facility (the “Senior Credit Facility”) during the years ended December 31, 2015 and 2014.

Income Taxes

We recognized an income tax benefit of $3.2 million and $3.9 million for the years ended December 31, 2015 and 2014, respectively. The decrease in the income tax benefit in 2015 was driven primarily by a lower pre-tax loss. Additionally, in 2014 we released tax reserves of approximately $1.0 million related to the expiration of the statute of limitations on assessment for certain state matters. We had no comparable release in 2015. Offsetting this impact, during 2014 the Company recorded a valuation allowance for deferred tax assets of $2.3 million, and an incremental $0.8 million in 2015 which increased the total valuation allowance to $3.1 million as of December 31, 2015.

Liquidity and Capital Resources

As of December 31, 2016 and 2015, our principal sources of liquidity consisted of the following (in thousands):

	December 31,	
	2016	2015
Cash and cash equivalents	$ 169,508	$ 191,471
Restricted cash	—	63
Cash, cash equivalents, and restricted cash	$ 169,508	$ 191,534
Working capital including cash, cash equivalents, and restricted cash	$ 191,782	$ 209,834
Amount available to borrow under the Senior Credit Facility	$ —	$ 126,068

As of December 31, 2016, we had $169.5 million in cash and cash equivalents, a $22.0 million decrease from the prior year. During the year ended December 31, 2016, we repurchased an aggregate of $24.6 million in common stock and Convertible Senior Notes and used $5.1 million to acquire Immutopics. Our cash requirements fluctuate as a result of numerous factors, such as the extent to which we generate cash from operations, progress in research and development projects, competition and technological developments and the time and expenditures required to obtain governmental approval of our products. In addition, we intend to continue to evaluate candidates for new product lines, company or technology acquisitions or technology licensing. If we decide to proceed with any such transactions, we may need to incur additional debt or issue additional equity, to successfully complete the transactions.

Our primary source of liquidity, other than our holdings of cash and cash equivalents, has been cash flows from operations. Our ability to generate cash from operations provides us with the financial flexibility we need to meet operating, investing, and financing needs. We anticipate that our current cash and cash equivalents, together with cash provided by operating activities will be sufficient to fund our near term capital and operating needs for at least the next 12 months. Operating needs include the planned costs to operate our business, including amounts required to fund working capital and capital expenditures. Our primary short-term needs for capital, which are subject to change, include expenditures related to:

- support of commercialization efforts related to our current and future products, including support of our direct sales force and field support resources both in the United States and abroad;
- the continued advancement of research and development efforts;
- acquisitions of equipment and other fixed assets for use in our current and future manufacturing and research and development facilities;
- repurchases of our outstanding common stock or Convertible Senior Notes;
- potential strategic acquisitions and investments; and
- repayments of our lease obligation.

In December 2014, we issued Convertible Senior Notes in the aggregate principle amount of $172.5 million. The Convertible Senior Notes have a coupon rate of 3.25% and are due 2020. The Convertible Senior Notes were not convertible as of December 31, 2016. For detailed information of the terms of the Convertible Senior Notes, see Note 2 of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report under the heading "3.25% Convertible Senior Notes due 2020," which is incorporated by reference herein.

On December 1, 2016, the Company voluntarily terminated its $140.0 million Senior Credit Facility. The facility was scheduled to mature on August 10, 2017. There were no outstanding borrowings at the time of termination and there was no borrowing or repayment activity under the facility during the years ended December 31, 2016, 2015 or 2014.

As of December 31, 2016, we have $5.2 million in fair value of contingent considerations associated with prior acquisitions to be settled in future periods.

In January 2016, our board of directors authorized an amendment to replenish the amount available under our share repurchase program up to an aggregate of $50.0 million in shares of common stock or Convertible Senior Notes. During 2016, we used $19.6 million to repurchase our common stock under the share repurchase program and $4.5 million to repurchase $5.2 million in principal amount of our outstanding Convertible Senior Notes.

We expect our revenue and operating expenses will significantly impact our cash management decisions. Our future capital requirements and the adequacy of our available funds will depend on many factors, including:

- our ability to successfully realize revenue growth from our new technologies and create innovative products in our markets;
- leveraging our operating expenses to realize operating profits as we grow revenue;
- competing technological and market developments; and
- the need to enter into collaborations with other companies or acquire other companies or technologies to enhance or complement our product and service offerings.

Cash Flow Summary

	Year ended December 31,		
	2016	2015	2014
Net cash provided by operating activities	$ 11,815	$ 36,309	$ 35,686
Net cash used for investing activities	(16,970)	(17,032)	(11,241)
Net cash (used for) provided by financing activities	(16,799)	(28,684)	168,060
Effect of exchange rate changes on cash	(9)	(17)	2
Net (decrease) increase in cash and cash equivalents	$ (21,963)	$ (9,424)	$ 192,507

Cash provided by operating activities was $11.8 million during the year ended December 31, 2016. The major contributors to the use of cash during the year ended December 31, 2016 were a net loss of $13.8 million, a change in deferred tax assets and liabilities of $2.6 million and a net working capital use of $5.6 million. Offsetting this use of cash was the add

back of non-cash items of $36.7 million associated with depreciation, amortization and stock-based compensation. The most significant change in operating assets and liabilities included an increase in accounts receivable of $6.3 million due to higher revenues in the fourth quarter of 2016 compared to prior year.

Cash provided by operating activities was $36.3 million during the year ended December 31, 2015. The Company had a net loss of $6.1 million, including non-cash charges of $23.4 million of depreciation and amortization of intangible assets and property and equipment, stock-based compensation of $7.4 million and amortization of debt discount and deferred issuance costs of $5.7 million. The most significant change in operating assets and liabilities included a decrease in accounts receivable of $16.1 million due to increased collection efforts and a $3.1 million decrease in restricted cash as grant terms were met under the Bill and Melinda Gates Foundation grant agreement. This was offset by a decrease of $3.1 million in payables as a result of decreased production in the fourth quarter of 2015 compared to the prior year.

Cash provided by operating activities was $35.7 million during the year ended December 31, 2014. The Company had a net loss of $7.1 million, including non-cash charges of $28.4 million of depreciation and amortization of intangible assets and property and equipment, impairment loss of $3.6 million and stock-based compensation of $6.7 million. The most significant change in operating assets and liabilities in 2014 included an increase in accounts receivable of $4.5 million related to an early start to a robust cold and flu season in the fourth quarter of 2014. This increase was favorably offset by extended payables terms, resulting in an increase of $4.4 million and reduced inventories of $2.9 million.

Our investing activities used $17.0 million during the year ended December 31, 2016; $5.1 million for the acquisition of Immutopics as more fully described in Note 11 in the Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report, and $11.9 million primarily for the acquisition of production equipment, Sofia instruments available for lease and building improvements. Our investing activities used $17.0 million during the year ended December 31, 2015 and $11.2 million during the year ended December 31, 2014 primarily related to the acquisition of production equipment, building improvements and Sofia instruments available for lease.

We are currently planning approximately $18.0 million in capital expenditures over the next 12 months. The primary purpose for our capital expenditures is to acquire manufacturing and scientific equipment, to purchase or develop information technology, and to implement facility improvements. We plan to fund these capital expenditures with the cash on our balance sheet. We have $6.6 million in firm purchase commitments with respect to such planned capital expenditures as of December 31, 2016.

Cash used by financing activities was $16.8 million during the year ended December 31, 2016, of which $20.2 million was used for repurchases of common stock primarily related to our share repurchase program, and $4.5 million was used for the repurchase of Convertible Senior Notes. These amounts were partially offset by proceeds from the issuance of common stock of $8.6 million. Cash used by financing activities was $28.7 million during the year ended December 31, 2015 and was driven primarily by $30.4 million of repurchases of common stock under our share repurchase program and $0.5 million of repurchases in connection with payment of minimum tax withholding obligations for certain employees relating to the lapse of restrictions on certain restricted stock units. Our financing activities provided $168.1 million of cash during the year ended December 31, 2014 primarily due to the issuance of the Convertible Senior Notes resulting in total proceeds of $172.5 million.

Off-Balance Sheet Arrangements

At December 31, 2016 and 2015, we did not have any relationships with unconsolidated entities or financial partners, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Contractual Obligations

As of December 31, 2016, our future contractual obligations were as follows (in thousands):

	Payment due by period				
	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
Convertible Senior Notes (1)	$ 189,066	$ 5,438	$ 10,876	$ 172,752	$ —
Lease obligation (2)	3,806	937	1,902	967	—
Operating lease obligations (3)	12,134	2,245	4,638	4,626	625
Non-cancellable purchase commitments (4)	6,596	4,510	1,261	825	—
Total contractual obligations	$ 211,602	$ 13,130	$ 18,677	$ 179,170	$ 625

(1) Includes the principal amount of our Convertible Senior Notes due in December 2020, as well as interest payments to be made semi-annually.
(2) Reflects our lease obligation on the approximately 78,000 square-foot San Diego facility in place as of December 31, 2016. The facility is subject to a financing arrangement with payments through December 2020. Our future obligation under this financing arrangement is included in the table above.
(3) Reflects obligations on facilities and equipment under operating leases in place as of December 31, 2016. In October of 2013, we entered into a lease for approximately 30,000 square feet of office space in San Diego. The lease expires in 2022 with options to extend the lease for two additional five-year periods. In the fourth quarter of 2016, we exercised our renewal option for the Athens, Ohio location. The amended lease expires in 2022 with the option to extend the lease for one additional five-year period through 2027. Future minimum lease payments are included in the table above.
(4) Reflects our $6.6 million of non-cancellable commitments to purchase property and equipment, inventory and research and development services under contractual arrangements.

We have entered into various licensing agreements, which largely require payments based on specified product sales as well as the achievement of specific milestones. Royalty and license expenses under these various royalty and licensing agreements collectively totaled $0.8 million, $1.1 million and $8.9 million for the years ended December 31, 2016, 2015 and 2014, respectively, which included $0.7 million and $8.0 million in amortization expense for 2015 and 2014, respectively.

We exclude liabilities pertaining to uncertain tax positions from our table of contractual obligations as we cannot make a reliable estimate of the period of cash settlement with the respective taxing authorities, nor the amount of the final cash settlement. As of December 31, 2016, we had approximately $1.3 million of liabilities associated with uncertain tax positions. See Note 3 in the Notes to the Consolidated Financial Statements included in this Annual Report for further discussion of uncertain tax positions. The table also excludes $5.2 million in potential contingent consideration payments related to achievement of certain revenue targets under acquisition agreements. We have not included amounts in the table because we cannot make a reasonably reliable estimate regarding whether the milestones required for these payments will be achieved. See Note 6 in the Notes to the Consolidated Financial Statements included in this Annual Report for further discussion of our contingent consideration.

Recent Accounting Standards

For summary of recent accounting pronouncements applicable to our consolidated financial statements see “Company Operations and Summary of Significant Accounting Policies” in Note 1 to our Consolidated Financial Statements in Part II, Item 8, which is incorporated herein by reference.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to customer programs and incentives, bad debts, inventories, intangible assets, income taxes, stock-based compensation, restructuring and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Revenue Recognition

The Company records revenues primarily from product sales. These revenues are recorded net of rebates and other discounts that are estimated at the time of sale, and are largely driven by various customer program offerings, including special pricing agreements, promotions and other volume-based incentives. Revenue from product sales are recorded upon passage of title and risk of loss to the customer. Change in title to the product and recognition of revenue occurs upon delivery to the customer when sales terms are free on board ("FOB") destination and at the time of shipment when the sales terms are FOB shipping point and there is no right of return.

A portion of product sales include revenues for diagnostic kits, which are utilized on leased instrument systems under the Company's "reagent rental" program. The reagent rental program provides customers the right to use the instruments at no separate cost to the customer in consideration for a multi-year agreement to purchase annual minimum amounts of consumables ("reagents" or "diagnostic kits"). When an instrument is placed with a customer under a reagent rental agreement, the Company retains title to the equipment and it remains capitalized on the Company's Consolidated Balance Sheet as property and equipment. The instrument is depreciated on a straight-line basis over the life of the instrument. Depreciation expense is recorded in cost of sales included in the Consolidated Statements of Operations. The reagent rental agreements represent one unit of accounting as the instrument and consumables (reagents) are interdependent in producing a diagnostic result and neither has a stand-alone value with respect to these agreements. No revenue is recognized at the time of instrument placement. All revenue is recognized when the title and risk of loss for the diagnostic kits have passed to the customer.

Royalty income from the grant of license rights is recognized during the period in which the revenue is earned and the amount is determinable from the licensee.

The Company earns income from grants for research and commercialization activities. On November 6, 2012, the Company was awarded a milestone-based grant totaling up to $8.3 million from the Bill and Melinda Gates Foundation to develop, manufacture and validate a quantitative, low-cost, nucleic acid assay for HIV drug treatment monitoring on the integrated Savanna MDx platform for use in limited resource settings. Upon execution of the grant agreement, the Company received $2.6 million to fund subsequent research and development activities and received milestone payments totaling $2.5 million in 2013. On September 10, 2014, the Company entered into an amended grant agreement with the Bill and Melinda Gates Foundation for additional funding of up to $12.6 million in order to accelerate the development of the Savanna MDx platform in the developing world. Upon execution of the amended grant agreement, the Company received $10.6 million in cash. The Company received payments of $2.4 million in April 2015 and $2.8 million in July 2016 based on milestone achievements for both the original and the amended grant agreements. Under the original and amended grant agreements, the Company recognizes grant revenue on the basis of the lesser of the amount recognized on a proportional performance basis or the amount of cash payments that are non-refundable as of the end of each reporting period. For the years ended December 31, 2016, 2015 and 2014, the Company recognized $6.5 million, $5.1 million and $6.3 million as grant revenue, respectively. Cash payments received were restricted as to use until expenditures contemplated in the grant were incurred or committed. As of December 31, 2016, all payment related milestones have been achieved and all of the grant revenue of $20.9 million has been recorded.

Stock-Based Compensation

Compensation expense related to stock options granted is recognized ratably over the service vesting period for the entire option. The total number of stock options expected to vest is adjusted by estimated forfeiture rates. We determine the estimated fair value of each stock option on the date of grant using the Black-Scholes option valuation model. The computation of the expected option life is based on a weighted-average calculation combining the average life of options that have already been exercised and post-vest cancellations with the estimated life of the remaining vested and unexercised options. The expected volatility is based on the historical volatility of our stock. The risk-free interest rate is based on the U.S Treasury yield curve over the expected term of the option. Historically, we have not paid any cash dividends on our common stock, and we do not anticipate paying any cash dividends in the foreseeable future. Consequently, we use an expected dividend yield of zero in the Black-Scholes option valuation model. The estimated forfeiture rate is based on our historical experience and future expectations.

Compensation expense for time-based restricted units are measured at the grant date and recognized ratably over the vesting period. We determine the fair value of time-based and performance-based restricted stock based on the closing market price of our common stock on the grant date. A portion of the restricted stock granted in 2012 and 2011 was performance-based

and vesting was tied to achievement of specific Company goals in 2014 and 2013, respectively. For purposes of measuring compensation expense, the amount of shares ultimately expected to vest is estimated at each reporting date based on management's expectations regarding the relevant performance criteria. The recognition of compensation expense associated with performance-based restricted stock requires judgment in assessing the probability of meeting the performance goals, as well as defined criteria for assessing achievement of the performance-related goals. The grant date of the performance-based restricted stock takes place when the grant is authorized and the specific achievement goals are communicated. The communication date of the performance goals can impact the valuation and associated expense of the restricted stock.

Reserve for Uncollectible Accounts Receivable

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. Our allowance for doubtful accounts is based on our assessment of the collectability of specific customer accounts, the aging of accounts receivable, our history of bad debts, and the general condition of the industry. If a major customer's credit worthiness deteriorates, or our customers' actual defaults exceed our historical experience, our estimates could change and adversely impact our reported results.

Inventory

Our policy is to value inventories at the lower of cost or net realizable value. This policy requires us to make estimates regarding the market value of our inventories and the costs of completion, disposal or transportation. We determine excess and obsolete inventories based on an estimate of the future demand for our products within a specified time horizon, generally 12 months. The estimates we use for demand are also used for near-term capacity planning and inventory purchasing and are consistent with our revenue forecasts. If our actual demand is less than our forecast demand, we may be required to take additional excess inventory charges, which would decrease gross margin and adversely impact net operating results in the future.

Goodwill and Intangible Assets

The effective life and related amortization of intangible assets with definite lives will be based on the higher of the percentage of usage or the straight-line method. Useful lives are based on the expected number of years the asset will generate revenue or otherwise be used by us. Goodwill and in-process research and development that have indefinite lives are not amortized but instead are tested at least annually for impairment, or more frequently when events or changes in circumstances indicate that the asset might be impaired. Examples of such events or circumstances include:

- the asset's ability to continue to generate income from operations and positive cash flow in future periods;
- any volatility or significant decline in our stock price and market capitalization compared to our net book value;
- loss of legal ownership or title to an asset;
- significant changes in our strategic business objectives and utilization of our assets; and
- the impact of significant negative industry or economic trends.

If a change were to occur in any of the above-mentioned factors or estimates, the likelihood of a material change in our reported results would increase.

For goodwill and in-process research and development, a two-step test is used to identify the potential impairment and to measure the amount of impairment, if any. The first step is to compare the fair value of a reporting unit with the carrying amount, including goodwill and in-process research and development. If the fair value of a reporting unit exceeds its carrying amount, goodwill and in-process research and development are considered not impaired; otherwise, goodwill and in-process research and development are impaired and the loss is measured by performing step two. Under step two, the impairment loss is measured by comparing the implied fair value of the reporting unit with the carrying amount of goodwill and in-process research and development. We are required to perform periodic evaluations for impairment of goodwill balances. We completed our annual evaluation for impairment of goodwill and in-process research and development as of December 31, 2016 and determined that no impairment existed.

Determining the initial fair values and useful lives of the intangible assets acquired in connection with the Alere Amendment described in Note 6 in the Notes to Consolidated Financial Statements included in this Annual Report required the exercise of judgment. While there are a number of different generally accepted valuation methods to estimate the value of intangible assets, we used the discounted cash flow method in determining the value of licensed technology associated with the Alere Amendment. This method required significant management judgment to forecast the future operating results used in the analysis. In addition, other significant estimates were required such as residual growth rates and discount factors. The estimates

we used to value and amortize intangible assets were consistent with the plans and estimates that we use to manage our business and were based on available historical information and industry estimates and averages. These judgments can significantly affect our net operating results.

Business Combinations

The cost of an acquired business is assigned to the tangible and identifiable intangible assets acquired and liabilities assumed on the basis of the estimated fair values at the date of acquisition. We assess fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, using a variety of methods including, but not limited to, an income approach and a market approach such as the estimation of future cash flows of acquired business and current selling prices of similar assets. Fair value of the assets acquired and liabilities assumed, including intangible assets, in-process research and development (IPR&D), and contingent payments, are measured based on the assumptions and estimations with regards to the variable factors such as the amount and timing of future cash flows for the asset or liability being measured, appropriate risk-adjusted discount rates, nonperformance risk, or other factors that market participants would consider. Upon acquisition, we determine the estimated economic lives of the acquired intangible assets for amortization purposes, which are based on the underlying expected cash flows of such assets. When applicable, adjustments to inventory and property, plant and equipment are based on the fair market value of inventory and amortized into income based on the period in which the underlying inventory is sold. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that is not individually identified and separately recognized. Actual results may vary from projected results and assumptions used in the fair value assessments.

Software Development Costs

Software development costs associated with software to be sold, leased or otherwise marketed are expensed as incurred until technological feasibility has been established. After technological feasibility is established, software development costs are capitalized. The capitalized cost is amortized on a straight-line basis over the estimated product life or on the ratio of current revenues to total projected product revenues, whichever is greater.

Income Taxes

Significant judgment is required in determining our provision for income taxes, current tax assets and liabilities, deferred tax assets and liabilities, and our future taxable income, both as a whole and in various tax jurisdictions, for purposes of assessing our ability to realize future benefit from our deferred tax assets. A valuation allowance may be established to reduce our deferred tax assets to the amount that is considered more likely than not to be realized through the generation of future taxable income and other tax planning opportunities. In 2015 and 2016, we evaluated our gross deferred tax assets, including an assessment of cumulative income or loss over the prior three-year period and future periods, to determine if a valuation allowance was required. A significant piece of objective negative evidence evaluated was the cumulative before-tax loss incurred over the three-year periods ended December 31, 2016 and 2015. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future profitability. On the basis of this evaluation, as of December 31, 2016, we recorded a valuation allowance of $7.8 million. This valuation allowance represents the portion of the deferred tax asset that management could no longer conclude was more likely or not to be realized. We will continue to assess the need for a valuation allowance on our deferred tax assets by evaluating both positive and negative evidence that may exist.

We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained during an audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. While we believe that we have appropriate support for the positions taken on our tax returns, we regularly assess the potential outcome of examinations by tax authorities in determining the adequacy of our provision for income taxes. See Note 3 in the Notes to the Consolidated Financial Statements included in this Annual Report for more information on income taxes.

We recognize excess tax benefits associated with the exercise of stock options directly to stockholders' equity only when realized. Accordingly, deferred tax assets are not recognized for net operating loss and tax credit carryforwards resulting from excess tax benefits. As of December 31, 2016 and 2015, deferred tax assets do not include $1.8 million and $1.3 million, respectively, of these excess tax benefits from employee stock option exercises that are a component of our net operating loss and tax credit carryforwards. As discussed in Note 1 in the Notes to the Consolidated Financial Statements in March 2016, the FASB issued guidance codified in ASU 2016-09 (Topic 718), *Improvements to Employee Share Based Payments Accounting.* Under the guidance, entities will no longer record excess tax benefits and certain tax deficiencies in additional paid-in capital (APIC). Instead, they will record all excess tax benefits and tax deficiencies as income tax expense or benefit in the income

statement, and APIC pools will be eliminated. In addition, entities will recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. The Company has excess tax benefits for which a benefit could not be previously recognized of approximately $1.8 million. Upon adoption the balance of the unrecognized excess tax benefits will be reversed with the impact recorded to (accumulated deficit) retained earnings, including any change to the valuation allowance as a result of the adoption. Due to the full valuation allowance on the U.S. deferred tax assets as of December 31, 2016, the Company does not expect any impact to the financial statements as a result of this adoption in the first quarter of 2017.

Convertible Debt

We account for convertible debt instruments that may be settled in cash upon conversion (including combination settlement of cash equal to the "principal portion" and delivery of the "share amount" in excess of the conversion value over the principal portion in shares of common stock and/or cash) by separating the liability and equity components of the instruments in a manner that reflects our nonconvertible debt borrowing rate. We determine the carrying amount of the liability component by measuring the fair value of similar debt instruments that do not have the conversion feature. If no similar debt instrument exists, we estimate fair value by using assumptions that market participants would use in pricing a debt instrument, including market interest rates, credit standing, yield curves and volatilities. Determining the fair value of the debt component requires the use of accounting estimates and assumptions. These estimates and assumptions are judgmental in nature and could have a significant impact on the determination of the debt component, and the associated non-cash interest expense.

In December 2014, we issued $172.5 million aggregate principal amount of 3.25% Convertible Senior Notes due 2020. We assigned a value to the debt component of our Convertible Senior Notes equal to the estimated fair value of similar debt instruments without the conversion feature, which resulted in us recording the debt at a discount. We are amortizing the debt discount over the life of the Convertible Senior Notes as additional non-cash interest expense utilizing the effective interest method. For additional information, see Note 2 in the Notes to the Consolidated Financial Statements included in this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are not subject to interest rate risk on our Convertible Senior Notes as the Notes have a fixed rate of 3.25%. For fixed rate debt, changes in interest rates will generally affect the fair value of the debt instrument, but not our earnings or cash flows. Under our current policies, we do not use interest rate derivative instruments to manage our exposure to changes in interest rates.

Our current investment policy with respect to our cash and cash equivalents focuses on maintaining acceptable levels of interest rate risk and liquidity. Although we continually evaluate our placement of investments, as of December 31, 2016, our cash and cash equivalents were placed in funds held in government money market accounts and commercial paper.

Foreign Currency Exchange Risk

The majority of our international sales are negotiated for and paid in U.S. dollars. Nonetheless, these sales are subject to currency risks, since changes in the values of foreign currencies relative to the value of the U.S. dollar can render our products comparatively more expensive. These exchange rate fluctuations could negatively impact international sales of our products, as could changes in the general economic conditions in those markets. Continued change in the values of the Euro, the Japanese Yen and other foreign currencies could have an impact on our business, financial condition and results of operations. We do not currently hedge against exchange rate fluctuations, which means that we are fully exposed to exchange rate changes. In addition, we have certain agreements whereby we share the foreign currency exchange fluctuation risk. We may, in the future, enter into similar such arrangements.

Item 8. Financial Statements and Supplementary Data

Index of Consolidated Financial Statements and Schedule

Report of Independent Registered Public Accounting Firm	42
Consolidated Balance Sheets as of December 31, 2016 and 2015	43
Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014	44
Consolidated Statements of Comprehensive Loss for the years ended December 31, 2016, 2015 and 2014	45
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2016, 2015 and 2014	46
Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014	47
Notes to Consolidated Financial Statements	49
Schedule II Consolidated Valuation and Qualifying Accounts	69

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and
Stockholders of Quidel Corporation

We have audited the accompanying consolidated balance sheets of Quidel Corporation as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Quidel Corporation at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Quidel Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 16, 2017 expressed an unqualified opinion thereon.

s/ ERNST & YOUNG LLP

San Diego, California
February 16, 2017

QUIDEL CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)

	December 31,	
	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 169,508	$ 191,471
Accounts receivable, net	24,990	18,398
Inventories	26,045	26,388
Restricted cash	—	63
Prepaid expenses and other current assets	4,851	4,344
Total current assets	225,394	240,664
Property, plant and equipment, net	50,858	52,547
Goodwill	83,834	80,730
Intangible assets, net	27,639	31,833
Other non-current assets	525	731
Total assets	$ 388,250	$ 406,505
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 16,047	$ 8,675
Accrued payroll and related expenses	9,642	9,627
Current portion of lease obligation	98	585
Current portion of contingent consideration	2,826	1,286
Deferred grant revenue	—	3,658
Other current liabilities	4,999	6,999
Total current liabilities	33,612	30,830
Long-term debt	144,340	143,297
Lease obligation, net of current portion	3,979	4,032
Contingent consideration—non-current	2,349	4,230
Deferred tax liability—non-current	58	1,970
Income taxes payable	1,045	910
Deferred rent	1,965	2,296
Other non-current liabilities	272	264
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, $.001 par value per share; 5,000 shares authorized; none issued or outstanding at December 31, 2016 and 2015	—	—
Common stock, $.001 par value per share; 97,500 shares authorized; 32,897 and 33,323 shares issued and outstanding at December 31, 2016 and 2015, respectively	33	33
Additional paid-in capital	204,905	209,121
Accumulated other comprehensive loss	(53)	(31)
(Accumulated deficit) retained earnings	(4,255)	9,553
Total stockholders' equity	200,630	218,676
Total liabilities and stockholders' equity	$ 388,250	$ 406,505

See accompanying notes.

QUIDEL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year ended December 31,		
	2016	2015	2014
Total revenues	$ 191,603	$ 196,129	$ 184,158
Costs and expenses			
Cost of sales (excludes amortization of intangible assets of $6,458, $6,341, and $6,283, respectively)	73,414	71,688	74,180
Research and development	38,672	35,514	37,913
Sales and marketing	47,821	47,886	43,076
General and administrative	27,062	29,447	25,811
Amortization of intangible assets from acquired businesses and technology	9,073	8,856	8,828
Impairment loss	—	—	3,558
Total costs and expenses	196,042	193,391	193,366
Operating (loss) income	(4,439)	2,738	(9,208)
Interest expense, net	(11,760)	(12,035)	(1,775)
Loss before benefit for income taxes	(16,199)	(9,297)	(10,983)
Benefit for income taxes	(2,391)	(3,218)	(3,909)
Net loss	$ (13,808)	$ (6,079)	$ (7,074)
Basic and diluted loss per share	$ (0.42)	$ (0.18)	$ (0.21)
Shares used in basic and diluted per share calculation	32,708	34,104	34,451

See accompanying notes.

QUIDEL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Year ended December 31,		
	2016	2015	2014
Net loss	$ (13,808)	$ (6,079)	$ (7,074)
Other comprehensive loss, net of tax			
Changes in cumulative translation adjustment	(22)	(2)	(47)
Comprehensive loss	$ (13,830)	$ (6,081)	$ (7,121)

See accompanying notes.

QUIDEL CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock					
	Shares	Par	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings (accumulated deficit)	Total stockholders' equity
Balance at January 1, 2014	34,073	$ 34	$ 201,021	$ 18	$ 22,706	$ 223,779
Issuance of common stock under equity compensation plans	428	—	5,471	—	—	5,471
Convertible senior notes, equity portion, net of tax and issuance costs	—	—	29,758	—	—	29,758
Tax impact from the issuance of convertible senior notes	—	—	(11,362)	—	—	(11,362)
Stock-based compensation expense	—	—	6,442	—	—	6,442
Repurchases of common stock	(68)	—	(1,956)	—	—	(1,956)
Changes in cumulative translation adjustment, net of tax	—	—	—	(47)	—	(47)
Net loss	—	—	—	—	(7,074)	(7,074)
Balance at December 31, 2014	34,433	34	229,374	(29)	15,632	245,011
Issuance of common stock under equity compensation plans	308	—	3,318	—	—	3,318
Excess tax benefit from share-based compensation	—	—	571	—	—	571
Stock-based compensation expense	—	—	6,791	—	—	6,791
Repurchases of common stock	(1,418)	(1)	(30,933)	—	—	(30,934)
Changes in cumulative translation adjustment, net of tax	—	—	—	(2)	—	(2)
Net loss	—	—	—	—	(6,079)	(6,079)
Balance at December 31, 2015	33,323	33	209,121	(31)	9,553	218,676
Issuance of common stock under equity compensation plans	755	—	9,365	—	—	9,365
Stock-based compensation expense	—	—	7,134	—	—	7,134
Repurchase of Convertible Senior Notes	—	—	(547)	—	—	(547)
Repurchases of common stock	(1,181)	—	(20,168)	—	—	(20,168)
Changes in cumulative translation adjustment, net of tax	—	—	—	(22)	—	(22)
Net loss	—	—	—	—	(13,808)	(13,808)
Balance at December 31, 2016	32,897	$ 33	$ 204,905	$ (53)	$ (4,255)	$ 200,630

See accompanying notes.

QUIDEL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year ended December 31,		
	2016	2015	2014
OPERATING ACTIVITIES			
Net loss	$ (13,808)	$ (6,079)	$ (7,074)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation, amortization and other	22,796	23,386	28,365
Stock-based compensation expense	7,986	7,419	6,724
Impairment loss	—	—	3,558
Amortization of debt discount and deferred issuance costs	5,891	5,664	629
Change in fair value of acquisition contingencies	(485)	(88)	(910)
Change in deferred tax assets and liabilities	(2,603)	(4,027)	(2,744)
Gain on extinguishment of Convertible Senior Notes	(421)	—	—
Excess tax benefit from share-based compensation	—	(571)	—
Changes in assets and liabilities:			
Accounts receivable	(6,265)	16,060	(4,547)
Inventories	859	(1,637)	2,862
Prepaid expenses and other current and non-current assets	(552)	(1,039)	787
Restricted cash	63	3,064	(2,158)
Accounts payable	4,323	(3,082)	4,380
Accrued payroll and related expenses	(375)	1,061	1,247
Income taxes payable	48	(64)	(1,036)
Deferred grant revenue	(3,658)	(2,672)	4,301
Other current and non-current liabilities	(1,984)	(1,086)	1,302
Net cash provided by operating activities	11,815	36,309	35,686
INVESTING ACTIVITIES			
Acquisitions of property, equipment and intangibles	(11,909)	(17,032)	(11,241)
Acquisition of Immutopics, net of cash acquired	(5,061)	—	—
Net cash used for investing activities	(16,970)	(17,032)	(11,241)
FINANCING ACTIVITIES			
Proceeds from issuance of Convertible Senior Notes	—	—	172,500
Proceeds from issuance of common stock	8,575	2,911	4,781
Payments of debt issuance costs	—	(365)	(4,712)
Excess tax benefit from share-based compensation	—	571	—
Payments on lease obligation	(540)	(509)	(441)
Repurchases of common stock	(20,168)	(30,934)	(1,956)
Repurchases of Convertible Senior Notes	(4,459)	—	—
Payments on acquisition contingencies	(207)	(129)	(2,112)
Payment for acquisition holdback	—	(229)	—
Net cash (used for) provided by financing activities	(16,799)	(28,684)	168,060
Effect of exchange rate changes on cash	(9)	(17)	2
Net (decrease) increase in cash and cash equivalents	(21,963)	(9,424)	192,507
Cash and cash equivalents, beginning of period	191,471	200,895	8,388
Cash and cash equivalents, at end of period	$ 169,508	$ 191,471	$ 200,895

See accompanying notes.

	Year ended December 31,		
	2016	2015	2014
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the period for interest	$ 6,488	$ 6,998	$ 981
Cash paid during the period for income taxes	$ 490	$ 1,922	$ 327
NON-CASH INVESTING ACTIVITIES			
Purchase of property, equipment and intangibles by incurring current liabilities	$ 3,280	$ 239	$ 900
NON-CASH FINANCING ACTIVITIES			
Decrease of accrued payroll and related expenses upon issuance of common stock	$ 539	$ 408	$ 663
Receivable for stock option exercises	$ 251	$ —	$ —
Debt issuance costs by incurring current liabilities	$ —	$ —	$ 365

See accompanying notes.

Note 1. Company Operations and Summary of Significant Accounting Policies

Quidel Corporation (the "Company") commenced operations in 1979. The Company operates in one business segment, which develops, manufactures and markets rapid diagnostic testing solutions. These diagnostic tests can be categorized in the following areas: immunoassay, molecular, virology and specialty products. The Company sells its products directly to end users and distributors, in each case, for professional use in physician offices, hospitals, clinical laboratories, reference laboratories, leading universities, retail clinics and wellness screening centers. The Company markets its products in the U.S. through a network of national and regional distributors, and a direct sales force. Internationally, the Company sells and markets through distributor arrangements.

The accompanying consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with generally accepted accounting principles in the U.S.

Consolidation—The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents—The Company considers cash equivalents to be highly liquid investments with a maturity at the date of purchase of three months or less. The Company invests its cash equivalents primarily in money market funds and commercial paper. Cash equivalents are maintained with high quality institutions.

Accounts Receivable—The Company sells its products directly to hospitals and reference laboratories in the U.S. as well as to distributors in the U.S. and internationally (see Note 7). The Company periodically assesses the financial strength of these customers and establishes reserves for anticipated losses when necessary, which historically have not been material. The Company's reserves primarily consist of amounts related to cash discounts and contract rebates. The balance of accounts receivable is net of reserves of $7.2 million and $7.5 million at December 31, 2016 and 2015, respectively.

Concentration of Credit Risk—Financial instruments that potentially subject the Company to significant concentrations of credit risk consists principally of trade accounts receivable.

The Company performs credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary, but generally requires no collateral. Credit quality is monitored regularly by reviewing credit history. The Company believes that the concentration of credit risk in its trade accounts receivables is moderated by its credit evaluation process, relatively short collection terms, the high level of credit worthiness of its customers, and letters of credit issued on the Company's behalf. Potential credit losses are limited to the gross value of accounts receivable.

Inventories—Inventories are stated at the lower of cost (first-in, first-out) or net realizable value. The Company reviews the components of its inventory on a quarterly basis for excess, obsolete and impaired inventory and makes appropriate dispositions as obsolete stock is identified. Inventories consisted of the following, net of reserves of $0.7 million at December 31, 2016 and 2015 (in thousands):

	December 31,	
	2016	2015
Raw materials	$ 9,297	$ 10,289
Work-in-process (materials, labor and overhead)	7,990	7,441
Finished goods (materials, labor and overhead)	8,758	8,658
Total inventories	$ 26,045	$ 26,388

Property, Plant and Equipment—Property, plant and equipment is recorded at cost and depreciated over the estimated useful lives of the assets (three to 15 years) using the straight-line method. Amortization of leasehold improvements is computed on the straight-line method over the estimated useful lives of the assets. The total expense for depreciation of fixed assets and amortization of leasehold improvements was $13.4 million, $12.7 million and $10.3 million for the years ended December 31, 2016, 2015 and 2014, respectively. Maintenance and minor repairs are charged to operations as incurred.

Property, plant and equipment consisted of the following (in thousands):

	December 31,	
	2016	2015
Equipment, furniture and fixtures	$ 61,972	$ 59,736
Building and improvements	34,243	33,048
Leased instruments	24,014	18,280
Land	1,080	1,080
Total property, plant and equipment, gross	121,309	112,144
Less: accumulated depreciation and amortization	(70,451)	(59,597)
Total property, plant and equipment, net	$ 50,858	$ 52,547

Goodwill and Intangible Assets—Intangible assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives, except for software development costs and indefinite-lived intangibles such as goodwill. Software development costs associated with software to be sold, leased or otherwise marketed are expensed as incurred until technological feasibility has been established. After technological feasibility is established, software development costs are capitalized. The capitalized cost is amortized on a straight-line basis over the estimated product life or on the ratio of current revenues to total projected product revenues, whichever is greater. Amortization expense related to the capitalized software costs was $0.5 million, $0.6 million and $0.6 million for the years ended December 31, 2016, 2015 and 2014, respectively. The Company had goodwill of $83.8 million as of December 31, 2016 and $80.7 million as of December 31, 2015. Intangible assets consisted of the following (dollar amounts in thousands):

		December 31, 2016			December 31, 2015		
Description	Weighted-average useful life (years)	Gross assets	Accumulated amortization	Net	Gross assets	Accumulated amortization	Net
Purchased technology	8.4	53,600	(41,369)	12,231	52,560	(34,911)	17,649
Customer relationships	7.6	7,157	(5,928)	1,229	7,171	(4,972)	2,199
License agreements	10.4	6,009	(3,222)	2,787	5,512	(2,542)	2,970
Patent and trademark costs	12.0	11,240	(3,522)	7,718	10,530	(2,588)	7,942
Software development costs	5	6,000	(2,326)	3,674	2,913	(1,840)	1,073
Total intangible assets		$ 84,006	$ (56,367)	$ 27,639	$ 78,686	$ (46,853)	$ 31,833

Amortization expense was $9.5 million, $10.2 million and $17.4 million for the years ended December 31, 2016, 2015 and 2014, respectively. Included in this amortization expense amount for 2015 and 2014 is $0.7 million, and $8.0 million, respectively, of amortization for licensed technology recorded in cost of sales. This amount is related to the purchase of a license pursuant to the Alere Amendment as discussed in Note 6. The intangible asset associated with this intangible was fully amortized in the first quarter of 2015.

The expected future annual amortization expense of the Company's intangible assets is as follows (in thousands):

For the years ending December 31,	Amortization expense
2017	$ 9,822
2018	4,332
2019	3,079
2020	2,700
2021	2,582
Thereafter	5,124
Total	$ 27,639

The Company recorded a $1.6 million impairment loss related to a discontinued research and development named Project Stella (Bobcat) during the third quarter of 2014. See further discussion in Note 10. The Company completed its annual evaluation for impairment of goodwill and determined that no impairment of goodwill existed as of December 31, 2016.

Impairment of Long-Lived Assets—The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the total book value of an asset may not be recoverable. An impairment loss is recognized when estimated undiscounted future cash flows expected to result from the use of the asset and the eventual disposition are less than its carrying amount. An impairment loss is equal to the excess of the book value of an asset over its determined fair value. For the year ended December 31, 2014, the Company recorded a $1.5 million impairment loss on software development costs related to Project Stella. See further discussion in Note 10. The Company recorded no impairment losses for the years ended December 31, 2016 and 2015.

Other current liabilities—Other current liabilities consisted of the following (in thousands):

	December 31,	
	2016	2015
Customer incentives	$ 3,766	$ 4,030
Accrued interest	227	202
Other	1,006	2,767
Total other current liabilities	$ 4,999	$ 6,999

Convertible Debt—The Company accounts for convertible debt instruments that may be settled in cash upon conversion (including combination settlement of cash equal to the "principal portion" and delivery of the "share amount" in excess of the conversion value over the principal portion in shares of common stock and/or cash) by separating the liability and equity components of the instruments in a manner that reflects our nonconvertible debt borrowing rate. The Company determines the carrying amount of the liability component by measuring the fair value of similar debt instruments that do not have the conversion feature. If no similar debt instrument exists, the Company estimates fair value by using assumptions that market participants would use in pricing a debt instrument, including market interest rates, credit standing, yield curves and volatilities. Determining the fair value of the debt component requires the use of accounting estimates and assumptions. These estimates and assumptions are judgmental in nature and could have a significant impact on the determination of the debt component, and the associated non-cash interest expense. See Note 2 for additional discussion of the Convertible Senior Notes issued in December 2014.

Revenue Recognition—The Company records revenues primarily from product sales. These revenues are recorded net of rebates and other discounts that are estimated at the time of sale, and are largely driven by various customer program offerings, including special pricing agreements, promotions and other volume-based incentives. Revenue from product sales are recorded upon passage of title and risk of loss to the customer. Passage of title to the product and recognition of revenue occurs upon delivery to the customer when sales terms are free on board ("FOB") destination and at the time of shipment when the sales terms are FOB shipping point and there is no right of return.

A portion of product sales includes revenues for diagnostic kits, which are utilized on leased instrument systems under the Company's "reagent rental" program. The reagent rental program provides customers the right to use the instruments at no separate cost to the customer in consideration for a multi-year agreement to purchase annual minimum amounts of consumables ("reagents" or "diagnostic kits"). When an instrument is placed with a customer under a reagent rental agreement, the Company retains title to the equipment and it remains capitalized on the Company's Consolidated Balance Sheets as property and equipment. The instrument is depreciated on a straight-line basis over the life of the instrument. Depreciation expense is recorded in cost of sales included in the Consolidated Statements of Operations. The reagent rental agreements represent one unit of accounting as the instrument and consumables (reagents) are interdependent in producing a diagnostic result and neither has a stand-alone value with respect to these agreements. No revenue is recognized at the time of instrument placement. All revenue is recognized when the title and risk of loss for the diagnostic kits have passed to the customer.

Royalty income from the grant of license rights is recognized during the period in which the revenue is earned and the amount is determinable from the licensee.

The Company earns income from grants for research and commercialization activities. On November 6, 2012, the Company was awarded a milestone-based grant totaling up to $8.3 million from the Bill and Melinda Gates Foundation to develop, manufacture and validate a quantitative, low-cost, nucleic acid assay for HIV drug treatment monitoring on the

integrated Savanna MDx platform for use in limited resource settings. Upon execution of the grant agreement, the Company received $2.6 million to fund subsequent research and development activities and received milestone payments totaling $2.5 million in 2013. On September 10, 2014, the Company entered into an amended grant agreement with the Bill and Melinda Gates Foundation for additional funding of up to $12.6 million in order to accelerate the development of the Savanna MDx platform in the developing world. Upon execution of the amended grant agreement, the Company received $10.6 million in cash. The Company received payments of $2.4 million in April 2015 and $2.8 million in July 2016 based on milestone achievements for both the original and the amended grant agreements. Under the original and amended grant agreements, the Company recognized grant revenue on the basis of the lesser of the amount recognized on a proportional performance basis or the amount of cash payments that were non-refundable as of the end of each reporting period. For the years ended December 31, 2016, 2015 and 2014, the Company recognized $6.5 million, $5.1 million and $6.3 million as grant revenue, respectively. Cash payments received were restricted as to use until expenditures contemplated in the grant were incurred or committed. As of December 31, 2016, all payment related milestones have been achieved and all of the grant revenue of $20.9 million has been recorded.

Research and Development Costs—Research and development costs are charged to operations as incurred. In conjunction with certain third party service agreements, the Company is required to make periodic payments based on achievement of certain milestones. The costs related to these research and development services are also charged to operations as incurred.

Product Shipment Costs—Product shipment costs are included in sales and marketing expense in the accompanying Consolidated Statements of Operations. Shipping and handling costs were $3.8 million, $3.9 million and $3.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Advertising Costs—Advertising costs are expensed as incurred. Advertising costs were $0.3 million, $0.7 million and $0.4 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Deferred Rent—Rent expense is recorded on a straight-line basis over the term of the lease. The difference between rent expense and amounts paid under the lease agreement are recorded as deferred rent.

Income Taxes—Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The Company's policy is to recognize the interest expense and penalties related to income tax matters as a component of income tax expense.

Fair Value of Financial Instruments— The Company uses the fair value hierarchy established in ASC Topic 820*, Fair Value Measurements and Disclosures,* that requires the valuation of assets and liabilities subject to fair value measurements using a three tiered approach and fair value measurement be classified and disclosed by the Company in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

The carrying amounts of the Company's financial instruments, including cash, receivables, accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

Product Warranty—The Company generally sells products with a limited product warranty and certain limited indemnifications. Due to product testing, the short time between product shipment and the detection and correction of product failures and a low historical rate of payments on indemnification claims, the historical activity and the related expense were not significant for the fiscal years presented.

Stock-Based Compensation—Compensation expense related to stock options granted is recognized ratably over the service vesting period for the entire option. The total number of stock options expected to vest is adjusted by estimated forfeiture rates. The Company determined the estimated fair value of each stock option on the date of grant using the Black-Scholes option valuation model. Compensation expense for restricted stock units (RSUs) is measured at the grant date and

recognized ratably over the vesting period. The fair value of RSUs is determined based on the closing market price of the Company's common stock on the grant date.

Computation of (Loss) Earnings Per Share—For the years ended December 31, 2016, 2015 and 2014, basic loss per share was computed by dividing net loss by the weighted-average number of common shares outstanding, including restricted stock units vested during the period. Diluted earnings per share ("EPS") reflects the potential dilution that could occur if the earnings were divided by the weighted-average number of common shares and potentially dilutive common shares from outstanding stock options as well as unvested restricted stock units. Potential dilutive common shares were calculated using the treasury stock method and represent incremental shares issuable upon exercise of the Company's outstanding stock options and unvested restricted stock units.

For the years ended December 31, 2016, 2015 and 2014, there were no differences between the number of common shares used for the basic and diluted EPS computation because the Company incurred a net loss and the effect would be anti-dilutive. Stock options and shares of restricted stock that would have been included in the diluted EPS calculation if the Company had earnings amounted to 0.8 million, 1.0 million and 1.1 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Additionally, stock options are excluded from the calculation of diluted EPS when the combined exercise price, unrecognized stock-based compensation and expected tax benefits upon exercise are greater than the average market price for the Company's common stock because their effect is anti-dilutive. Stock options totaling 2.8 million, 1.9 million and 1.0 million for the years ended December 31, 2016, 2015 and 2014, respectively, were not included in the computation of diluted EPS because the exercise of such options would be anti-dilutive.

As discussed in Note 2, the Company issued its 3.25% Convertible Senior Notes due 2020 ("Convertible Senior Notes") in December 2014. It is the Company's intent and policy to settle conversions through combination settlement, which essentially involves repayment of an amount of cash equal to the "principal portion" and delivery of the "share amount" in excess of the conversion value over the principal portion in cash or shares of common stock ("conversion premium"). No conversion premium existed as of December 31, 2016, 2015 and 2014; therefore, there was no dilutive impact from the Convertible Senior Notes to diluted EPS during the years ended December 31, 2016 2015 and 2014.

Comprehensive Loss—Comprehensive loss includes unrealized gains and losses excluded from the Company's Consolidated Statements of Operations.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Periods—Each of the Company's fiscal quarters end on the Sunday closest to the end of the calendar quarter. The Company's fiscal year ends are January 1, 2017, January 3, 2016 and December 28, 2014. For ease of reference, the calendar quarter end dates are used herein.

Recent Accounting Pronouncements—In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance codified in Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which amends the guidance in former *ASC 605, Revenue Recognition*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current authoritative guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The FASB has issued several amendments to the new standard, which include clarification of accounting guidance related to identification of performance obligations, intellectual property licenses, and principal vs. agent considerations. The standard will be effective for public entities for annual reporting periods beginning after December 15, 2017, including interim periods therein.

The Company has assigned internal resources to assist in the adoption of the new standard and is in the initial stages of its evaluation of the impact of the new standard on its accounting policies, processes and system requirements. The Company has begun the process of identifying, categorizing and analyzing its various revenue streams, however, has not yet completed its assessment of the impact. The Company will continue to evaluate the future impact and method of adoption of ASU 2014-09

and related amendments on the Consolidated Financial Statements and related disclosures throughout 2017. The Company will adopt the new standard beginning January 2018.

In August 2014, the FASB issued guidance codified in ASU 2014-15 (Subtopic 205-40), *Presentation of Financial Statements - Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The guidance requires management to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued (or available to be issued when applicable). Management will be required to make this evaluation for both annual and interim reporting periods and will make certain disclosures if it concludes that substantial doubt exists or when its plans alleviate substantial doubt about the entity's ability to continue as a going concern. Substantial doubt exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued). The term probable is used consistently with its use in ASC Topic 450, *Contingencies*. The guidance is effective for annual periods ending after December 15, 2016 and for interim reporting periods starting in the first quarter 2017, with early adoption permitted. The Company's adoption of this guidance in the annual period ended December 31, 2016 did not have an impact on the consolidated financial statements.

In February 2015, the FASB issued guidance codified in ASU 2015-02 (Topic 810), *Consolidation - Amendments to the Consolidation Analysis*. The guidance affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the guidance amends (i) the identification of variable interests (fees paid to a decision maker or service provider), (ii) the variable interest entity (VIE) characteristics for a limited partnership or similar entity and (iii) the primary beneficiary determination. The guidance is effective for annual periods beginning after December 15, 2015 and for interim reporting periods starting in the first quarter 2016. The Company's adoption of this guidance in the first quarter of 2016 did not have a significant impact on the consolidated financial statements.

In July 2015, the FASB issued guidance codified in ASU 2015-11 (Topic 330), *Simplifying the Measurement of Inventory*. The guidance applies to inventory that is measured using first-in, first-out ("FIFO") or average cost. Under the guidance, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, with early adoption permitted as of the beginning of an interim or annual reporting period. The Company's adoption of this guidance in the first quarter of 2016 did not have a significant impact on the consolidated financial statements.

In February 2016, the FASB issued guidance codified in ASU 2016-02 (Topic 842), *Leases*. The guidance requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-to-use asset representing the right to use the underlying asset for the lease term on the balance sheet. The guidance is effective for fiscal years beginning after December 15, 2018 including interim periods within those years, with early adoption permitted. The Company is currently evaluating the impact of this guidance and expects to adopt the standard in the first quarter of 2019.

In March 2016, the FASB issued guidance codified in ASU 2016-09 (Topic 718), *Improvements to Employee Share Based Payments Accounting.* Under the guidance, entities will no longer record excess tax benefits and certain tax deficiencies in additional paid-in capital (APIC). Instead, they will record all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement, and APIC pools will be eliminated. In addition, entities will recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. Under current guidance, excess tax benefits are not recognized until the deduction reduces taxes payable. Companies will apply this part of the guidance using a modified retrospective transition method and will record a cumulative-effect adjustment in retained earnings for excess tax benefits not previously recognized. The guidance also allows an employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. The guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted, but all of the guidance must be adopted in the same period. The Company has excess tax benefits for which a benefit could not be previously recognized of approximately $1.8 million. Upon adoption the balance of the unrecognized excess tax benefits will be reversed with the impact recorded to (accumulated deficit) retained earnings, including any change to the valuation allowance as a result of the adoption. Due to the full valuation allowance on the U.S. deferred tax assets as of December 31, 2016, the Company does not expect any impact to the financial statements as a result of this adoption in the first quarter of 2017.

Note 2. Debt

3.25% Convertible Senior Notes due 2020

In December 2014, the Company issued $172.5 million aggregate principal amount of 3.25% Convertible Senior Notes due 2020. Debt issuance costs of approximately $5.1 million were primarily comprised of underwriters fees, legal, accounting, and other professional fees of which $4.2 million were capitalized and are recorded as a reduction to long-term debt and are being amortized using the effective interest method to interest expense over the six-year term of the Convertible Senior Notes. The remaining $0.9 million of debt issuance costs were allocated as a component of equity in additional paid-in capital. Deferred issuance costs related to the Convertible Senior Notes were $2.8 million and $3.5 million as of December 31, 2016 and 2015, respectively.

The Convertible Senior Notes will be convertible into cash, shares of common stock, or a combination of cash and shares of common stock based on an initial conversion rate, subject to adjustment, of 31.1891 shares per $1,000 principal amount of the Convertible Senior Notes (which represents an initial conversion price of approximately $32.06 per share) on the business day immediately preceding September 15, 2020. This conversion will occur in the following circumstances and to the following extent: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2015, if the last reported sales price of the Company's common stock, for at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the calendar quarter immediately preceding the calendar quarter in which the conversion occurs, is more than 130% of the conversion price of the notes in effect on each applicable trading day; (2) during the five consecutive business day period following any five consecutive trading day period in which the trading price per 1,000 principal amount of the Convertible Senior Note for each such trading day was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such day; or (3) upon the occurrence of specified events described in the indenture for the Convertible Senior Notes. On or after September 15, 2020 until the close of business on the second scheduled trading day immediately preceding the stated maturity date, holders may surrender their notes for conversion at any time, regardless of the foregoing circumstances.

It is the Company’s intent and policy to settle conversions through combination settlement, which essentially involves repayment of an amount of cash equal to the “principal portion” and delivery of the “share amount” in excess of the principal portion in shares of common stock or cash. In general, for each $1,000 in principal, the “principal portion” of cash upon settlement is defined as the lesser of $1,000, and the conversion value during the 25-day observation period as described in the indenture for the Convertible Senior Notes. The conversion value is the sum of the daily conversion value which is the product of the effective conversion rate divided by 25 days and the daily volume weighted average price (“VWAP”) of the Company’s common stock. The “share amount” is the cumulative “daily share amount” during the observation period, which is calculated by dividing the daily VWAP into the difference between the daily conversion value (i.e., conversion rate x daily VWAP) and $1,000.

The Company pays 3.25% interest per annum on the principal amount of the Convertible Senior Notes semi-annually in arrears in cash on June 15 and December 15 of each year. The Convertible Senior Notes mature on December 15, 2020. During the year ended December 31, 2016, the Company recorded total interest expense of $10.9 million related to the Convertible Senior Notes of which $5.4 million related to the amortization of the debt discount and issuance costs and $5.5 million related to the coupon due semi-annually. During the year ended December 31, 2015, the Company recorded total interest expense of $10.9 million related to the Convertible Senior Notes of which $5.3 million related to the amortization of the debt discount and issuance costs and $5.6 million related to the coupon due semi-annually. During the year ended December 31, 2014, the Company recorded total interest expense of $0.6 million related to the Convertible Senior Notes of which $0.3 million related to the amortization of the debt discount and issuance costs and $0.3 million related to the coupon due semi-annually.

If a fundamental change, as defined in the indenture for the Convertible Senior Notes, such as an acquisition, merger, or liquidation of the Company, occurs prior to the maturity date, subject to certain limitations, holders of the Convertible Senior Notes may require the Company to repurchase all or a portion of their Convertible Senior Notes for cash at a repurchase price equal to 100% of the principal amount of the Convertible Senior Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the repurchase date.

The Company accounts separately for the liability and equity components of the Convertible Senior Notes in accordance with authoritative guidance for convertible debt instruments that may be settled in cash upon conversion. The guidance requires the carrying amount of the liability component to be estimated by measuring the fair value of a similar liability that does not have an associated conversion feature. Because the Company had no outstanding non-convertible public debt, the Company determined that senior, unsecured corporate bonds traded on the market represent a similar liability to the Convertible Senior Notes without the conversion option. Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry with similar credit ratings and with similar maturity, the Company estimated the implied interest rate of its Convertible Senior Notes to be 6.9%, assuming no conversion option. Assumptions used in the estimate represent what market participants would use in pricing the liability component, which were defined as Level 2

observable inputs. The estimated implied interest rate was applied to the Convertible Senior Notes, which resulted in a fair value of the liability component of $141.9 million upon issuance, calculated as the present value of implied future payments based on the $172.5 million aggregate principal amount. The $30.7 million difference between the cash proceeds of $172.5 million and the estimated fair value of the liability component was recorded in additional paid-in capital, net of tax and issuance costs, as the Convertible Senior Notes were not considered redeemable.

In the first quarter of 2016, the Company repurchased and retired $5.2 million in principal amount of the outstanding Convertible Senior Notes. The aggregate cash used for the transaction was $4.5 million. The repurchase resulted in a reduction in debt of $4.4 million and a reduction in additional paid-in capital of $0.5 million with a gain on extinguishment of Convertible Senior Notes of $0.4 million included in interest expense, net in the Consolidated Statements of Operations.

The following table summarizes information about the equity and liability components of the Convertible Senior Notes (dollars in thousands). The fair values of the respective notes outstanding were measured based on quoted market prices.

	December 31,	
	2016	2015
Principal amount of Convertible Senior Notes outstanding	$ 167,314	$ 172,500
Unamortized discount of liability component	(20,221)	(25,703)
Unamortized deferred issuance costs	(2,753)	(3,500)
Net carrying amount of liability component	144,340	143,297
Less: current portion	—	—
Long-term debt	$ 144,340	$ 143,297
Carrying value of equity component, net of issuance costs	$ 29,211	$ 29,758
Fair value of outstanding Convertible Senior Notes	$ 165,223	$ 170,120
Remaining amortization period of discount on the liability component	4 years	5 years

As a policy election under applicable guidance related to the calculation of diluted net EPS, the Company elected the combination settlement method as its stated settlement policy and applied the treasury stock method in the calculation of dilutive impact of the Convertible Senior Notes. The Convertible Senior Notes were not convertible as of the years ended December 31, 2016, 2015 and 2014; therefore there was no dilutive impact during the years ended December 31, 2016, 2015 and 2014. If the Convertible Senior Notes were converted as of December 31, 2016, the if-converted value would not exceed the principal amount.

Line of Credit

On August 10, 2012, the Company entered into an amended and restated $140.0 million senior secured syndicated credit facility (the “Senior Credit Facility”), which was set to mature on August 10, 2017. In connection with this agreement, the Company incurred an additional $1.0 million in deferred financing costs related to the Senior Credit Facility. Deferred financing costs were amortized on a straight-line basis over the term of the Senior Credit Facility and were included as a portion of prepaid expenses and other current assets. On December 1, 2016, the Company voluntarily terminated its Senior Credit Facility and wrote off unamortized deferred financing costs of $0.2 million, which was included in interest expense, net in the Consolidated Statements of Operations for the year ended December 31, 2016. As of December 31, 2015, $0.2 million of deferred financing costs were included as a portion of other non-current assets and $0.3 million were included as a portion of prepaid expenses and other current assets.

Note 3. Income Taxes

Significant components of the (benefit) provision for income taxes are as follows (in thousands):

	December 31,		
	2016	2015	2014
Current:			
Federal	$ (117)	$ 948	$ 61
State	246	399	(1,294)
Foreign	84	41	69
Total current provision (benefit)	213	1,388	(1,164)
Deferred:			
Federal	(2,545)	(4,624)	(5,267)
State	(63)	—	2,488
Foreign	4	18	34
Total deferred benefit	(2,604)	(4,606)	(2,745)
Benefit for income taxes	$ (2,391)	$ (3,218)	$ (3,909)

The Company's (loss) income before (benefit) provision for income taxes was subject to taxes in the following jurisdictions for the following periods (in thousands):

	December 31,		
	2016	2015	2014
United States	$ (16,426)	$ (9,480)	$ (11,328)
Foreign	227	183	345
Loss before benefit for income taxes	$ (16,199)	$ (9,297)	$ (10,983)

Significant components of the Company's deferred tax assets and deferred tax liabilities as of December 31, 2016 and 2015 are shown below (in thousands).

	December 31,	
	2016	2015
Deferred tax assets:		
Net operating loss carryforwards	$ 3,255	$ 1,199
Intangible assets	2,351	3,574
Sale-leaseback, net	888	1,224
Allowance for returns and discounts	4,043	4,308
Stock-based compensation	10,963	9,884
Tax credit carryforwards	3,430	2,341
Other, net	4,066	5,200
Total deferred tax assets	28,996	27,730
Valuation allowance for deferred tax assets	(7,774)	(3,087)
Total deferred tax assets, net of valuation allowance	21,222	24,643
Deferred tax liabilities:		
Convertible Senior Notes	(7,592)	(9,474)
Intangible assets	(7,557)	(9,977)
Property, plant and equipment	(6,131)	(7,162)
Total deferred tax liabilities	(21,280)	(26,613)
Net deferred tax liabilities	$ (58)	$ (1,970)

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative before-tax loss incurred over the three-year periods ended December 31, 2016 and 2015. Such objective evidence

limits the ability to consider other subjective evidence such as the Company's projections for future profitability. On the basis of this evaluation, as of December 31, 2016, the Company had recorded a valuation allowance of $7.8 million, which represents the portion of the deferred tax asset that management could no longer conclude was more likely or not to be realized. The amount of the deferred tax assets considered realizable, however, could be adjusted in the future based on changes in available evidence and additional weight may be given to subjective evidence such as the Company's projections for profitability. During the year ended December 31, 2016, the allowance increased by $4.7 million.

The Company recognizes excess tax benefits associated with the exercise of stock options directly to stockholders' equity only when realized. Accordingly, deferred tax assets are not recognized for net operating loss ("NOL") carryforwards resulting from excess tax benefits. As of December 31, 2016 and 2015, deferred tax assets do not include $1.8 million and $1.3 million, respectively, of these excess tax benefits from employee stock option exercises that are a component of the Company's NOL and tax credit carryforwards. Additional paid-in capital will be increased up to an additional $1.8 million if such excess tax benefits are realized. As discussed in Note 1, upon adoption of ASU 2016-09 in the first quarter of 2017, the balance of the unrecognized excess tax benefits will be reversed with the impact recorded to (accumulated deficit) retained earnings, including any change to the valuation allowance as a result of the adoption. Due to the full valuation allowance on the U.S. deferred tax assets as of December 31, 2016, the Company does not expect any impact to the financial statements as a result of this adoption in the first quarter of 2017.

As of December 31, 2016, the Company had federal NOL carryforwards of approximately $8.3 million which will begin to expire in 2018, unless previously utilized. The Company also had state NOLs of approximately $22.8 million which will begin to expire in 2026, unless previously utilized. The Company has federal research credits of $3.7 million which will begin to expire on December 31, 2031, unless previously utilized. Additionally, the Company has federal alternative minimum tax credits of $0.5 million which do not expire. The Company also has gross state research credits of $8.9 million, of which $8.7 million do not expire. The remaining $0.2 million begin to expire in 2027, unless previously utilized.

Pursuant to Internal Revenue Code ("IRC") Sections 382 and 383, the Company's use of its NOL and research credit carryforwards may be limited as a result of cumulative changes in ownership of more than 50% over a three-year period.

The benefit for income taxes reconciles to the amount computed by applying the federal statutory rate to loss before taxes as follows (in thousands):

	Year ended December 31,		
	2016	2015	2014
Tax benefit at statutory tax rate	(5,775)	(3,254)	(3,844)
State tax benefit, net of federal tax benefit	(390)	(235)	(151)
Permanent differences	129	157	70
Federal and state research credits—current year	(979)	(722)	(765)
Accrual (release) of uncertain tax positions	43	101	(21)
Expiration of statutes for uncertain tax positions	—	—	(953)
Impact of change in federal and state tax rate on revaluing deferred tax assets	(4)	56	110
Change in valuation allowance	4,687	756	2,331
Acquisition related adjustments	—	—	(485)
Other	(102)	(77)	(201)
Benefit for income taxes	(2,391)	(3,218)	(3,909)

On December 18, 2015, the Protecting Americans from Tax Hikes Act was signed into law reinstating the federal research and development credit for 2015. Accordingly, we recorded the benefit related to the 2015 federal research and development credit of approximately $0.4 million in the fourth quarter of 2015.

The Company considers earnings of its non-U.S. subsidiaries to be indefinitely reinvested in those operations. As of December 31, 2016, the Company has not made a provision for U.S. or additional foreign withholding taxes on approximately $0.5 million of the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that is indefinitely reinvested. Generally, such amounts become subject to U.S. taxation upon the remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of deferred tax liability related to investments in these foreign subsidiaries.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. While the Company believes that it has appropriate support for the positions taken on its tax returns, the Company regularly assesses the potential outcome of examinations by tax authorities in determining the adequacy of its provision for income taxes.

The following table summarizes the activity related to the Company's unrecognized tax benefits (in thousands):

	Year ended December 31,		
	2016	2015	2014
Beginning balance	$ 7,684	$ 7,065	$ 7,765
Decreases related to prior year tax positions	(10)	(12)	(68)
Increases related to current year tax positions	773	631	642
Decreases due to settlements	—	—	(42)
Expiration of the statute of limitations for the assessment of taxes	—	—	(1,232)
Other	$ 157	$ —	$ —
Ending balance	$ 8,604	$ 7,684	$ 7,065

As of December 31, 2016 and 2015, the unrecognized tax benefits of $8.6 million and $7.7 million, respectively, of which $6.4 million and $5.6 million, respectively, would reduce the Company's annual effective tax rate, subject to the valuation allowance. The Company does not anticipate any significant decreases in its unrecognized tax benefits over the next 12 months. The Company's policy is to recognize the interest expense and penalties related to income tax matters as a component of income tax expense. The Company has accrued approximately $0.2 million of interest and penalties associated with uncertain tax positions for each of the years ended December 31, 2016 and 2015. There was no interest expense, net of accrued interest (reversed) in 2016. Interest expense, net of accrued interest (reversed) was approximately $0.1 million, and $(0.2) million in 2015 and 2014, respectively.

The Company is subject to periodic audits by domestic and foreign tax authorities. During 2014, the Company released tax reserves and related interest of approximately $1.0 million, net of federal income tax benefits, related to the expiration of the statute of limitation on assessment for certain state matters.

Due to the carryforward of unutilized net operating loss and credit carryovers, the Company's federal tax years from 2009 and forward and state tax years 2001 and forward are subject to examination by tax authorities.

The Company believes that it has appropriate support for the income tax positions taken on its tax returns and that its accruals for tax liabilities are adequate for all open years based on an assessment of many factors, including past experience and interpretations of tax law applied to the facts of each matter.

Note 4. Stockholders' Equity

Preferred Stock. The Company's certificate of incorporation, as amended, authorizes the issuance of up to five million preferred shares. The Board of Directors is authorized to fix the number of shares of any series of preferred stock and to determine the designation of such shares. However, the amended certificate of incorporation specifies the initial series and the rights of that series. No shares of preferred stock were outstanding as of December 31, 2016, 2015 or 2014.

Equity Incentive Plan. The Company grants stock options, time-based restricted stock units (RSUs) and performance-based restricted stock units (PSUs) to employees and non-employee directors under its 2016 Equity Incentive Plan (the "2016 Plan"). The Company previously granted stock options under the Amended and Restated 2010 Equity Incentive Plan (the "2010 Plan") and the Amended and Restated 2001 Equity Incentive Plan (the "2001 Plan"). The 2010 Plan and 2001 Plan were terminated at the time of adoption of the new Plans, but the terminated Plans continue to govern outstanding options granted thereunder. The Company has stock options and RSUs outstanding, which were issued under each of these equity incentive plans to certain employees and directors. Stock options granted under these plans have terms ranging up to ten years, have exercise prices ranging from $8.50 to $27.91 per share, and generally vest over four years. As of December 31, 2016, approximately 2.6 million shares remained available for grant under the 2016 Plan.

Restricted Stock. The Company grants time-based RSUs and PSUs to certain officers, directors and management. Until the restrictions lapse, ownership of the affected RSUs and PSUs granted to the Company's officers is conditional upon continuous employment with the Company.

For the years ended December 31, 2016, 2015 and 2014, the Company granted approximately 0.2 million, 0.2 million and 0.1 million shares, respectively, of RSUs to officers and management, which have a time-based four-year vesting provision. For purposes of measuring compensation expense of PSUs, the amount of shares ultimately expected to vest is estimated at each reporting date based on management's expectations regarding the relevant performance criteria. The recognition of compensation expense associated with the PSUs requires judgment in assessing the probability of meeting the performance goals, as well as defined criteria for assessing achievement of the performance-related goals. The grant date of the PSUs takes place when the grant is authorized and the specific achievement goals are communicated. The communication date of the performance goals can impact the valuation and associated expense of the PSUs.

PSUs granted in March 2012 included a three-year vesting cliff based on the achievement of a performance metric tied to earnings per share for the year ended December 31, 2014. During the fourth quarter ended December 31, 2014, the Compensation Committee of the Board of Directors amended the performance metric to include adjustments for certain items, some of which are non-recurring. This resulted in a modification of the original award and the Company recorded additional stock-based compensation expense of $0.3 million for the year ended December 31, 2014. The PSUs granted in March 2012 were released in March 2015 as performance metrics were achieved. There were no PSUs outstanding as of December 31, 2016 or December 31, 2015.

During the years ended December 31, 2016, 2015 and 2014, RSUs were granted to certain members of the Board of Directors in lieu of cash compensation as a part of the Company's non-employee director's deferred compensation program. The compensation expense associated with these RSU grants were $0.4 million, $0.5 million and $0.4 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Employee Deferred Bonus Compensation Program. For the years ended December 31, 2016, 2015 and 2014, certain employees of the Company were eligible to participate in the Company's deferred bonus compensation program with respect to any payments received under the Company's cash incentive plan. Participating employees could elect to receive 50% or 100% of the cash value of their cash bonus in the form of fully vested, restricted stock units plus an additional premium as additional restricted stock units, issued under the 2016 Plan. The premium restricted stock units are subject to a one-year vesting requirement from the date of issuance.

The additional premium will be determined based on the length of time of the deferral period selected by the participating employee as follows: (i) if one year from the date of grant, a premium of 10% on the amount deferred, (ii) if two years from the date of grant, a premium of 20% on the amount deferred, or (iii) if four years from the date of grant, a premium of 30% on the amount deferred.

Employee Stock Purchase Plan. Under the Company's Amended and Restated 1983 Employee Stock Purchase Plan (the "ESPP"), full-time employees are allowed to purchase common stock through payroll deductions (which cannot exceed 10% of the employee's compensation) at the lower of 85% of fair market value at the beginning or end of each six-month purchase period. As of December 31, 2016, 1,214,175 shares had been sold under the Plan, leaving 285,825 shares available for future issuance.

Share Repurchase Program. On January 25, 2016, our Board of Directors authorized an amendment to extend our previously announced stock repurchase program. The Board of Directors has authorized the Company to repurchase up to an aggregate of $50.0 million in shares of our common stock under our stock repurchase program. Any shares of common stock repurchased under this program will no longer be deemed outstanding upon repurchase and will be returned to the pool of authorized shares. During the year ended December 31, 2016, 1,152,386 shares of outstanding common stock were repurchased under the Company's previously announced share repurchase program for approximately $19.6 million. At December 31, 2016, $35.0 million remains available under this program. The repurchase program will expire on January 25, 2018 unless extended by the Board of Directors.

Shares Reserved for Future Issuance. At December 31, 2016, approximately 7.0 million shares of common stock were reserved under the Company's equity incentive plans and 285,825 shares were reserved for purchases under the ESPP.

Note 5. Stock-Based Compensation

For the years ended December 31, 2016, 2015 and 2014 stock-based compensation expense was $8.0 million, $7.4 million and $6.7 million, respectively, of which $4.7 million, $4.7 million and $4.3 million, respectively, related to stock options and $2.4 million, $2.0 million and $2.1 million, respectively, related to RSUs and PSUs. For the years ended December 31, 2016, 2015 and 2014 the Company recorded $0.9 million, $0.7 million and $0.3 million in stock-based compensation expense, respectively, associated with the deferred bonus compensation program, described in Note 4. During the years ended December 31, 2016, 2015 and 2014, $0.9 million, $0.6 million and $0.3 million, respectively, were initially recorded as a component of accrued payroll and related expenses.

Stock-based compensation expense related to stock options, RSUs and PSUs was as follows (in thousands):

	Year ended December 31,		
	2016	2015	2014
Cost of sales	$ 617	$ 581	$ 609
Research and development	1,551	734	1,062
Sales and marketing	1,189	1,554	1,059
General and administrative	4,629	4,550	3,994
	$ 7,986	$ 7,419	$ 6,724

Stock-based compensation expense capitalized to inventory and compensation expense related to the Company's ESPP were not material for the years ended December 31, 2016, 2015 and 2014.

Stock Options

Compensation expense related to stock options granted is recognized ratably over the service vesting period for the entire option award. For stock options with graded vesting, the Company ensures that the cumulative amount of compensation expense recognized at the end of any reporting period at least equals the portion of the stock option that has vested at that date. The total number of stock options expected to vest is adjusted by estimated forfeiture rates. The estimated fair value of each stock option was determined on the date of grant using the Black-Scholes option valuation model with the following weighted-average assumptions for the option grants:

	Year ended December 31,		
	2016	2015	2014
Risk-free interest rate	1.47%	1.50%	1.59%
Expected option life (in years)	6.59	6.24	5.78
Volatility rate	36%	40%	42%
Dividend rate	—%	—%	—%

The computation of the expected option life is based on a weighted-average calculation combining the average life of options that have already been exercised and post-vest cancellations with the estimated life of the remaining vested and unexercised options. The expected volatility is based on the historical volatility of the Company's stock. The risk-free interest rate is based on the U.S. Treasury yield curve over the expected term of the option. The Company has never paid any cash dividends on its common stock, and does not anticipate paying any cash dividends in the foreseeable future. Consequently, the Company uses an expected dividend yield of zero in the Black-Scholes option valuation model. The Company's estimated forfeiture rate is based on its historical experience and future expectations.

The Company's determination of fair value is affected by the Company's stock price as well as a number of assumptions that require judgment. The weighted-average fair value per share was $6.00, $9.46 and $10.96 for options granted during the years ended December 31, 2016, 2015 and 2014, respectively. The total intrinsic value was $4.5 million, $1.6 million and $2.8 million for options exercised during the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, total unrecognized compensation expense related to stock options was approximately $5.8 million and the related weighted-average period over which it is expected to be recognized is approximately 2.2 years. The maximum contractual term of the Company's stock options is ten years.

A summary of the status of stock option activity for the years ended December 31, 2014, 2015 and 2016 is as follows (in thousands, except price data and years):

	Number of Shares	Weighted-average exercise price per share	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at January 1, 2014	3,474	$ 14.74		
Granted	559	26.63		
Exercised	(251)	13.67		
Cancelled	(175)	20.63		
Outstanding at December 31, 2014	3,607	16.37		
Granted	659	23.15		
Exercised	(168)	12.30		
Cancelled	(131)	23.41		
Outstanding at December 31, 2015	3,967	17.44		
Granted	677	15.48		
Exercised	(553)	13.76		
Cancelled	(150)	20.86		
Outstanding at December 31, 2016	3,941	$ 17.49	5.52	$ 19,236
Vested and expected to vest at December 31, 2016	3,781	$ 17.45	5.38	$ 18,590
Exercisable at December 31, 2016	2,529	$ 15.92	3.95	$ 15,451
Available for future grant at December 31, 2016	2,572			

Restricted Stock Units

The Company grants both time-based RSUs and PSUs. The fair value of RSUs and PSUs is determined based on the closing market price of the Company's common stock on the grant date. Compensation expense for RSUs is measured at the grant date and recognized ratably over the vesting period. A portion of the restricted stock granted in 2012 was performance-based and vesting was tied to achievement of specific Company goals in 2014. For purposes of measuring compensation expense for PSUs, the amount of shares ultimately expected to vest was estimated at each reporting date based on management's expectations regarding the relevant performance criteria. The recognition of compensation expense associated with the PSUs required judgment in assessing the probability of meeting the performance goals, as well as defined criteria for assessing achievement of the performance-related goals. The PSUs granted in March 2012 were released in March 2015. See further discussion of amended performance metrics and the impact to stock-based compensation expense for the year ended December 31, 2014 in Note 4. There was no stock-based compensation expense related to PSUs for the years ended December 31, 2016 or 2015.

A summary of the status of stock awards activity for the years ended December 31, 2014, 2015 and 2016 is as follows (in thousands, except price data):

	Shares	Weighted-average grant date fair value
Non-vested at January 1, 2014	454	$ 16.22
Granted	145	25.73
Vested	(174)	28.27
Forfeited	(23)	18.19
Non-vested at December 31, 2014	402	14.84
Granted	171	22.79
Vested	(96)	18.01
Forfeited	(18)	22.87
Non-vested at December 31, 2015	459	21.61
Granted	185	16.14
Vested	(120)	18.50
Forfeited	(23)	20.80
Non-vested at December 31, 2016	501	$ 20.37

In 2016, 2015 and 2014, the Company issued approximately 0.1 million restricted share units each year in exchange for the deferred bonus liability of $0.5 million, $0.4 million and $0.7 million, respectively.

The total amount of unrecognized compensation expense related to non-vested stock awards as of December 31, 2016 was approximately $3.1 million, which is expected to be recognized over a weighted-average period of approximately 2.4 years.

Note 6. Commitments and Contingencies

Leases

The Company leases its facilities and certain equipment. Commitments for minimum rentals under non-cancelable leases at the end of 2016 are as follows (in thousands):

Years ending December 31,	Operating Leases	Lease obligation
2017	$ 2,245	$ 937
2018	2,296	946
2019	2,342	956
2020	2,365	967
2021	2,261	—
Thereafter	625	—
Total minimum lease payments	$ 12,134	$ 3,806

Operating Leases—Rent expense under operating leases totaled approximately $2.2 million for the year ended December 31, 2016, $2.3 million for the year ended December 31, 2015 and $3.3 million for the year ended December 31, 2014.

In the fourth quarter of 2013, the Company entered into a lease for approximately 30,000 square feet of office space and moved the executive and administrative functions into this facility in the second quarter of 2014. The lease expires in 2022 with options to extend the lease for two additional five-year periods. This operating lease included a lease incentive for tenant improvements of $1.7 million which has been included as a leasehold improvement in property, plant and equipment and as deferred rent in other current liabilities and non-current deferred rent.

McKellar Lease Obligation—During 1999, the Company completed a sale and leaseback transaction of its San Diego facility. The facility was sold for $15.0 million, of which $3.8 million was capital contributed by the Company. The sale was an all cash transaction, netting the Company approximately $7.0 million. The Company is a 25% limited partner in the partnership that acquired the facility. The transaction was deemed a financing transaction under the guidance in ASC Topic 840-40, *Accounting for Sales of Real Estate*. The assets sold remain on the books of the Company and will continue to be depreciated over the estimated useful life. In December 2009, the Company amended the terms of its lease agreement which had no significant impact on the Company's financial statements. The amended terms included a new ten-year lease term through December 31, 2019, with options to extend the lease for up to three additional five-year periods.

In the fourth quarter of 2015, the Company amended the terms of its lease agreement to extend the lease term through December 31, 2020. The options to extend the lease for up to three additional five-year periods commence at the new lease term date of December 31, 2020. The Company is amortizing the lease obligation over the new estimated lease term, including extensions. As the Company accounts for the lease as a financing transaction, the Company adjusted the implied interest rate so that the existing lease obligation is amortized to the end of the estimated lease term, including extensions. The Company has determined that the partnership is a variable interest entity (VIE). The Company is not, however, the primary beneficiary of the VIE as it does not absorb the majority of the partnership's expected losses or receive a majority of the partnership's residual returns. The Company made lease payments to the partnership of approximately $0.9 million, $1.1 million and $1.1 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Purchase Commitments

The Company has $4.3 million in firm purchase commitments with respect to planned inventory and capital expenditures as of December 31, 2016.

Legal

The Company is involved in various claims and litigation matters from time to time in the ordinary course of business. Management believes that all such current legal actions, in the aggregate, will not have a material adverse effect on the Company. The Company also maintains insurance, including coverage for product liability claims, in amounts which management believes are appropriate given the nature of its business. No accrual has been recorded as of December 31, 2016 related to such matters as they are not probable and/or reasonably estimable. At December 31, 2015, the Company had $0.2 million accrued as a liability for various legal matters where the Company deemed the liability probable and estimable.

Licensing Arrangements

On September 27, 2011, the Company entered into the Second Amendment (the "Amendment") to Quidel/Inverness Settlement Agreement dated April 27, 2005 (the "Agreement"), as amended by an Addendum dated June 19, 2006, with Alere Inc. (formerly known as Inverness Medical Innovations, Inc.) ("Alere").

The Amendment, which was effective as of April 1, 2011, amended certain royalty and other provisions in the Agreement and enabled the Company to "buy-down" and "buy-out" its future royalty obligation under the Agreement for payments totaling $29.5 million. Under the Amendment, the Company made an initial cash payment of $13.8 million to Alere in September 2011 in connection with a buy-down of the Company's royalty obligations for the period beginning July 1, 2011. In addition, the Company exercised its buy-out right for any remaining future royalty obligation by exercising the Royalty Termination Option (as defined in the Amendment) in January 2012, thereby terminating the Company's obligation to pay future royalties under the Agreement in exchange for a fixed cash payment in the amount of $15.7 million less $1.0 million of specified third quarter 2011 royalties. This amount was paid in February 2012.

In conjunction with Financial Accounting Standards Board Accounting Standard Update No. 2009-05, *Fair Value Measurements and Disclosures (Topic 820),* the Company assigned $28.8 million to the licensed technology and $0.7 million as a one-time charge to cost of sales to settle royalty claims. In determining the fair value allocation between the intangible asset licensed technology and the one-time charge to cost of sales, the Company assessed the past and estimated future revenue streams related to present and future products that use the patents that were subject to the Amendment. The effective life and related amortization of the licensed technology was based on the higher of the percentage of usage or the straight-line method. This percentage of usage was determined using the revenues generated from products covered by the patents that were subject to the Amendment. The terms of the Amendment provide for an estimated useful life of 3.5 years for this asset. The Company recorded $0.7 million of amortization expense in 2015 and $8.0 million in 2014, included as a portion of cost of sales. As of December 31, 2015, this intangible asset has been fully amortized.

In addition to the royalty agreement noted above, the Company has entered into various other licensing and royalty agreements, which largely require payments based on specified product sales as well as the achievement of specified milestones. The Company had royalty and license expenses relating to those agreements of approximately $0.8 million, $0.5 million and $0.9 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Research and Development Agreements

The Company has entered into various research and development agreements that provide it with rights to develop, manufacture and market products using the intellectual property and technology of its collaborative partners. Under the terms of certain of these agreements, the Company is required to make periodic payments based on achievement of certain milestones or resource expenditures. These milestones generally include achievement of prototype assays, validation lots and clinical trials. At December 31, 2016, total future commitments under the terms of these agreements are estimated at $2.3 million. The commitments will fluctuate as the Company agrees to new phases of development under the existing arrangements.

Contingent Consideration

In conjunction with the acquisition of BioHelix Corporation ("BioHelix") in May 2013, the Company agreed to contingent consideration ranging from $5.0 million to $10.0 million upon achievement of certain revenue targets through May 2018. The fair value of the royalty revenue earn-out to be settled in cash is estimated using a discounted revenue model. Due to changes in the estimated payments and a shorter discounting period, the fair value of the contingent consideration liabilities changed, resulting in gains of $0.6 million, $21,000 and $0.8 million recorded to cost of sales in the Consolidated Statements of Operations during the years ended December 31, 2016, 2015 and 2014, respectively. Payments of $0.2 million and $0.1 million related to the revenue royalty earn-out were disbursed during the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, the current portion of the contingent consideration is $2.7 million and the non-current portion of the contingent consideration is $1.9 million.

In August 2013, the Company acquired the assets of AnDiaTec GmbH & Co. KG ("AnDiaTec"), a privately-held, diagnostics company, based in Germany. The Company agreed to contingent consideration of up to €0.5 million ($0.5 million based on the December 31, 2016 currency conversion rate) upon achievement of certain revenue targets through 2018. As of December 31, 2016, the Company has included $0.1 million in the non-current portion of contingent consideration related to these revenue targets. In addition, the Company agreed to pay the founder of AnDiaTec contingent payments of up to €3.0 million ($3.1 million based on the December 31, 2016 currency conversion rate) upon achievement of certain research and development milestones, subject to continued employment. The Company paid $0.9 million and $1.7 million for the achievement of agreed upon research and development milestones during the years ended December 31, 2016 and 2015, respectively. These costs are recorded as compensation expense included in research and development expense in the Consolidated Statements of Operations. As of December 31, 2016, there are no remaining research and development milestones to be achieved.

The Company recorded contingent consideration of $0.4 million related to the acquisition of Immutopics, Inc. ("Immutopics") in March 2016 as discussed in Note 11. In the fourth quarter of 2016, due to changes in the estimated payments, the Company recorded a $0.1 million loss due to the fair value adjustment.

Note 7. Industry and Geographic Information

The Company operates in one reportable segment. Sales to customers outside the U.S. represented 17%, 14% and 13% of total revenue for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016 and 2015, balances due from foreign customers, in U.S. dollars, were $6.8 million and $5.6 million, respectively.

The Company had sales to individual customers in excess of 10% of total revenue, as follows:

	Year ended December 31,		
	2016	2015	2014
Customer:			
A	16%	20%	19%
B	15%	17%	18%
C	13%	11%	11%
	44%	48%	48%

As of December 31, 2016 and 2015, accounts receivable from individual customers with balances due in excess of 10% of total accounts receivable totaled $13.9 million and $12.0 million, respectively.

The following presents long-lived assets (excluding intangible assets) and total net revenue by geographic territory (in thousands):

	Long-lived assets as of December 31,		Total revenue for the years ended December 31,		
	2016	2015	2016	2015	2014
Domestic	$ 50,774	$ 52,426	$ 158,244	$ 168,809	$ 159,845
Foreign	84	121	33,359	27,320	24,313
	$ 50,858	$ 52,547	$ 191,603	$ 196,129	$ 184,158

Consolidated net revenues by product category are as follows (in thousands):

	Year ended December 31,		
	2016	2015	2014
Immunoassays	$ 121,416	$ 130,348	$ 118,715
Molecular	9,506	5,424	3,418
Virology	40,083	43,747	44,771
Specialty products	9,387	9,001	7,779
Royalties, grants and other	11,211	7,609	9,475
	$ 191,603	$ 196,129	$ 184,158

Note 8. Fair Value Measurement

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of the following periods (in thousands):

	December 31, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Cash equivalents	133,540	—	—	133,540	133,147	—	—	133,147
Total assets measured at fair value	$133,540	$ —	$ —	$133,540	$133,147	$ —	$ —	$ 133,147
Liabilities:								
Contingent consideration	—	—	5,175	5,175	—	—	5,516	5,516
Total liabilities measured at fair value	$ —	$ —	$ 5,175	$ 5,175	$ —	$ —	$5,516	$ 5,516

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 categories of the fair value hierarchy during the years ended December 31, 2016 and 2015.

The Company used Level 1 inputs to determine the fair value of its cash equivalents, which primarily consist of funds held in government money market accounts and commercial paper. As such, the carrying value of cash equivalents approximates fair value. As of December 31, 2016 and 2015, the carrying value of cash equivalents was $133.5 million and $133.1 million, respectively.

The Company assesses the fair value of contingent consideration to be settled in cash related to acquisitions using a discounted revenue model. Significant assumptions used in the measurement include revenue projections and discount rates. This fair value measurement of contingent consideration is based on significant inputs not observed in the market and thus represent Level 3 measurements. In the first quarter of 2016, the Company recorded an additional contingent liability for the acquisition of Immutopics (see Note 11). Due to changes in the estimated payments and a shorter discounting period related to the various contingent consideration liabilities, the fair value of the contingent consideration changed during the years ended December 31, 2016, 2015 and 2014 (see Note 6). These changes resulted in a $0.5 million gain, $0.1 million gain and $0.9

million gain recorded to cost of sales in the Consolidated Statements of Operations during the years ended December 31, 2016, 2015 and 2014, respectively.

Changes in estimated fair value of contingent consideration liabilities from December 31, 2015 through December 31, 2016 are as follows (in thousands):

	Contingent consideration liability (Level 3 measurement)
Balance at December 31, 2015	$ 5,516
Cash payments	(207)
Net gain recorded for fair value adjustments	(485)
Additional liability recorded for current period acquisition	353
Unrealized gain on foreign currency translation	(2)
Balance at December 31, 2016	$ 5,175

Note 9. Employee Benefit Plan

The Company has a defined contribution 401(k) plan (the "401(k) Plan") covering all employees who are eligible to join the 401(k) Plan upon employment. Employee contributions are subject to a maximum limit by federal law. This Plan includes an employer match of 50% on the first 6% of pay contributed by the employee. The Company contributed approximately $1.5 million, $1.3 million and $1.1 million to the 401(k) Plan during the years ended December 31, 2016, 2015 and 2014, respectively.

Note 10. Impairment Loss

The Company originally acquired certain automated direct fluorescent antibody cell analyzer technology as part of its DHI acquisition in 2010. This technology and the related program named "Project Stella" or "Bobcat" continued in development or evaluation (both the technology and associated instrument system) after the acquisition. During the third quarter of 2014, the Company evaluated the potential cash flows related to Project Stella as well as potential sale of the assets or joint development opportunities with third parties. These assets included $1.5 million of software development costs, $1.6 million of in-process research and development, and $0.3 million in manufacturing line costs. Based on the analyses, the Company determined the carrying value was not recoverable and an impairment loss was measured by comparing the carrying value to the estimated fair value of the assets. The fair value of the Project Stella assets was estimated utilizing the discounted cash flow analysis. As a result, the Company recognized an impairment loss of $3.4 million in the third quarter of 2014, included in the Company's Consolidated Statements of Operations. Additionally, $0.2 million was included in the impairment loss related to the expense to terminate a manufacturing contract with a third party to manufacture Project Stella instruments. The Company recorded no further impairment charges for the year ended December 31, 2014 and recorded no impairment charges for the years ended December 31, 2016 and 2015.

Note 11. Acquisition

On March 18, 2016, the Company acquired Immutopics, Inc., a privately-held, life science research company, based in San Clemente, California. The acquisition has been accounted for in conformity with ASC Topic 805, *Business Combinations*. Total consideration for the acquisition was $5.5 million, which included $5.1 million in initial cash payments and $0.4 million in fair value of contingent consideration based upon achievement of certain revenue targets through September 2024. The Immutopics portfolio of products are included with the Company's specialty products revenue category that serve the bone health research community.

Note 12. Selected Quarterly Financial Data (unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share data)			
2016				
Total revenues	$ 50,321	$ 39,133	$ 49,341	$ 52,808
Cost of sales (excludes amortization of intangible assets)	19,249	17,318	17,728	19,119
Gross profit (1)	29,482	20,225	30,023	32,001
Total costs and expenses	53,781	48,152	47,216	46,893
Net loss	(3,446)	(7,840)	(572)	(1,950)
Basic and diluted loss per share	(0.11)	(0.24)	(0.02)	(0.06)
2015				
Total revenues	$ 61,701	$ 35,204	$ 46,812	$ 52,412
Cost of sales (excludes amortization of intangible assets)	21,112	15,493	16,961	18,122
Gross profit (1)	39,018	18,121	28,261	32,700
Total costs and expenses	53,012	45,029	45,600	49,750
Net income (loss)	3,991	(8,931)	(762)	(377)
Basic net earnings (loss) per share (2)	0.12	(0.26)	(0.02)	(0.01)
Diluted net earnings (loss) per share (2)	0.11	(0.26)	(0.02)	(0.01)

(1) Included in 2016 quarterly gross profit is amortization of intangible assets of $1.6 million, $1.6 million, $1.6 million and $1.7 million for the first quarter, second quarter, third quarter and fourth quarter, respectively. Included in 2015 quarterly gross profit is amortization of intangible assets of $1.6 million, $1.6 million, $1.6 million and $1.5 million for the first quarter, second quarter, third quarter and fourth quarter, respectively.

(2) Basic and diluted EPS amounts in each quarter are computed using the weighted-average number of shares outstanding during that quarter, while basic and diluted EPS for the full year is computed using the weighted-average number of shares outstanding during the year. Therefore, the sum of the four quarters' basic or diluted EPS may not equal the full year basic or diluted EPS.

SCHEDULE II

QUIDEL CORPORATION

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of period	Additions charged to expense or as reductions to revenue (1)	Deductions (2)	Balance at end of period
		(in thousands)		
Year ended December 31, 2016				
Accounts receivable allowance	$ 7,488	$ 28,329	$ (28,652)	$ 7,165
Year ended December 31, 2015:				
Accounts receivable allowance	$ 8,221	$ 31,532	$ (32,265)	$ 7,488
Year ended December 31, 2014:				
Accounts receivable allowance	$ 5,790	$ 23,447	$ (21,016)	$ 8,221

(1) Represents charges associated primarily to accruals for early payment discounts, volume discounts and contract rebates recorded as reductions to revenue. Additions to allowance for doubtful accounts are recorded to sales and marketing expenses.

(2) The deductions represent actual charges against the accrual described above.

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

None.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures: We have performed an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2016 to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in internal control over financial reporting: There was no change in our internal control over financial reporting during the three months ended December 31, 2016 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's report on internal control over financial reporting: Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control—Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2016.

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by Ernst & Young LLP, our independent registered public accounting firm, as stated in their report which is included in this Item 9A.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and
Stockholders of Quidel Corporation

We have audited Quidel Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Quidel Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Quidel Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Quidel Corporation as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016 of Quidel Corporation and our report dated February 16, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Diego, California
February 16, 2017

Item 9B. Other Information

2017 Annual Meeting of Stockholders

The Company's 2017 Annual Meeting of Stockholders will be held on Tuesday, May 16, 2017, beginning at 8:30 a.m. (local time) at the San Diego Marriott Del Mar, 11966 El Camino Real, San Diego, California 92130.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to our 2017 Proxy Statement, which will be filed with the SEC no later than April 30, 2017 (the "2017 Proxy Statement"). Information with respect to the Company's executive officers is included under Item 1 of this Annual Report.

Item 11. Executive Compensation

The information required by this item is incorporated by reference from our 2017 Proxy Statement.

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

The information required by this item is incorporated by reference from our 2017 Proxy Statement.

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

The information required by this item is incorporated by reference from our 2017 Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference from our 2017 Proxy Statement.

Part IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this Form 10-K:

(a) (1) Financial Statements

The Consolidated Financial Statements required by this Item are submitted in Part II, Item 8 of this form 10-K.

(2) Financial Statement Schedules

The following Financial Statement Schedule of Quidel Corporation for the years ended December 31, 2016, 2015 and 2014 is filed as part of this Annual Report in Part II, Item 8 and should be read in conjunction with the Consolidated Financial Statements of Quidel Corporation:

Schedule II. Consolidated Valuation and Qualifying Accounts.

Financial Statement Schedules not listed above have been omitted because of the absence of conditions under which they are required or because the required information is included in the Consolidated Financial Statements or the Notes thereto.

(3) Exhibits. See Paragraph 15(b) below.

(b) Exhibits

The exhibits listed on the accompanying Exhibit Index immediately following this Item 15 are filed as part of, and incorporated by reference into, this Annual Report on Form 10-K.

(c) Financial Statements required by Regulation S-X which are excluded from this Annual Report on Form 10-K by Rule 14(a)-3(b).

Not applicable.

EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Quidel Corporation. (Incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on February 27, 2015.)
3.2	Certificate of Amendment to the Restated Certificate of Incorporation of Quidel Corporation, effective as of May 5, 2015. (Incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on May 6, 2015.)
3.3	Amended and Restated Bylaws of Quidel Corporation. (Incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on May 21, 2012.)
4.1	Certificate of Designations of Series C Junior Participating Preferred Stock. (Incorporated by reference to Exhibit 4.1 to the Registrant's Form 10-Q for the quarter ended September 30, 2010.)
4.2	Specimen stock certification. (Incorporated by reference to Exhibit 4.6 to the Registrant's Registration Statement on Form S-3 filed on August 31, 2010.)
4.3	Indenture, dated as of December 1, 2014, between the Registrant and The Bank of New York Mellon Trust Company, N.A. (Incorporated by reference to Exhibit 4.8 to the Registrant's Registration Statement on Form S-3 filed on December 1, 2014.)
4.4	First Supplemental Indenture, dated as of December 8, 2014, by and between the Registrant and The Bank of New York Mellon Trust Company, N.A. (including the form of Notes). (Incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed on December 8, 2014.)
10.1(1)	Registrant's Amended and Restated 1983 Employee Stock Purchase Plan. (Incorporated by reference to Appendix B to the Registrant's Proxy Statement filed on April 14, 2016.)
10.2(1)	Registrant's Amended and Restated 2001 Equity Incentive Plan, effective as of May 12, 2009. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on May 18, 2009.)
10.3(1)	Registrant's Amended and Restated 2010 Equity Incentive Plan. (Incorporated by reference to Appendix A to the Registrant's Proxy Statement filed on April 1, 2014.)
10.4(1)	Form of Notice of Grant of Award and Award Agreement for Registrant's 2010 Equity Incentive Plan. (Incorporated by reference to Exhibit 4.6 to the Registrant's Registration Statement on Form S-8 filed on May 14, 2010.)
10.5(1)	Form of Restricted Stock Award Agreement for Registrant's 2010 Equity Incentive Plan. (Incorporated by reference to Exhibit 4.7 to the Registrant's Registration Statement on Form S-8 filed on May 14, 2010.)
10.6(1)	Registrant's 2016 Equity Incentive Plan. (Incorporated by reference to Appendix A to the Registrant's Proxy Statement filed on April 14, 2016.)
10.7(1)*	Form of Notice of Grant of Stock Options and Option Award Agreement for Registrant's 2016 Equity Incentive Plan.
10.8(1)*	Form of Restricted Stock Unit Award Grant Notice for Registrant's 2016 Equity Incentive Plan.
10.9(1)*	Form of Restricted Stock Unit Award Grant Notice (Deferred Compensation) for Registrant's 2016 Equity Incentive Plan.
10.10(1)*	Form of Restricted Stock Unit Award Terms and Conditions for Registrant's 2016 Equity Incentive Plan.
10.11	Settlement Agreement dated April 27, 2005 between the Registrant and Inverness Medical Innovations, Inc. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on May 3, 2005.)
10.12	Second Amendment to Quidel/Inverness Settlement Agreement dated September 27, 2011. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on September 28, 2011.)
10.13	Form of Single Tenant Absolute Net Lease. (Incorporated by reference to Exhibit 10.7 to the Registrant's Form 8-K filed on January 4, 2000.)

10.14	Second Amendment to Single Tenant Absolute Net Lease. (Incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed on December 29, 2009.)
10.15	Third Amendment to Single Tenant Absolute Net Lease. (Incorporated by reference to Exhibit 10.10 to Registrant's Form 10-K filed for the year ended December 31, 2015.)
10.16(1)	Form of Indemnification Agreement—Corporate Officer and/or Director. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on August 23, 2005.)
10.17(1)	Employment Agreement, dated as of January 16, 2009, between the Registrant and Douglas C. Bryant. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on January 20, 2009.)
10.18(1)	Agreement Re: Change in Control, dated as of January 16, 2009, between the Registrant and Douglas C. Bryant. (Incorporated by reference to Exhibit 10.4 to the Registrant's Form 8-K filed on January 20, 2009.)
10.19(1)	Employment Offer Letter, entered into on June 5, 2008, between the Registrant and Robert J. Bujarski. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on June 6, 2008.)
10.20(1)	Agreement Re: Change in Control, entered into on June 5, 2008, between the Registrant and Robert J. Bujarski. (Incorporated by reference to Exhibit 10.2 to Registrant's Form 8-K filed on June 6, 2008.)
10.21(1)	Randall Steward Employment Offer Letter, dated as of September 12, 2011. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on October 21, 2011.)
10.22(1)	Agreement Re: Change in Control, dated as of September 19, 2011, between the Registrant and Randall Steward. (Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on October 21, 2011.)
10.23(1)	Agreement Re: Change in Control, entered into on November 7, 2008, between the Registrant and John D. Tamerius, Ph.D. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on November 7, 2008.)
10.24(1)	Employment Offer Letter, dated April 24, 2014, between the Registrant and Werner Kroll. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q for the quarter ended June 30, 2014.)
10.25(1)	Agreement Re: Change in Control, entered into on May 9, 2014, between the Registrant and Werner Kroll. (Incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q for the quarter ended June 30, 2014.)
10.26(1)	2016 Cash Incentive Compensation Plan for the Registrant. (Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed on February 12, 2016.)
10.27(1)	2016 Employee Deferred Bonus Compensation Program. (Incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed on February 12, 2016.)
10.28(1)	2016 Equity Incentive Plan Grants to the Registrant's executive officers. (Incorporated by reference to Exhibit 10.3 of the Registrant's Form 8-K filed on February 12, 2016.)
10.29(1)	2016 Annual Base Salaries for the Registrant's executive officers, effective as of February 22, 2016. (Incorporated by reference to Exhibit 10.4 of the Registrant's Form 8-K filed on February 12, 2016.)
10.30	Amended and Restated Credit Agreement, by and among the Registrant, as Borrower, each lender from time to time party thereto (collectively, "Lenders" and individually, a "Lender") and Bank of America, N.A. as Agent, Swing Line Lender and L/C Issuer, dated as of August 10, 2012. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on August 10, 2012.)
10.31	Amended and Restated Security Agreement by and among the Registrant, as Borrower, the material subsidiaries of Borrower, each additional guarantor that may become a party thereto and Bank of America, N.A., as Agent, dated as of August 10, 2012. (Incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on August 10, 2012.)
10.32	Amendment No. 2 to Credit Agreement, by and among the Registrant, as Borrower, the material subsidiaries of Borrower, each additional guarantor that may become a party thereto and Bank of America, N.A., as Agent, Swing Line Lender and L/C Issuer, dated as of December 1, 2014. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on December 4, 2014.)
10.33	Amendment No. 3 to Credit Agreement, dated as of June 4, 2015, by and among Quidel Corporation, as Borrower, Diagnostic Hybrids, Inc., as Guarantor, each lender party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on June 5, 2015.)

10.34	Amendment No. 4 to Credit Agreement, dated as of August 6, 2015, by and among Quidel Corporation, as Borrower, Diagnostic Hybrids, Inc., as Guarantor, each lender party thereto, Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on August 12, 2015.)
10.35	Amendment No. 5 to Credit Agreement, dated as of March 25, 2016, by and among Quidel Corporation, as Borrower, Diagnostic Hybrids, Inc., as Guarantor, each lender party thereto, Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on March 30, 2016.)
10.36(1)	Employment Offer Letter, dated December 19, 2014, between the Registrant and Michael D. Abney, Jr. (Incorporated by reference to Exhibit 10.6 to the Registrant's Form 10-Q for the quarter ended March 31, 2015.)
10.37(1)	Agreement Re: Change in Control, entered into on January 19, 2015, between the Registrant and Michael D. Abney, Jr. (Incorporated by reference to Exhibit 10.7 to the Registrant's Form 10-Q for the quarter ended March 31, 2015.)
10.38(1)	Employment Offer Letter, dated October 4, 2015, between the Registrant and Edward K. Russell. (Incorporated by reference to Exhibit 10.2 the Registrant's Form 10-Q for the quarter ended September 30, 2015.)
10.39(1)	Agreement Re: Change in Control, entered into on October 12, 2015, between the Registrant and Edward K. Russell. (Incorporated by reference to Exhibit 10.3 the Registrant's Form 10-Q for the quarter ended September 30, 2015.)
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Independent Registered Public Accounting Firm.
31.1*	Certification by Principal Executive Officer of the Registrant pursuant to Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification by Principal Financial and Accounting Officer of the Registrant pursuant to Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certifications by Principal Executive Officer and Principal Financial and Accounting Officer of the Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Label Linkbase Document
101.PRE*	XBRL Taxonomy Presentation Linkbase Document
*	Filed / furnished herewith

(1) Indicates a management plan or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

QUIDEL CORPORATION

By /s/ DOUGLAS C. BRYANT

Douglas C. Bryant
President, Chief Executive Officer
(Principal Executive Officer)

Date: February 16, 2017

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

Signature	Title	Date
/s/ DOUGLAS C. BRYANT Douglas C. Bryant	Director, President, Chief Executive Officer (Principal Executive Officer)	February 16, 2017
/s/ RANDALL J. STEWARD Randall J. Steward	Chief Financial Officer, (Principal Financial and Accounting Officer)	February 16, 2017
/s/ KENNETH F. BUECHLER Kenneth F. Buechler	Chairman of the Board	February 16, 2017
/s/ THOMAS D. BROWN Thomas D. Brown	Director	February 16, 2017
/s/ MARY LAKE POLAN Mary Lake Polan	Director	February 16, 2017
/s/ JACK W. SCHULER Jack W. Schuler	Director	February 16, 2017
/s/ CHARLES P. SLACIK Charles P. Slacik	Director	February 16, 2017
/s/ KENNETH J. WIDDER Kenneth J. Widder	Director	February 16, 2017

QUIDEL SENIOR MANAGEMENT

Douglas C. Bryant
President and Chief Executive Officer

Randall J. Steward
Chief Financial Officer

Michael D. Abney, Jr.
SVP, Distribution

Robert J. Bujarski
SVP, Business Development and General Counsel

Werner Kroll, Ph.D.
SVP, Research and Development

Edward K. Russell
SVP, Global Commercial Operations

BOARD OF DIRECTORS

Kenneth F. Buechler, Ph.D.
Chairman of the Board, Quidel
Founder, Former President and CSO, Biosite Inc.

Thomas D. Brown
Retired SVP and President of the
Diagnostic Division of Abbott Laboratories

Douglas C. Bryant
President and Chief Executive Officer, Quidel

Mary Lake Polan, M.D., Ph.D., M.P.H.
Clinical Professor, Yale University School of Medicine

Jack W. Schuler
Co-Founder, Crabtree Partners, LLC

Charles P. Slacik
Former SVP and CFO for Beckman Coulter, Inc.

Kenneth J. Widder, M.D.
General Partner, LVP Life Science Ventures

ANNUAL MEETING

The Annual Meeting of shareholders will be held at 8:30 a.m., Tuesday, May 16, 2017, at:
San Diego Marriott Del Mar
11966 El Camino Real
San Diego, CA 92130

Outside Legal Counsel
Gibson, Dunn & Crutcher LLP
Irvine, California 92612

Snell & Wilmer, LLP
Phoenix, Arizona 85004

Independent Registered Public Accounting Firm
Ernst & Young LLP
San Diego, California 92101

Stockholder Inquiries
Inquiries related to stock transfer or lost certificates should be directed to the Transfer Agent.

Transfer Agent & Registrar
American Stock Transfer & Trust Company
59 Maiden Lane, Plaza Level,
New York, New York 10038
800.937.5449

Nasdaq Listing
Quidel common stock is traded on the Nasdaq Global Market under the symbol "QDEL."

Form 10-K and form 10-Q
A copy of the Company's Annual Report on form 10-K, Quarterly Reports on form 10-Q and other reports that we file with the Securities and Exchange Commission are available without charge upon request. Please contact Investor Relations.

Investor Relations
12544 High Bluff Drive, Suite 200
San Diego, California 92130 USA
858.552.7955
ir@quidel.com

Quidel's annual, quarterly, periodic reports, press releases and other information are located on Quidel's web site: quidel.com

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Quidel Corporation
Corporate Headquarters
12544 High Bluff Drive, Suite 200
San Diego, CA 92130 USA

Operations and R&D
10165 McKellar Court
San Diego, CA 92121 USA

Diagnostic Hybrids, Inc.
A Quidel Company
2005 East State Street, Suite 100
Athens, OH 45701 USA

BioHelix Corporation
A Quidel Company
500 Cummings, Suite 5500
Beverly, MA 01915 USA

Quidel Germany GmbH &
AnDiaTec Division
Leibnizstr. 11
70806 Kornwestheim, Germany

This annual report contains forward-looking statements within the meaning of the federal securities laws that involve material risks, assumptions and uncertainties. Many possible events or factors could affect our future financial results and performance, such that our actual results and performance may differ materially from those that may be described or implied in the forward-looking statements. As such, no forward-looking statement can be guaranteed. Differences in actual results and performance may arise as a result of a number of factors including, without limitation, fluctuations in our operating results resulting from seasonality, the timing of the onset, length and severity of cold and flu seasons, government and media attention focused on influenza and the related potential impact on humans from novel influenza viruses, adverse changes in competitive conditions in domestic and international markets, changes in sales levels as it relates to the absorption of our fixed costs, lower than anticipated market penetration of our products, the reimbursement system currently in place and future changes to that system, changes in economic conditions in our domestic and international markets, the quantity of our product in our distributors' inventory or distribution channels, changes in the buying patterns of our distributors, and changes in the healthcare market and consolidation of our customer base; our development and protection of intellectual property; our development of new technologies, products and markets; our reliance on a limited number of key distributors; our reliance on sales of our influenza diagnostics tests; our ability to manage our growth strategy, including our ability to integrate companies or technologies we have acquired or may acquire; intellectual property risks, including but not limited to, infringement litigation; our inability to settle conversions of our Convertible Senior Notes in cash; the effect on our operating results from the trigger of the conditional conversion feature of our Convertible Senior Notes; the possibility that we may incur additional indebtedness; our need for additional funds to finance our operating needs; volatility and disruption in the global capital and credit markets; acceptance of our products among physicians and other healthcare providers; competition with other providers of diagnostic products; adverse actions or delays in new product reviews or related to currently-marketed products by the U.S. Food and Drug Administration (the "FDA"); changes in government policies; compliance with other government regulations, such as safe working conditions, manufacturing practices, environmental protection, fire hazard and disposal of hazardous substances; third-party reimbursement policies; our ability to meet demand for our products; interruptions in our supply of raw materials; product defects; business risks not covered by insurance and exposure to other litigation claims; interruption to our computer systems; competition for and loss of management and key personnel; international risks, including but not limited to, compliance with product registration requirements, exposure to currency exchange fluctuations and foreign currency exchange risk sharing arrangements, longer payment cycles, lower selling prices and greater difficulty in collecting accounts receivable, reduced protection of intellectual property rights, political and economic instability, taxes, and diversion of lower priced international products into U.S. markets; dilution resulting from future sales of our equity; volatility in our stock price; provisions in our charter documents, Delaware law and our Convertible Senior Notes that might delay or impede stockholder actions with respect to business combinations or similar transactions; and our intention of not paying dividends. Forward-looking statements typically are identified by the use of terms such as "may," "will," "should," "might," "expect," "anticipate," "estimate," "plan," "intend," "goal," "project," "strategy," "future," and similar words, although some forward-looking statements are expressed differently. The risks described under "Risk Factors" in Item 1A of this annual report and elsewhere herein and in reports and registration statements that we file with the Securities and Exchange Commission (the "SEC") from time to time should be carefully considered. You are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of this annual report. Except as required by law, we undertake no obligation to publicly release the results of any revision or update of these forward-looking statements, whether as a result of new information, future events or otherwise.

QUIDEL®

Notice of 2017 Annual Meeting of Shareholders and Proxy Statement

QUIDEL

QUIDEL CORPORATION
12544 High Bluff Drive, Suite 200
San Diego, CA 92130
(858) 552-1100

April 13, 2017

To Our Stockholders:

I am pleased to invite you to attend the Annual Meeting of Stockholders, which will be held on Tuesday, May 16, 2017, at 8:30 a.m., local time, at the San Diego Marriott Del Mar, 11966 El Camino Real, San Diego, California 92130. At the Annual Meeting, you will be asked to consider and vote upon: (i) the election of the seven directors designated herein to the Board of Directors; (ii) the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2017; (iii) advisory approval of the Company's executive compensation; (iv) the frequency of future advisory votes on the Company's executive compensation; and (v) such other business as may properly be presented at the Annual Meeting or any adjournments or postponements thereof.

Enclosed are the Notice of the Annual Meeting, the Proxy Statement and accompanying proxy card and a copy of our Annual Report to Stockholders.

It is important that your shares be represented and voted at our Annual Meeting. You may vote your shares via the Internet, by telephone or by completing and returning the enclosed proxy card.

Our Board of Directors, officers and I look forward to seeing you at our Annual Meeting.

Sincerely yours,

Douglas C. Bryant
President and Chief Executive Officer
QUIDEL CORPORATION

QUIDEL CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held On May 16, 2017

To Our Stockholders:

The Annual Meeting of Stockholders of Quidel Corporation will be held on Tuesday, May 16, 2017, at 8:30 a.m., local time, at the San Diego Marriott Del Mar, 11966 El Camino Real, San Diego, California 92130, for the following purposes:

1. To elect the seven directors designated herein to serve on the Board of Directors to hold office until the 2018 Annual Meeting of Stockholders and until their successors are elected and qualified;

2. To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2017;

3. To obtain advisory approval of the Company's executive compensation;

4. To obtain advisory approval of the frequency of future advisory votes on the Company's executive compensation; and

5. To transact such other business as may properly be presented at the Annual Meeting or any adjournments or postponements thereof.

Only stockholders of record at the close of business on March 22, 2017 are entitled to receive notice of and to vote at the Annual Meeting and any adjournments or postponements thereof.

The Board of Directors of Quidel Corporation unanimously recommends that the stockholders vote FOR the seven nominees for the Board of Directors named in the accompanying Proxy Statement; FOR the ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm; FOR the advisory approval of the Company's executive compensation; and to conduct an advisory vote on the Company's executive compensation every ONE YEAR.

All stockholders are cordially invited to attend the Annual Meeting. It is important that your shares be represented and voted at the Annual Meeting whether or not you plan to attend the Annual Meeting. You may vote your shares via the Internet, by telephone or by completing and returning a proxy card. If you attend the Annual Meeting and wish to do so, you may vote your shares in person even if you have signed and returned your proxy card. Specific voting instructions are set forth in the accompanying Proxy Statement and on the proxy card.

By Order of the Board of Directors,

Douglas C. Bryant
President and Chief Executive Officer
QUIDEL CORPORATION

San Diego, California
April 13, 2017

TABLE OF CONTENTS

	Page
SUMMARY PROXY INFORMATION	i
RECORD DATE AND VOTING	1
BOARD OF DIRECTORS AND CORPORATE GOVERNANCE	3
*PROPOSAL 1 ELECTION OF DIRECTORS	3
Board Leadership Structure and Risk Oversight	5
Board of Directors Meetings, Committees of the Board and Related Matters	5
Director Independence	6
Audit Committee	6
Report of the Audit Committee of the Board of Directors	6
Independent Registered Public Accounting Firm	7
Policy on Audit Committee Pre-approval of Audit and Permissible Non-audit Services	7
Review and Approval of Related Party Transactions	7
Related Party Transactions	8
Compensation Committee	8
Compensation Committee Report	8
Compensation Committee Interlocks and Insider Participation	9
Nominating and Corporate Governance Committee	9
Meetings of Non-Management Directors	9
Director Nominations	9
Director Qualifications	10
Communications with the Board of Directors	10
Director Attendance at Annual Meetings	11
Code of Business Conduct and Ethics	11
Access to Corporate Governance Documentation and Other Information Available on Our Website	11
DIRECTOR COMPENSATION	12
EXECUTIVE COMPENSATION	14
Compensation Discussion and Analysis	14
Summary Compensation Table	22
Grants of Plan-Based Awards in Fiscal Year 2016	24
Outstanding Equity Awards at 2016 Fiscal Year-End	26
Option Exercises and Stock Vested in Fiscal Year 2016	27
Nonqualified Deferred Compensation	28
Employment, Change in Control and Severance Arrangements	28
Potential Post-Employment Payments	30
GENERAL INFORMATION	
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	32
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE	35
SECURITIES AVAILABLE FOR ISSUANCE UNDER OUR EQUITY COMPENSATION PLANS	35
OTHER PROXY PROPOSALS	
*PROPOSAL 2 RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	36
*PROPOSAL 3 ADVISORY APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION	37
*PROPOSAL 4 ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION	38
MEETING AND OTHER INFORMATION	39
Stockholder Proposals	39
Annual Report	39
Internet Availability of Proxy Materials	39
Forward-Looking Statements	40
Other Business	40
* Indicates matters to be voted on at the Annual Meeting.	

SUMMARY PROXY INFORMATION

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should review this entire Proxy Statement, as well as our Annual Report on Form 10-K for the year 2016.

ANNUAL MEETING

Time and date:	8:30 a.m. (Local Time), May 16, 2017	*Record date:*	March 22, 2017
Place:	San Diego Marriott Del Mar 11966 El Camino Real San Diego, California 92130	*Voting:*	Stockholders as of record date are entitled to vote

PROPOSALS AND VOTING RECOMMENDATIONS

Proposal	Board Recommendation	Page Reference
Proposal No. 1 - Election of Seven (7) Directors	For All Nominees	3
Proposal No. 2 - Ratification of Ernst and Young LLP as Auditors for 2017	FOR	36
Proposal No. 3 - Advisory (Non-Binding) Vote on Executive Compensation	FOR	37
Proposal No. 4 - Advisory (Non-Binding) Vote on Frequency of Vote on Executive Compensation	ONE YEAR	38

DIRECTOR NOMINEES

Incumbent director nominees received an average vote of 99% of votes cast in 2016

We are seeking your vote FOR all of the director nominees below:

Name	Age	Year First Elected By Shareholders	Principal Occupation
Douglas C. Bryant	59	2009	President and Chief Executive Officer, Quidel Corporation
Thomas D. Brown	69	2004	Retired Senior Vice President and President of the Diagnostics Division of Abbott Laboratories
Kenneth F. Buechler, Ph.D.	63	2007	Founder and former President and Chief Scientific Officer of Biosite, Inc.
Mary Lake Polan, M.D, Ph.D., M.P.H.	73	1993	Clinical Professor of Obstetrics, Gynecology and Reproductive Sciences, Yale University School of Medicine
Jack W. Schuler	76	2016	Co-founder, Crabtree Partners, LLC, a private investment company
Charles P. Slacik	63	2015	Former Senior Vice President and Chief Financial Officer for Beckman Coulter Inc.
Kenneth J. Widder, M.D.	64	2014	General Partner, LVP Life Science Ventures

Corporate Governance Highlights

BOARD COMPOSITION

- ✓ All independent directors, except for CEO director
- ✓ Separate Board Chair and CEO roles
- ✓ Independent Board Chair
- ✓ Independent chairpersons and members of all Board Committees
- ✓ Seasoned Board with diverse experience and industry specific expertise
- ✓ Balanced Board tenure

BOARD ACCOUNTABILITY

- ✓ Annual election of directors
- ✓ Annual Board and committee evaluations
- ✓ Regularly-held executive sessions of non-management directors
- ✓ Robust executive and director equity ownership guidelines
- ✓ Independent Board approval of CEO compensation

STOCKHOLDER INTERESTS

- ✓ Active stockholder engagement practices
- ✓ Annual Say on Pay vote
- ✓ Stockholders may call special meetings
- ✓ One single voting class
- ✓ No poison pill

RISK OVERSIGHT

- ✓ Comprehensive risk oversight by the Board and individual committee as well as employees
- ✓ Risk management principles implemented in management processes and in employee reporting responsibilities
- ✓ Robust risk reporting system which provides timely and comprehensive information to the Board

Auditor Matters

As a matter of good corporate practice, we are seeking your ratification of Ernst & Young LLP as our independent registered public accounting firm for the 2017 fiscal year.

Executive Compensation

Consistent with our Board's recommendation and our stockholders' prior indicated preference, we propose an advisory vote to approve our executive compensation annually. Accordingly, we are seeking your approval, on an advisory basis, of the compensation of our Named Executive Officers, as further described in the "*Compensation Discussion and Analysis*" section of this Proxy Statement. In addition, at this year's annual meeting we are seeking your advisory vote on the frequency of future say-on-pay votes.

For a summary of our executive compensation and 2016 performance highlights, please refer to the "*Executive Compensation*" section of this Proxy Statement on page 14.

QUIDEL CORPORATION

Principal Executive Offices
12544 High Bluff Drive, Suite 200
San Diego, California 92130
(858) 552-1100

ANNUAL MEETING OF STOCKHOLDERS
May 16, 2017

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Quidel Corporation for use at the 2017 Annual Meeting of Stockholders to be held on Tuesday, May 16, 2017, at 8:30 a.m., local time, at the San Diego Marriott Del Mar, 11966 El Camino Real, San Diego, California 92130, and at any and all adjournments and postponements of the Annual Meeting. This Proxy Statement and the accompanying proxy card will first be sent to stockholders on or about April 13, 2017.

We will pay the expenses in connection with this solicitation. Our employees may solicit proxies by mail, in person, by telephone, facsimile or other electronic means and will not receive any additional compensation for such solicitations. We will also pay brokers or other nominees for the expenses of forwarding soliciting material to beneficial owners.

RECORD DATE AND VOTING

The close of business on March 22, 2017 has been fixed as the record date (the "Record Date") for determining the stockholders entitled to notice of and to vote at the Annual Meeting. On the Record Date, 33,141,675 shares of our voting common stock were outstanding. Each share of such common stock is entitled to one vote on any matter that may be presented for consideration and action by the stockholders at the Annual Meeting. A quorum is required to transact business at the Annual Meeting. The holders of a majority of the outstanding shares of common stock on the Record Date and entitled to be voted at the Annual Meeting, present in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting and any adjournments and postponements thereof. Abstentions and broker non-votes are counted for the purpose of determining the presence or absence of a quorum for the transaction of business.

Where a stockholder has directed how his or her proxy is to be voted, it will be voted according to the stockholder's directions. If your shares are held in a brokerage account or by another nominee, you are considered the "beneficial owner" of shares held in "street name," and this proxy and the related materials are being forwarded to you by your broker or nominee (the "record holder") along with a voting instruction card. As the beneficial owner, you have the right to direct your record holder regarding how to vote your shares, and the record holder is required to vote your shares in accordance with your instructions. If a proposal is routine, a broker or other entity holding shares for a beneficial owner in street name may vote on the proposal without voting instructions from the owner. If a proposal is non-routine, the broker or other entity may vote on the proposal only if the beneficial owner has provided voting instructions. A "broker non-vote" occurs when the broker or other entity is unable to vote on a proposal because the proposal is non-routine and the beneficial owner does not provide instructions.

If you do not give voting instructions to your record holder prior to the Annual Meeting, the record holder will be entitled to vote your shares in its discretion only on Proposal 2 (Ratification of Selection of Independent Registered Public Accounting Firm) and will not be able to vote your shares on Proposal 1 (Election of Directors), Proposal 3 (Advisory Approval of the Company's Executive Compensation) or Proposal 4 (Advisory Vote to Determine the Frequency of Future Advisory Votes on Executive Compensation), and your shares will be treated as a "broker non-vote" on those proposals. We are not aware of any other matters to be presented at the Annual Meeting except for those described in this Proxy Statement. However, if any other matters not described in this Proxy Statement are properly presented at the Annual Meeting, the persons named as proxies will use their own judgment to determine how to vote your shares. If the Annual Meeting is adjourned, your shares may be voted by the persons named as proxies on the new meeting date as well, unless you have revoked your proxy instructions prior to that time.

With regard to the election of directors, votes may be cast in favor of a director nominee or withheld. Because directors are elected by plurality, broker non-votes will have no effect on its outcome. If a quorum is present at the Annual Meeting, the nominees receiving the greatest number of votes (up to seven directors) will be elected. For Proposal 2 (Ratification of Selection of Independent Registered Public Accounting Firm) and Proposal 3 (Advisory Approval of the Company's Executive Compensation), the affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter is required for approval. For Proposal 4 (Advisory Vote on the Frequency of Future Advisory Votes on Executive Compensation), the frequency option (i.e., every year, every two years or every three years) that receives the plurality of votes cast on this proposal will be deemed the preferred option of stockholders. With regard to

Proposals 2 and 3, abstentions will be counted in the tabulations of the votes cast and will have the same effect as a vote against such proposal, whereas broker non-votes will not be counted for purposes of determining whether a proposal has been approved and accordingly will have no effect on the outcome of the vote on such proposal. Abstentions and broker non-votes will have no effect on the outcome of Proposal 1 (Election of Directors) or Proposal 4 (Advisory Vote on the Frequency of Future Advisory Votes on Executive Compensation). Unless otherwise designated, each signed proxy submitted by a stockholder will be voted:

- FOR each of the seven nominees named below for election as directors;
- FOR ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2017;
- FOR the advisory approval of the Company’s executive compensation; and
- FOR ONE YEAR with respect to the frequency with which future non-binding advisory votes on the Company's executive compensation will be held.

Shares may be voted via the Internet, by telephone or by completing and returning a proxy card. Any stockholder has the power to revoke his or her proxy at any time before it is voted at the Annual Meeting by submitting a written notice of revocation to the Secretary of the Company or by timely filing a duly executed proxy bearing a later date. The proxy will not be voted if the stockholder who executed it is present at the Annual Meeting and elects to vote in person the shares represented by the proxy. Attendance at the Annual Meeting will not by itself revoke a proxy.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

PROPOSAL 1

ELECTION OF DIRECTORS

Nominees for Election

Our directors are elected at each annual meeting of stockholders. At the Annual Meeting, seven directors will be elected to serve until the next annual meeting of stockholders and until their successors are elected and qualified. The nominees receiving the greatest number of votes (up to seven directors) at the Annual Meeting will be elected.

Each of the nominees set forth below for election as a director is an incumbent director. Each of the nominees has consented to serve as a director if elected. Unless authority to vote for any director nominee is withheld in a proxy, it is intended that each proxy will be voted FOR each of the nominees. If, before the Annual Meeting, any of the nominees for director should become unable to serve if elected, it is intended that shares represented by proxies will be voted for such substitute nominees, if any, as may be recommended by our existing Board of Directors, unless other directions are given in the proxies.

Name of Nominee	Age	Principal Occupation	Director Since
Thomas D. Brown	69	Retired Senior Vice President and President of the Diagnostics Division of Abbott Laboratories	2004
Douglas C. Bryant	59	President and Chief Executive Officer, Quidel Corporation	2009
Kenneth F. Buechler, Ph.D.	63	Founder and former President and Chief Scientific Officer of Biosite, Inc.	2007
Mary Lake Polan, M.D., Ph.D., M.P.H.	73	Clinical Professor of Obstetrics, Gynecology and Reproductive Sciences, Yale University School of Medicine	1993
Jack W. Schuler	76	Co-founder, Crabtree Partners, LLC, a private investment company	2006
Charles P. Slacik	63	Former Senior Vice President and Chief Financial Officer for Beckman Coulter Inc.	2015
Kenneth J. Widder, M.D.	64	General Partner, LVP Life Science Ventures	2014

Vote Required and Board Recommendation

The nominees for election as directors will be elected by a plurality of the votes of the shares present in person or represented by proxy and entitled to vote on the proposal at the Annual Meeting. **Our Board of Directors recommends that the stockholders vote FOR the seven nominees named below for election to the Board of Directors.**

Biographical Information

THOMAS D. BROWN was appointed to our Board of Directors in December 2004. Prior to his retirement in 2002, Mr. Brown had a 28-year career in the healthcare industry where he held various sales, marketing and executive positions within Abbott Laboratories, a broad-based healthcare company. From 1998 to 2002, Mr. Brown was Senior Vice President and President of the Diagnostics Division. From 1993 to 1998, Mr. Brown was Corporate Vice President Worldwide Commercial Operations. From 1992 to 1993, Mr. Brown was Divisional Vice President Worldwide Commercial Operations. From 1987 to 1992, Mr. Brown was Divisional Vice President and General Manager, Western Hemisphere Commercial Operations. Mr. Brown served on the Board of Directors of Cepheid, a molecular diagnostics company, until its acquisition in November of 2016. Mr. Brown currently serves on the Board of Directors of Stericycle, Inc., a medical waste management and healthcare compliance services company and Accelerate Diagnostics, Inc., a medical device company. Mr. Brown holds a B.A. degree from the State University of New York at Buffalo.

DOUGLAS C. BRYANT was appointed to our Board of Directors in February 2009 and became our President and Chief Executive Officer in March 2009. Prior to joining us, Mr. Bryant served as Executive Vice President and Chief Operating

Officer at Luminex Corporation, managing its Bioscience Group, Luminex Molecular Diagnostics (Toronto), manufacturing, R&D, technical operations and commercial operations. From 1983 to 2007, Mr. Bryant held various worldwide commercial operations positions with Abbott Laboratories including, among others: Vice President of Abbott Vascular for Asia/Japan, Vice President of Abbott Molecular Global Commercial Operations and Vice President of Abbott Diagnostics Global Commercial Operations. Earlier in his career with Abbott, Mr. Bryant was Vice President of Diagnostic Operations in Europe, the Middle East and Africa and Vice President of Diagnostic Operations Asia Pacific. Mr. Bryant has over 30 years of industry experience in sales and marketing, product development, manufacturing and service and support in both the diagnostics and life sciences markets. Mr. Bryant holds a B.A. in Economics from the University of California at Davis.

KENNETH F. BUECHLER, Ph.D. was appointed to our Board of Directors in November 2007. Dr. Buechler was President, Chief Scientific Officer and co-founder of Biosite Inc. From 1988 to 1994, Dr. Buechler was Biosite's Director of Chemistry. Prior to co-founding Biosite, Dr. Buechler was a senior research scientist for the diagnostics research and development group at Hybritech Incorporated. Dr. Buechler received his Ph.D. in biochemistry and his bachelor's degree in chemistry from Indiana University. Dr. Buechler was a director of Sequenom Inc., a life sciences company, until its acquisition in September 2016. He is currently a director of Sotera Wireless Inc., a technology solutions company, Astute Medical Inc., a company that develops biomarkers for acute medical conditions and Edico Genome Inc., a DNA sequencing technology company.

MARY LAKE POLAN, M.D., Ph.D., M.P.H. was appointed to our Board of Directors in February 1993. She was an Adjunct Professor in the Department of Obstetrics and Gynecology at Columbia University School of Medicine from 2007 to 2014 and then in 2015 rejoined the Department of Obstetrics and Gynecology at Yale University School of Medicine as Clinical Professor. She was a Professor and Chair Emerita of the Department of Gynecology and Obstetrics at Stanford University School of Medicine where she served from 1990 to 2005. Dr. Polan received a B.A. degree from Connecticut College, a Ph.D. in Molecular Biophysics and Biochemistry and an M.D. from Yale University School of Medicine and her Masters in Public Health from the University of California, Berkeley. Dr. Polan remained at Yale New Haven Hospital for her residency in Obstetrics and Gynecology, followed by a Reproductive Endocrine Fellowship. Dr. Polan was on the faculty at Yale University until 1990, when she joined Stanford University. Dr. Polan is a practicing clinical Reproductive Endocrinologist with a research interest in ovarian function and granulosa cell steroidogenesis. More recently, Dr. Polan's interests have been in the interaction between the immune and endocrine systems: the role of monokines in reproductive events and gene expression in stress urinary incontinence as well as brain activation in human sexual function.

JACK W. SCHULER was appointed to our Board of Directors in February 2006. Mr. Schuler has been on the Board of Directors of Stericycle, Inc., a medical waste management and healthcare compliance services company, since March 1989 and currently serves as Lead Director. Mr. Schuler also currently serves on the Board of Directors of Accelerate Diagnostics, Inc., a medical diagnostics company. Mr. Schuler is also a co-founder of Crabtree Partners, LLC, a Chicago-based venture capital firm which was formed in 1995. Prior to 1990, Mr. Schuler held various executive positions at Abbott Laboratories, a broad-based healthcare company, from December 1972 through August 1989, most recently serving as President and Chief Operating Officer. Mr. Schuler also recently served on the Board of Directors of Medtronic Inc. from 1990 through 2013 and Hansen Medical, Inc., a medical technology company, from 2013 until January 2016. Mr. Schuler holds a B.S. in Mechanical Engineering from Tufts University and an M.B.A. from Stanford University.

CHARLES P. SLACIK was appointed to our Board of Directors in November 2015. Mr. Slacik has more than 30 years of executive experience in the health care industry, serving most recently as the Senior Vice President and Chief Financial Officer for Beckman Coulter Inc. from October 2006 until its acquisition in June 2011. Mr. Slacik recently served as a Member of the Board of STAAR Surgical Company, a medical device company, from September 2012 through September 2015 and as a Member of the Board and Chair of the Audit Committee at Sequenom, Inc., a life sciences company, from September 2012 until its acquisition in September 2016. Mr. Slacik received his B.S. in Accounting and Finance from the University of Connecticut and is a certified public accountant.

KENNETH J. WIDDER, M.D. was appointed to our Board of Directors in November 2014. Dr. Widder has more than 30 years of experience working with biomedical companies and has been a General Partner with LVP Life Science Ventures, a venture capital company for biotechnology and medical device start-ups, since 2007. Dr. Widder is also a member of the Board of Directors of Evoke Pharma Inc., a pharmaceutical company. He holds an M.D. from Northwestern University and trained in pathology at Duke University.

Board Leadership Structure and Risk Oversight

The Board of Directors believes that separate individuals should hold the positions of Chair of the Board and Chief Executive Officer, and that the Chair should not be an employee of the Company. Under our corporate governance principles, the Chair of the Board is responsible for coordinating Board activities, including the scheduling of meetings and executive sessions of the non-employee directors and the relevant agenda items in each case (in consultation with the Chief Executive Officer as appropriate). The Board of Directors believes this leadership structure enhances the Board's oversight of and independence from our management and the ability of the Board to carry out its roles and responsibilities on behalf of our stockholders.

The Company takes a comprehensive approach to risk management. We believe risk can arise in every decision and action taken by the Company, whether strategic or operational. The Company, therefore, seeks to include risk management principles in all of its management processes and in the responsibilities of its employees at every level. Our comprehensive approach is reflected in the reporting processes by which our management provides timely and comprehensive information to the Board of Directors to support the Board's role in oversight, approval and decision-making.

The Board of Directors closely monitors the information it receives from management and provides oversight and guidance to our management team concerning the assessment and management of risk. The Board approves the Company's high level operating objectives, goals, strategies and policies to set the tone and direction for appropriate risk taking within the business. The Board and its committees then emphasize this tone and direction in its oversight of management's implementation of the Company's operating objectives, goals, strategies and policies.

Our senior executives provide the Board and its committees with regular updates about the Company's strategies and objectives and the risks inherent within them at Board and committee meetings and in regular reports. Board and committee meetings also provide a venue for directors to discuss issues with management. The Board and committees call special meetings when necessary to address specific issues or take specific actions. In addition, our directors have access to Company management at all levels to discuss any matters of interest, including those related to risk. Those members of management most knowledgeable of the issues often attend Board meetings to provide additional insight into items being discussed, including risk exposures.

The Board of Directors has delegated oversight for matters involving certain specific areas of risk exposure to its three standing committees. Each committee generally reports to the Board of Directors at regularly scheduled Board meetings, and more frequently if appropriate, with respect to matters and risks for which that committee provides oversight. The specific responsibilities of each of our Board committees are more fully described below under the headings "Audit Committee," "Compensation Committee" and "Nominating and Corporate Governance Committee."

Board of Directors Meetings, Committees of the Board and Related Matters

The Board of Directors currently has standing Audit, Compensation, and Nominating and Corporate Governance Committees. The Board of Directors held six meetings, excluding committee meetings, during the year ended December 31, 2016. All directors attended at least 75% of all meetings of the Board of Directors and its committees, if any, upon which the directors served during the year ended December 31, 2016. Dr. Buechler currently serves as Chair of the Board. Information about our directors and our Board Committees in 2016 and 2017 follows.

	Committee		
Director Name	**Audit**	**Compensation**	**Nominating and Corporate Governance**
Thomas D. Brown		**Chair**	
Douglas C. Bryant			
Kenneth F. Buechler, Ph.D.	✓		✓
Mary Lake Polan, M.D., Ph.D., M.P.H.		✓	
Jack W. Schuler(1)			✓
Charles P. Slacik(2)	**Chair**	✓	
Kenneth J. Widder, M.D.(3)	✓		**Chair**
Number of Committee Meetings Held in 2016:	6	1	1

✓ = Committee Member **Chair** = Committee Chair

(1) Mr. Schuler stepped down from the Compensation Committee and the Chair role on the Nominating and Corporate Governance Committee effective as of February 28, 2017.

(2) Mr. Slacik was appointed to the Compensation Committee upon Mr. Schuler's departure from the committee on February 28, 2017.
(3) Mr. Widder was appointed Chair of the Nominating and Corporate Governance Committee upon Mr. Schuler's departure down from the Chair role of the Committee on February 28, 2017.

Director Independence

Our Board of Directors has determined that each of our directors, with the exception of Mr. Bryant, is independent within the meaning of Nasdaq Marketplace Rule 5605(a)(2) as adopted by The Nasdaq Stock Market LLC ("Nasdaq"), as well as by enhanced independence standards contained in Nasdaq's rules that relate specifically to audit and compensation committees. Mr. Bryant who serves as our President and Chief Executive Officer is not considered to be independent because of his employment with us.

Audit Committee

The Audit Committee is responsible for assisting the Board of Directors in overseeing our accounting and financial reporting processes and the audits of our consolidated financial statements. In addition, the Audit Committee assists the Board of Directors in its oversight of our compliance with legal and regulatory requirements. Under the Audit Committee's written charter, the specific duties of the Audit Committee include, among others: monitoring the integrity of our financial process and systems of internal controls regarding finance, accounting and legal compliance; selecting our independent registered public accounting firm; monitoring the independence and performance of our independent registered public accounting firm; and providing an avenue of communication among our independent registered public accounting firm, our management and our Board of Directors. The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to all of our employees and to our independent registered public accounting firm. The Audit Committee also has the ability to retain, at our expense and without further approval of the Board of Directors, special legal, accounting or other consultants or experts that it deems necessary in the performance of its duties.

The Audit Committee has been established in accordance with applicable Nasdaq and Securities and Exchange Commission ("SEC") rules and regulations. Our Board of Directors has also determined that Mr. Slacik qualifies as an "audit committee financial expert" within the meaning of the SEC's rules and regulations. Information about Mr. Slacik's past business and educational experience is included below under the caption "--Director Qualifications" and above under the caption "Board of Directors--Proposal No. 1--Election of Directors--Biographical Information."

Report of the Audit Committee of the Board of Directors

The Audit Committee oversees our financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the consolidated financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2016 with management, including a discussion of the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the consolidated financial statements.

The Audit Committee has discussed and reviewed with our independent registered public accounting firm all matters required to be discussed by the Public Company Accounting Oversight Board (PCAOB) Accounting Standard No. 1301 (Communications with Audit Committees), as may be modified or supplemented. The Audit Committee has met with the independent registered public accounting firm to discuss the overall scope and plans for the independent registered public accounting firm's audit, the results of its examinations, its evaluations of our internal controls and the overall quality of our accounting and financial reporting. The Audit Committee also discussed with the independent registered public accounting firm its judgments as to the substance and clarity, not just the acceptability, of our accounting principles and financial statement disclosures. The Audit Committee has also considered whether the independent registered public accounting firm's provision of non-audit services to us is compatible with the independent registered public accounting firm's independence.

The Audit Committee also reviewed management's report on its assessment of the effectiveness of our internal control over financial reporting and Ernst & Young LLP's report on the effectiveness of internal control over financial reporting.

The Audit Committee has received from the independent registered public accounting firm a formal written statement describing all relationships between the independent registered public accounting firm and us that might bear on the independent registered public accounting firm's independence consistent with PCAOB Rule 3526 (Communication with Audit Committees Concerning Independence), discussed with the independent registered public accounting firm any relationships

that may impact its objectivity and independence, and has satisfied itself as to the independent registered public accounting firm's independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board of Directors has approved) that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Audit Committee

Charles P. Slacik (Chair)
Kenneth F. Buechler, Ph.D.
Kenneth J. Widder, M.D.

This Report of the Audit Committee of the Board of Directors does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any Company filing under the Securities Act of 1933, as amended (the "Securities Act") or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except to the extent the Company specifically incorporates this report.

Independent Registered Public Accounting Firm

Our Audit Committee retained Ernst & Young LLP to serve as our independent registered public accounting firm for the fiscal year ended December 31, 2016. Set forth below are the aggregate fees agreed to by the Company for audit and other professional services rendered by our independent registered public accounting firm for the fiscal years ended December 31, 2016 and 2015.

	Fiscal Years Ended December 31,	
	2016	2015
Audit fees(1)	$ 1,116,231	$ 1,315,663
Audit-related fees(2)	—	1,201,586
Tax fees(3)	7,269	34,443
All other fees	—	—
Total fees	$ 1,123,500	$ 2,551,692

(1) Audit fees represent fees for professional services provided in connection with the audit of our consolidated financial statements, review of quarterly consolidated financial statements, audit of compliance under Section 404 of the Sarbanes-Oxley Act of 2002, accounting consultations, assistance with and review of documents filed with the SEC and services provided in connection with statutory and regulatory filings.
(2) Audit-related fees consisted primarily of accounting consultations regarding due diligence and application of accounting standards.
(3) For fiscal years 2016 and 2015, tax fees primarily included tax compliance, tax advice and tax planning fees.

Policy on Audit Committee Pre-approval of Audit and Permissible Non-audit Services

The Audit Committee has the responsibility for appointing, compensating, retaining and overseeing the work of the independent registered public accounting firm. The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The Audit Committee may also pre-approve particular services on a case-by-case basis. In assessing requests for services by our independent registered public accounting firm, the Audit Committee considers whether such services are consistent with the auditor's independence, whether the independent registered public accounting firm is likely to provide the most effective and efficient service, and whether the service could enhance our ability to manage or control risk or improve audit quality.

All of the audit, audit-related, tax-related and all other fees provided by Ernst & Young LLP in fiscal years 2016 and 2015 (and as described in the footnotes to the table above) were approved in advance by the Audit Committee.

Review and Approval of Related Party Transactions

Our Audit Committee reviews all relationships, transactions and arrangements in which the Company and any director, nominee for director, officer and greater than 5% beneficial holder of Company stock or any immediate family member of any of the foregoing are participants ("Interested Transactions") to determine whether such persons have a direct or indirect material interest and whether to approve, disapprove or ratify an Interested Transaction. We have written policies and

procedures for monitoring and seeking approval in connection with any Interested Transaction. Our legal and finance departments assist in monitoring Interested Transactions and our Audit Committee reviews, approves (or disapproves) or ratifies Interested Transactions. In considering whether to approve or ratify an Interested Transaction, the Audit Committee takes into account, among other factors it deems appropriate, whether the Interested Transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar terms and conditions and the extent of the related person's interest in the Interested Transaction. In addition, our written policy provides that no director shall participate in any discussion or approval of an Interested Transaction for which he or she is a related party, except that the director shall provide all material information concerning the Interested Transaction to the Audit Committee.

Related Party Transactions

No director, executive officer, nominee for election as a director or any beneficial holder of more than 5% of our outstanding capital stock had any material interest, direct or indirect, in any reportable transaction with us during the 2016 fiscal year or since the commencement of the current fiscal year, or any reportable business relationship with us during such time.

Compensation Committee

The Compensation Committee is responsible for assisting the Board of Directors in discharging its responsibilities regarding the compensation of our employees and directors. Under the Compensation Committee's written charter, the specific duties of the Compensation Committee include, among other matters: reviewing and approving (or recommending to the Board of Directors for approval) corporate goals and objectives relevant to executive compensation; evaluating our executive officers' performance in light of such goals and objectives; determining (or recommending to the Board of Directors for determination) the compensation levels of our executive officers based on such evaluations; administering our incentive compensation plans, including our equity-based incentive plans; and making recommendations to our Board of Directors regarding our overall compensation structure, policies and programs. The Compensation Committee also has the ability to retain, at our expense and without further approval of the Board of Directors, compensation consultants and advisors that it deems necessary in the performance of its duties.

Compensation Committee Report

The Compensation Committee of the Board of Directors has reviewed the "Compensation Discussion and Analysis" in this proxy statement, and discussed that analysis with management. Based on its review and discussions with management, the Compensation Committee recommended to our Board of Directors that the "Compensation Discussion and Analysis" section be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and this Proxy Statement. This report is provided by the following independent directors, who comprise the Compensation Committee:

Compensation Committee

Thomas D. Brown (Chair)
Mary Lake Polan, M.D., Ph.D., M.P.H.
Charles P. Slacik

This Compensation Committee Report does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any Company filing under the Securities Act or the Exchange Act, except to the extent the Company specifically incorporates this report.

Compensation Committee Interlocks and Insider Participation

Mr. Brown, Dr. Polan and Mr. Slacik are not current or former officers or employees of ours, and none has engaged in any transaction that would be required to be disclosed in this Proxy Statement by Item 404 of Regulation S-K. There is no relationship that requires disclosure as a compensation committee interlock for purposes of Item 407(e)(4) of Regulation S-K.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for assisting the Board of Directors in identifying qualified individuals to become Board members; recommending the composition of the Board of Directors and its committees; monitoring and assessing the effectiveness of the Board of Directors and its committees; and performing a leadership role in shaping and monitoring our Corporate Governance Guidelines. Under the Nominating and Corporate Governance Committee's written charter, the specific duties of the Nominating and Corporate Governance Committee include, among other matters: identifying, reviewing and recruiting candidates for the Board of Directors for election to the Board; reviewing director candidates recommended by our stockholders; monitoring the independence of current directors and nominees; recommending to the Board of Directors candidates for election or re-election to the Board at each annual meeting of stockholders; and overseeing the periodic evaluation of the Board, its committees and each of our incumbent directors.

Meetings of Non-Management Directors

The non-management members of the Board of Directors regularly meet without any members of management present during regularly scheduled and periodic executive sessions of meetings of the Board of Directors as well as in committee meetings.

Director Nominations

The Nominating and Corporate Governance Committee regularly assesses the appropriate size of the Board of Directors and whether any vacancies on the Board of Directors are expected due to retirement or otherwise. The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating director candidates. Candidates may come to the attention of the Nominating and Corporate Governance Committee through current directors, professional search firms, stockholders or other persons.

Once the Nominating and Corporate Governance Committee has identified a prospective nominee, the Nominating and Corporate Governance Committee will evaluate the prospective nominee in the context of the then-current composition of the Board of Directors and will consider a variety of other factors, including the prospective nominee's business, technology, industry, finance and financial reporting experience and other attributes that would be expected to contribute to an effective Board of Directors. The Nominating and Corporate Governance Committee seeks to identify nominees who possess a wide range of experience, skills, and areas of expertise, knowledge and business judgment. Nominees must have the attributes described below under the caption "--Director Qualifications."

Our Nominating and Corporate Governance Committee will consider stockholder recommendations for directors. A stockholder may propose a person for consideration by the committee by submitting the individual's name and qualifications to our Corporate Secretary, Quidel Corporation, 12544 High Bluff Drive, Suite 200, San Diego, CA 92130. The Nominating and Corporate Governance Committee will consider each stockholder-recommended candidate in the same manner and under the same criteria used to evaluate all other candidates. As described in our Corporate Governance Guidelines, in evaluating the suitability of individuals to serve as members of our Board of Directors, the Board of Directors and Nominating and Corporate Governance Committee consider a number of factors, including: experience at a policy-making level; strategic thinking; depth of understanding of the Company's industry, including relevant technology, leadership and objectivity; and a general understanding of marketing, financing and other disciplines relevant to the success of a publicly-traded company and sound principles of corporate governance in today's business environment. The Board of Directors and the Nominating and Corporate Governance Committee evaluate each individual in the context of Board functions as a whole and in light of the then-current needs of the Board at that point in time, with the objective of providing independent, diversified and effective representation of the interests of our stockholders.

In addition, stockholders who wish to nominate candidates for election to the Board of Directors at any annual meeting must follow the procedures set forth in our bylaws, including providing timely written notice, in proper form, of the intent to make such a nomination. To be timely, the notice must be received within the time frame discussed below in this Proxy Statement under the heading "Stockholder Proposals." To be in proper form, the notice must, among other matters, include the information specified in our bylaws. These requirements are further described below under the heading "Meeting and Other Information--Stockholder Proposals" and are detailed in our bylaws.

Director Qualifications

Members of our Board of Directors should possess the highest personal and professional ethics, integrity, judgment and values, and be committed to representing the long-term interests of our stockholders. As described in our Corporate Governance Guidelines, our Board of Directors is particularly interested in maintaining a mix that includes the following attributes:

- History of superior performance or accomplishments in professional undertakings;
- Highest personal and professional ethics and values and sound principles of corporate governance in today's business environment;
- A depth of understanding of the Company's industry, including relevant technology, leadership and objectivity and a general understanding of marketing, finance and other disciplines relevant to the success of a publicly-traded company;
- Diversity of background and personal experience;
- Fit of abilities and personality with those of current and potential directors in building a Board of Directors that is effective, collegial and responsive to the needs of our business; and
- Independence and an absence of conflicting time commitments.

We believe our Board members represent a desirable mix of backgrounds, skills and experiences, and they all share the personal attributes of effective directors, which are described above. Below are some of the specific experiences and skills of our current directors:

Thomas D. Brown. Mr. Brown has a strong record of operational success and extensive knowledge of the diagnostics industry and technology utilized by the Company through his various executive leadership positions at Abbott Laboratories. He also has extensive executive leadership and governance experience through his service on the boards of other companies.

Douglas C. Bryant. Mr. Bryant is our President and Chief Executive Officer. Mr. Bryant has a background of strong executive experience in the diagnostics industry in the U.S. and internationally. He brings over 30 years of industry experience in sales and marketing, product development, manufacturing and service and support in the diagnostics and life sciences markets. In addition, as our President and Chief Executive Officer, the Board believes it is appropriate for him to be a member of our Board.

Kenneth F. Buechler, Ph.D. Dr. Buechler has extensive experience in the field of diagnostics as a scientist and through his founding of Biosite, Inc. He also has extensive executive leadership and governance experience through his service on the boards of other companies.

Mary Lake Polan, M.D., Ph.D., M.P.H. Dr. Polan is a prominent medical clinician, researcher and academician. She has extensive experience in the area of women's health, which is an important area for us. As a medical doctor, Dr. Polan brings an important practicing physician perspective in evaluating and overseeing the Company's performance and strategic direction.

Jack W. Schuler. Mr. Schuler has more than 40 years of experience as an executive, director and investor in the healthcare industry. Mr. Schuler has extensive knowledge of the diagnostics industry and technology utilized by the Company. He also has extensive executive leadership and governance experience through his service on the boards of other companies.

Charles P. Slacik. Mr. Slacik has a strong financial background as an executive. He is an audit committee financial expert as a result of his prior professional experience as a Certified Public Accountant, experience as a chief financial officer of a large medical device company and as a former member and chair of an audit committee of another U.S. public company.

Kenneth J. Widder, M.D. Dr. Widder has more than 30 years of experience working with biomedical companies. Dr. Widder also has a strong background related to investments in emerging healthcare companies and serves on the boards of several other companies. As a medical doctor, trained in pathology, Dr. Widder provides valuable insight from the perspective of both an executive and that of a physician.

Communications with the Board of Directors

Our stockholders may communicate with our Board of Directors, a committee of our Board of Directors or an individual director by sending a letter addressed to the Board, a committee or a director c/o Corporate Secretary, Quidel Corporation, 12544 High Bluff Drive, Suite 200, San Diego, CA 92130. All communications will be compiled by our Corporate Secretary and forwarded to the Board of Directors, the committee or the director accordingly.

Director Attendance at Annual Meetings

Our Board of Directors has adopted a policy that encourages our directors to attend our annual stockholder meetings. All of our continuing directors attended the 2016 annual meeting of stockholders, with the exception of Dr. Polan.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all our officers, directors and employees. If we grant any waiver, including any implicit waiver, to our principal executive, financial or accounting officers (or persons performing similar functions), we will disclose the nature of such amendment or waiver on our website at *www.quidel.com* or in a report on Form 8-K in accordance with applicable rules and regulations.

Access to Corporate Governance Documentation and Other Information Available on Our Website

Our Code of Business Conduct and Ethics, the current charters for each of the Audit, Compensation and Nominating and Corporate Governance Committees and the Company's Corporate Governance Guidelines are accessible via our website at *www.quidel.com* through the "Investor Relations" link under the heading "Corporate Governance."

DIRECTOR COMPENSATION

The current compensation and benefit program for non-employee directors is designed to achieve the following goals: compensation should fairly pay directors for work required for a company of our size and scope; compensation should align directors' interests with the long-term interests of our other stockholders; and the structure of the compensation should be simple, transparent and easy for stockholders to understand. The table below relating to non-employee directors' compensation includes the following compensation elements:

Annual Cash Retainers

The Chair of the Board of Directors currently receives an annual cash retainer of $92,400. Each of the other non-employee directors receives an annual cash retainer of $40,150.

The Chair of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee receives an additional annual cash retainer of $15,000, $10,000 and $7,500, respectively.

Non-Employee Director Deferred Compensation Program

In December 2010, the Board of Directors adopted a non-employee director deferred compensation program that began in 2011. Participating directors may elect on a yearly basis (for the yearly period between the Company's annual meetings of stockholders) to receive 50% or 100% of the cash value of the director's (i) annual retainer fee and (ii) compensation for services as a chair of any of the Board's standing committees (collectively, the "Covered Fees") in the form of fully vested, restricted stock units plus an additional premium on such percentage of the Covered Fees, also in the form of additional restricted stock units, which are subject to a one-year vesting requirement (the "Director Premium RSUs"). The additional premium applicable to the Director Premium RSUs shall be determined based on the length of time of the deferral period (between the date of grant and the date the shares of common stock underlying the RSUs are selected to be issued) selected by the participating director as follows: (i) if one (1) year from the date of grant, a premium of 10% on the amount deferred of the Covered Fees; (ii) if two (2) years from the date of grant, a premium of 20% on the amount deferred of the Covered Fees; or (iii) if four (4) years from the date of grant, a premium of 30% on the amount deferred of the Covered Fees. The RSUs are granted under the Company's Amended and Restated 2010 Equity Incentive Plan (or applicable successor plan) as of the date of the applicable annual meeting of stockholders, and the number of shares awarded as RSUs is calculated based on the closing price of the Company's shares on the date of the applicable annual meeting.

The table below illustrates the amount deferred, deferral period and amount of Covered Fees RSUs and Premium RSUs granted to each non-employee director for 2016:

Name	Amount Deferred	Deferral Period	Covered Fees RSUs	Premium RSUs
Thomas D. Brown	100%	2 years	3,186	637
Kenneth F. Buechler, Ph.D.	100%	2 years	5,870	1,174
Mary Lake Polan, M.D., Ph.D., M.P.H.	100%	4 years	2,550	765
Jack W. Schuler	100%	4 years	3,027	908
Charles P. Slacik	100%	2 years	3,503	700
Kenneth J. Widder, M.D.	100%	2 years	2,550	510

Periodic Equity Awards

The Board of Directors periodically assesses potential equity awards to non-employee directors in lieu of an annual automatic grant of stock options, as contemplated under the 2016 Plan. The Board of Directors suspended the automatic grants program in May 2004 on an indefinite basis.

On May 17, 2016, the Board of Directors approved an award of stock options and RSUs in equal amounts to the amounts granted in the prior year. Accordingly, grants were made to each of the Company's non-employee directors as follows: (i) a grant of 9,215 stock options and 1,263 RSUs to the Chair of the Board (with a Black-Scholes value of approximately $7.74 per option as of the grant date and a fair value based on the closing price of our common stock per RSU on the date of grant) and (ii) a grant of 7,021 stock options and 962 RSUs to each of the Company's non-employee directors (with a Black-Scholes value of approximately $7.74 per option as of the grant date and a fair value based on the closing price of our common stock per RSU on the date of grant). The stock options and RSUs vest upon the one-year anniversary of the grant date. The exercise price for the stock options was equal to the closing price of the Company's common stock as of the grant date in accordance with the Company's Amended and Restated 2010 Equity Incentive Plan. The options have a ten-year term.

Director Compensation Table

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Total ($)
Thomas D. Brown	50,150	25,168	54,343	129,661
Kenneth F. Buechler, Ph.D.	92,400	38,358	71,324	202,082
Mary Lake Polan, M.D., Ph.D., M.P.H.	40,150	27,183	54,343	121,676
Jack W. Schuler	47,650	29,434	54,343	131,427
Charles P. Slacik	55,150	26,160	54,343	135,653
Kenneth J. Widder, M.D.	40,150	23,169	54,343	117,662

(1) This column reports the amount of Covered Fees, including cash payments and Covered Fees deferred in return for RSUs (Covered Fees RSUs).

(2) This column represents the grant date fair value with respect to the RSUs and Premium RSUs granted in 2016. For additional information on the valuation assumptions with respect to the 2016 grants of options and RSUs, see "--Periodic Equity Awards" above and Note 5 of our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2016. At December 31, 2016, the aggregate number of restricted stock awards, including RSUs and Premium RSUs, held by each Director was: Mr. Brown 25,468; Dr. Buechler 21,042; Dr. Polan 16,299; Mr. Schuler 26,828; Mr. Slacik 5,165; and Dr. Widder 6,129.

(3) This column represents the grant date fair value with respect to the stock options granted to the directors in 2016. For additional information on the valuation assumptions with respect to the 2016 grants of options and RSUs, see "--Periodic Equity Awards" above and note 5 of our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2016. The fair value per option granted in 2016 was $7.74 per option, based on assumptions of 8.5 years expected life, expected volatility of 0.41, a risk-free rate of 1.67% and zero dividend yield. At December 31, 2016, the aggregate number of option awards held by each Director was: Mr. Brown 98,700; Dr. Buechler 98,039; Dr. Polan 98,700; Mr. Schuler 31,164; Mr. Slacik 11,030; and Dr. Widder 17,375.

2017 Director Compensation

Consistent with the Compensation Committee's annual review of our director compensation program, the Compensation Committee reviewed the amount of compensation paid to our non-employee directors. In connection with its review of our director compensation program, the Compensation Committee held discussions with its independent compensation consultant, Deloitte Consulting LLP, and considered publicly available director compensation data from the companies in our peer group, as well as other information. Upon the conclusion of this process, the Compensation Committee determined that director compensation for non-chair, non-employee directors should be adjusted to increase the value of annual equity awards modestly and split equity awards more evenly between stock options and restricted stock units because the Compensation Committee believed that the Company's director compensation was below the levels prevalent in our peer group and it wanted to ensure that the Company would continue to remain competitive in its ability to retain and attract qualified directors. Specifically, the Compensation Committee determined that it was appropriate to (i) increase the annual equity award value to $100,000 for each non-chair, non-employee director and (ii) adjust the annual equity award allocation to 50% stock options and 50% restricted stock units, from 75% stock options and 25% restricted stock units, and recommended these change to our Board of Directors. In addition, the Compensation Committee determined it was appropriate to modify the non-employee deferred compensation program for 2017/2018 to provide for stock payments in lieu of fully vested, restricted stock units if directors elect to participate and agree to hold such stock for an selected deferral period. Our Board of Directors unanimously approved the recommended changes to the compensation paid to our directors consistent with the Compensation Committee's recommendation, to take effect as of the Company's 2017 Annual Meeting of Stockholders.

Director Stock Ownership Guidelines

We believe that each director should have a meaningful equity investment in our Company. Our director stock ownership guidelines were recently revised to increase the ownership threshold to provide that directors are encouraged to own Common Stock equal in value to three times the total annual base compensation for non-employee directors. Directors are expected to acquire and maintain this share ownership threshold within five years of joining the Board of Directors. All directors meet these ownership guidelines or are in compliance with the guidelines and are retaining equity awards until compliance is reached.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Throughout this proxy statement, the individuals who served as our Chief Executive Officer and Chief Financial Officer during fiscal 2016, as well as the other individuals listed in the Summary Compensation Table below, are referred to as the "Named Executive Officers."

Executive Summary

Most of our compensation decisions are determined in the first few months of our fiscal year, after review of our performance and the performance of our Chief Executive Officer and the other executive officers. We believe the compensation of all of our Named Executive Officers for 2016 aligned well with both our performance in 2016 and the objectives of our executive compensation policies. The Company's 2016 performance highlights included:

- Generated $191.6 million in total revenue and $71.8 million in Influenza product revenue;
- Generated $60.4 million in revenues from New Products (Sofia® and Molecular products), responsible for 32% of total revenue;
- Achieved over 17,500 cumulative Sofia instrument placements worldwide;
- Received 510(k) clearance from the FDA for 4 new Solana® assays for the diagnosis of nine total targets: Trichomonas, Influenza A+B, Strep A+ C/G and HSV 1+2/VZV; and
- Prudently managed the business, as Research & Development (R&D) and Sales and Marketing (S&M) expenses came in less than originally expected (R&D increased by $3.2 million dollars from prior year and S&M expense was consistent with the prior year).

Overview and Philosophy

The core objectives of our executive compensation program are to (1) support our mission, values and corporate strategies by adopting a "pay for performance" philosophy that provides incentives to our executive officers and employees for support of these core principles; (2) align the interests of management with those of our stockholders; and (3) attract, retain and motivate high quality executives. Towards these objectives, our compensation program is designed with the following principles:

- Provide an opportunity for the Company to communicate to our executive officers and employees our performance expectations and priorities directly through the selection of performance measures on which compensation is based, and calibrate payouts with achievement of those performance measures;
- Align pay such that management shares in value created from their efforts, and the Company's compensation expense is correlated to its profitability and stockholder returns;
- Balance rewards appropriately between efforts and results;
- Offer a competitive total compensation opportunity; and
- Have a significant portion of total compensation paid to our executive officers in equity and dependent upon the achievement of performance goals of the Company.

Our compensation program focuses on both short and long-term results and is composed of three key elements: (1) base salaries, which reflect individual performance and responsibilities; (2) annual cash incentive opportunities, which are a function of the performance of the Company; and (3) longer-term stock-based incentive opportunities under our equity incentive plans, generally in the form of stock options or restricted stock or unit grants, which link the interests of senior management with our other stockholders. Each of our compensation elements is designed to simultaneously fulfill one or more of our core objectives.

When setting compensation for 2017 and in determining compensation policies, the Compensation Committee engaged Deloitte Consulting LLP ("Deloitte Consulting") in the second half of 2016 to advise on the Company's executive compensation programs and took into account the results of the stockholder advisory votes on executive compensation that took place in May 2016. In that vote, which was advisory and not binding, our stockholders approved the compensation of our Named Executive Officers as disclosed in the Proxy Statement for the 2016 Annual Meeting of Stockholders with approximately 99% of votes cast in favor of the compensation of our Named Executive Officers. The Compensation Committee considered the advice of Deloitte Consulting and results of the advisory vote and continued to apply the same general compensation principles and philosophy, while making some adjustments to the Company's compensation programs. We currently hold annual advisory votes on executive compensation and are again asking our stockholders to express their preference on the frequency of say-on-pay votes at this year's annual meeting of stockholders.

Administration

The Compensation Committee of the Board of Directors administers the Company's executive compensation programs and approves (or recommends to the Board of Directors for approval) salaries of all executive officers, including those of the senior executive officers named in the Summary Compensation Table. The Compensation Committee is responsible for reporting to the Board of Directors and administering all other elements of executive compensation, including annual cash incentive and equity awards.

Compensation Plan Design and Key Elements Used to Achieve Compensation Objectives

The cash components of salary and annual incentive bonus are targeted to be moderate, yet competitive in relation to salaries and annual incentive bonuses paid to officers in similar positions in comparable companies.

Our 2016 long-term equity incentive program for our Named Executive Officers included incentive stock-based awards in the form of both non-qualified stock options and time-based restricted stock units. The vesting for both the non-qualified stock option awards and the restricted stock units is over a four-year period with 50% vesting on the second anniversary of the grant date and the remainder vesting 25% annually thereafter. The stock options have an exercise price equal to the closing price of the Company's common stock on the date of grant.

Our 2017 long-term equity incentive programs for our Named Executive Officers includes incentive stock-based awards in the form of non-qualified stock options, time-based restricted stock units and performance-based restricted stock units. The vesting for the non-qualified stock option awards is over a four-year period with 50% vesting on the second anniversary of the grant date and the remainder vesting 25% annually thereafter. The stock options have an exercise price equal to the closing price of the Company's common stock on the date of grant. The vesting for the time-based restricted stock units is 100% on the four-year anniversary of the grant date. The vesting for the performance-based restricted stock units is over a three-year time period and is tied to the achievement of net revenue growth targets, as adjusted for influenza revenue volatility.

The Compensation Committee engaged Deloitte Consulting to conduct a review of the competitiveness of the Company's executive compensation programs in the latter half of 2016 in connection with the Company's 2017 executive compensation programs and has previously engaged third-party compensation consultants to review competitiveness of base salaries, short-term cash incentives, and both short-term and long-term equity incentive programs. Our executive compensation program design builds on the analysis and direction of these consultants, taking into account data from the annual Radford Global Life Sciences Survey and incorporating review of comparative groups of publicly-traded companies with similar revenue and employee population profiles. The Radford Global Life Sciences Survey provides data from participating companies with respect to their compensation practices in numerous areas and with respect to various positions, including senior management positions. The companies in our public company peer group were selected based on various factors, including industry, market capitalization, revenues and number of employees. The companies in the peer group for 2016 were:

Abaxis, Inc.
Cepheid
Genomic Health, Inc.
Luminex Corporation
Meridian Bioscience Inc.
Merit Medical Systems, Inc.
Myriad Genetics, Inc.
Natus Medical
Orasure Technologies, Inc.

The median peer group non-affiliate market capitalization was $1.2 billion, revenues were $287.5 million, and number of employees was 806, based on information reported in peers' annual reports for fiscal years ending in 2015. The Compensation Committee determined that no changes were required to the peer group in 2016.

Our Compensation Committee utilizes management (and from time to time independent compensation consultants, such as Deloitte Consulting in 2016) to gather market data and provide analyses of peers' compensation programs. The Compensation Committee does not have a philosophy of setting compensation based on specific formulaic benchmarking comparisons, but it does take into account the guidance of compensation consultants and reviews peer group data and Radford Global Life Sciences Survey data in setting moderate, yet competitive compensation. Specifically with regard to long-term equity incentive granting practices, our peer group companies' equity grants are on average more evenly split between stock options and restricted stock units. Our Compensation Committee has historically chosen to weight the long-term equity incentive grants to relatively more stock options to the Company's Named Executive Officers to reinforce the alignment with stockholders and emphasize future stock performance.

In 2016, 75% of the value of the equity incentive awards was provided in the form of non-qualified stock options, which the Committee believes are inherently performance-based and consistent with the Company's philosophy, and 25% of the value was provided in in the form of time-based restricted stock units. In 2017 our Compensation Committee decided to align our executive compensation practices more closely with our peer group, in part based on the advice of Deloitte Consulting, and chose to more evenly allocate the value of the equity incentive awards between stock options and restricted stock units, with 50% of the value of the awards provided in the form of non-qualified stock options and 50% of the value of the equity incentives awards in the form of restricted stock units. In addition, our Compensation Committee determined it would be in the interest of stockholders to evenly split the value of the restricted stock units between time-based restricted stock units and performance-based restricted stock units.

Base Salary

Base salaries are reviewed annually and are targeted to be moderate, yet competitive in relation to salaries paid to officers in similar positions in comparable companies. With the exception of the Chief Executive Officer, whose performance is reviewed directly by the Board of Directors, performance of all other executive officers is reviewed through regular conversations on goals and achievement with the Chief Executive Officer in consultation with the Compensation Committee (and/or the Board of Directors).

In 2016, in connection with the setting of the base salary of our executive officers, the Compensation Committee considered peer group analysis and also examined survey data for executives with similar responsibilities in comparable companies in the medical device/diagnostics and biotechnology industries, using a custom report from the 2016 Radford Global Life Sciences Survey data based on companies with a similar number of employees compared to our company. The base salaries of each of our executive officers were set taking into account comparable data for salaries relevant for their positions, and then modified to further take into account our executive officers' experience and skills.

Annual Cash Incentive Awards

Our annual cash incentive program provides the potential for receipt of competitive levels of annual incentive cash compensation and is designed to reward senior management for their contributions to annual corporate objectives. Under our annual cash incentive program, each participating officer is entitled to receive a cash bonus based on achievement of certain corporate goals in the particular fiscal year. Goals and payouts are calibrated to strike the appropriate balance between being reasonably achievable, and thereby motivating executives, while targeting improved performance. The balance is intended to result in the Company receiving an appropriate return on its annual incentive investment. The corporate performance goals are selected to require sustained performance and results from senior management. Each eligible executive's potential annual award under the annual cash incentive program is expressed as a percentage of base salary earned by the individual during the fiscal year.

Under our traditional annual cash incentive compensation program, the target bonus in 2016 for our Chief Executive Officer was 125% of annual base salary, for other executive officers, 75% of annual base salary, and for all other participating non-executive officers, 50% of annual base salary.

In February 2016, the Compensation Committee approved the 2016 Executive Incentive Compensation Plan (the "2016 Cash Incentive Plan"). For 2016, the Compensation Committee determined it was appropriate to continue to provide a broader array of incentive targets rather than simply revenue and EBITDA goals. In setting these targets, the Compensation Committee recognized that fluctuations in the severity of an influenza season affects the Company's results, yet the severity of an influenza season is otherwise outside the control of our executive officers and management. Similar to the 2015 Cash Incentive Plan, the 2016 Cash Incentive Plan was designed to encourage improved performance in objectives not related to the intensity of any given influenza season and by doing so, was designed to improve long-term performance and results for the Company and its stockholders.

The 2016 Cash Incentive Plan consisted of the following four components: (1) revenue performance on core products; (2) revenue performance on new products; (3) earnings per share ("EPS"); and (4) defined financial performance and corporate impact goals. Each component of the 2016 Cash Incentive Plan included targets at minimum, plan/target and maximum payout. The minimum targets served as the threshold upon which the incentive pool would begin to fund for that component. Achievement of the components at plan/target earn the target cash incentive opportunity. Payouts are calculated along a linear continuum from minimum to plan/target and from plan/target to maximum with the maximum target serving as the point at which the management team earns the highest possible cash incentive opportunity. The minimum target must be met in order for a portion of the bonus to be paid relative to any one of the four components and each component is measured separately. The Compensation Committee could adjust the targets to take into account variability in severity of the influenza season (so that management was neither enriched nor penalized for factors outside their control). In addition, the number of shares outstanding upon the adoption of the 2016 Cash Incentive Plan was used for calculating EPS so that, consistent with prior

years, changes in the number of shares outstanding do not affect the EPS metric used to calculate that component. The Compensation Committee also retained the right to exercise discretion to award bonuses at a lower amount than the amount funded by the formula provided under the 2016 Cash Incentive Plan.

The following table represents the threshold, target and maximum bonus for each of the Company's Named Executive Officers as a percent of such employee's annual base salary for the 2016 Cash Incentive Plan:

Executive Officer	Threshold	Target	Maximum
Douglas C. Bryant President and CEO	43.75%	125%	150%
Randall J. Steward Chief Financial Officer	26.25%	75%	90%
Robert J. Bujarski SVP, Business Development and General Counsel	26.25%	75%	90%
Werner Kroll, Ph.D. SVP, Research and Development	26.25%	75%	90%
Edward K. Russell SVP, Global Commercial Operations	26.25%	75%	90%

Bonus payouts to our executive officers for 2016 were based 70% on achievement of revenue performance and EPS goals and 30% on corporate impact goals.

On February 15, 2017, the Compensation Committee approved payout, effective February 17, 2017, to executive officers under the 2016 Cash Incentive Plan for achievement of financial goals and corporate impact goals at 56% of target. Achievement of the financial goals was based on core product revenue and new product revenue compared to plan as well as EPS, adjusted for changes in Quidel share of the influenza test market, and was determined to have been achieved at 29% of a possible 70% and corporate impact goals dealing with regulatory submissions and commercialization that were determined to have been achieved at 27% of a possible 30%. The bonuses earned by Mr. Bryant, Mr. Steward, Mr. Bujarski, Dr. Kroll and Mr. Russell were $391,192, $153,324, $152,359, $147,053 and $152,337, respectively.

In February 2017, the Compensation Committee approved the 2017 Executive Incentive Compensation Plan (the "2017 Cash Incentive Plan"). For 2017, the Compensation Committee determined it was appropriate to streamline the incentive targets to a limited set of key components. Similar to the 2016 Cash Incentive Plan, the 2017 Cash Incentive Plan was designed to encourage improved performance in objectives not related to the intensity of any given influenza season and by doing so, was designed to improve long-term performance and results for the Company and its stockholders. The 2017 Cash Incentive Plan consists of the following three components: (1) revenue performance; (2) EBITDA; and (3) achievement of commercial channel efficiencies. Each component of the 2017 Cash Incentive Plan includes targets at minimum, plan/target and maximum payout. The minimum targets serve as the threshold upon which the incentive pool will begin to fund for that component. Achievement of the components at plan/target will earn the target cash incentive opportunity. Payouts will be calculated along a linear continuum from minimum to plan/target and from plan/target to maximum with the maximum target serving as the point at which the management team will earn the highest possible cash incentive opportunity. The minimum target must be met in order for a portion of the bonus to be paid relative to any one of the three components and each component will be measured separately. The Compensation Committee may adjust the targets to take into account acquisitions and the variability in severity of the influenza season (so that management is neither enriched nor penalized for factors outside management's control). The Compensation Committee also retains the right to exercise discretion to award bonuses at a lower amount than the amount funded by the formula provided under the 2017 Cash Incentive Plan.

Under the 2017 Cash Incentive Plan, the maximum bonus has been increased to 175% of annual base salary for our Chief Executive Officer and 100% of annual base salary for our other executive officers.

The following table represents the threshold, target and maximum bonus for each of the Company's Named Executive Officers as a percent of such employee's annual base salary for the 2017 Cash Incentive Plan:

Executive Officer	Threshold	Target	Maximum
Douglas C. Bryant President and CEO	62.5%	125%	175%
Randall J. Steward Chief Financial Officer	37.5%	75%	100%
Robert J. Bujarski SVP, Business Development and General Counsel	37.5%	75%	100%
Werner Kroll, Ph.D. SVP, Research and Development	37.5%	75%	100%
Edward K. Russell SVP, Global Commercial Operations	37.5%	75%	100%

Bonus payouts to our executive officers for the 2017 Cash Incentive Plan will be based 40% on achievement of revenue performance; 40% on EBITDA goals; and 20% on achievement of channel efficiencies.

Deferred Bonus Program

Each of the above officers was also eligible to elect to participate in the Company's 2016 Employee Deferred Bonus Compensation Program (the "2016 Deferred Program") with respect to any payments received under the 2016 Cash Incentive Plan. Electing officers could elect to receive 50% or 100% of the cash value of his 2016 cash bonus (the "Covered Bonus") (payable (if applicable) per the terms and conditions of the 2016 Cash Incentive Plan) in the form of fully vested, restricted stock units (the "Converted RSUs") plus an additional premium on such percentage of the Covered Bonus in the form of additional restricted stock units, which are subject to a one-year vesting requirement (the "Premium RSUs"). The additional premium applicable to the Premium RSUs will be determined based on the length of time of the deferral period (between the date of grant and the date the shares of common stock underlying the Converted RSUs are selected to be issued) selected by the participating employee as follows: (i) if one (1) year from the date of grant, a premium of 10% on the amount deferred of the Covered Bonus; (ii) if two (2) years from the date of grant, a premium of 20% on the amount deferred of the Covered Bonus; or (iii) if four (4) years from the date of grant, a premium of 30% on the amount deferred of the Covered Bonus.

Elections for the 2016 Deferred Program, which are now irrevocable, were made by the following executive officers:

Executive Officer	Amount Deferred	Deferral Period
Douglas C. Bryant President and CEO	50%	4 years
Robert J. Bujarski SVP, Business Development and General Counsel	50%	4 years
Werner Kroll, Ph.D. SVP, Research and Development	50%	4 years
Edward K. Russell SVP, Global Commercial Operations	50%	1 year

The Converted RSUs will be fully vested on the grant date. The Premium RSUs will be fully vested on the first anniversary of the grant date. Subject to the terms and conditions in the grant award agreement, the issuance of the shares of common stock underlying Converted RSUs will be issued as soon as administratively practicable after the earliest of: (1) the end of the deferral period selected by the participating employee, (2) the participating employee's separation from service to the Company, and (3) a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company (a "Change in Control"). The shares of common stock underlying the Premium RSUs will have the same applicable issuance periods as outlined in the foregoing sentence for Converted RSUs with acceleration of the one-year vesting requirement in connection with a Change in Control, provided, however, that if a participating employee's service is terminated for any reason (outside of a Change in Control) prior to the one-year vesting requirement, the Premium RSUs shall be forfeited and canceled as of the date of such termination of service.

The Compensation Committee determined to suspend the Employee Deferred Bonus Compensation Program for 2017 pending further review and consideration of the program.

Longer-Term Equity Incentive Awards

Longer-term equity-based incentive awards in the form of stock options and/or restricted stock units are intended to align the interests of management with those of the Company's other stockholders and promote retention of our executives by using continued service as a requirement to receive the value of the awards. The number of stock options and/or shares of restricted stock units granted is related to the individual's level of responsibility and allows executives to share in the value they help create. Generally, the Compensation Committee does not consider an executive's stock holdings or outstanding equity awards in determining the number of equity awards to be granted; however, the Compensation Committee does take into consideration the total number of outstanding shares of our common stock, the relative dilution to stockholders, as well as our gross equity burn rate, issued equity overhang and total equity overhang in determining the number of equity awards to be granted. The Compensation Committee believes that the Company's executive officers should be fairly compensated each year relative to market pay levels of the Company's peer group. The Compensation Committee views longer-term equity incentives as a primary compensation means for retaining executives.

Our 2016 long-term equity incentive program for our Named Executive Officers included incentive stock-based awards in the form of both non-qualified stock options and time-based restricted stock units. The vesting for both the non-qualified stock option awards and the restricted stock units is over a four-year period with 50% vesting on the second anniversary of the grant date and the remainder vesting 25% annually thereafter. The stock options have an exercise price equal to the closing price of the Company's common stock on the date of grant. With the 2016 equity incentive awards, the Compensation Committee determined to more heavily weight the total dollar value of the long-term incentive award toward stock options because the Committee believes stock options are inherently performance-based and consistent with the Company's philosophy to link pay and performance and utilizes vesting requirements to create an appropriate long-term incentive for our executives. In 2016, 75% of the value of the equity incentive awards was provided in the form of non-qualified stock options. The use of time-vested restricted stock units for the remaining portion of the awards is designed to achieve the goal of retaining our executives while providing an additional performance incentive since the ultimate value of the award will vary with our stock price.

In 2016, Mr. Bryant, Mr. Steward, Mr. Bujarski, Dr. Kroll and Mr. Russell were awarded non-qualified stock options and shares of time-based restricted stock units as follows:

Executive Officer	Dollar Value of Aggregate Award	Number of Options/Time Based Restricted Stock Units (RSUs)
Douglas C. Bryant	$ 746,356	12,815 RSUs
President and CEO		93,847 Options
Randall Steward	$ 310,974	5,339 RSUs
Chief Financial Officer		39,103 Options
Robert J. Bujarski	$ 279,870	4,805 RSUs
SVP, Business Development and General Counsel		35,192 Options
Werner Kroll, Ph.D.	$ 279,870	4,805 RSUs
SVP, Research and Development		35,192 Options
Edward K. Russell	$ 279,870	4,805 RSUs
SVP, Global Commercial Operations		35,192 Options

Our 2017 long-term equity incentive program for our Named Executive Officers includes incentive stock-based awards in the form of non-qualified stock options, time-based restricted stock units and performance-based restricted stock units. The vesting for the non-qualified stock option awards is over a four-year period with 50% vesting on the second anniversary of the grant date and the remainder vesting 25% annually thereafter. The stock options have an exercise price equal to the closing price of the Company's common stock on the date of grant. With the 2017 equity incentive awards, the Compensation Committee determined to more evenly weight the total dollar value of the long-term incentive award between stock options and restricted stock units to align executive compensation with peer group practices. In 2017, 50% of the value of the equity incentive awards was provided in the form of non-qualified stock options and 50% of the value of the equity awards was provided in the form of restricted stock units. The restricted stock units were divided equally between time-vested restricted stock units and performance-based restricted stock units to better align with corporate performance goals. The vesting for the time-based restricted stock units is 100% on the four-year anniversary of the grant date. The vesting for the performance-based

restricted stock units is over a three-year time period and is tied to the achievement of net revenue growth targets, as adjusted for influenza revenue volatility.

Equity Ownership Guidelines

To further align the interests of our directors and executives with those of our other stockholders, the Board of Directors has adopted share ownership guidelines. Under these guidelines, each non-employee director, the Chief Executive Officer, each Senior Vice President and each Vice President is required to retain and hold 50% of the shares acquired under any equity incentive award granted on or after March 19, 2004 (after subtracting shares sold to pay for option exercise costs, and relevant federal and state taxes which are assumed to be at the highest marginal tax rates). The foregoing share retention rule applies unless such director or officer beneficially owns shares with a value at or in excess of the following share ownership guidelines:

- Chief Executive Officer — 3 times then-current annual base salary,
- Senior Vice Presidents — 2 times then-current annual base salary,
- Vice Presidents — 1 times then-current annual base salary, and
- Non-employee directors — 3 times then-current annual cash retainer.

The value of an individual's shares for purposes of the share ownership guidelines is deemed to be the greater of the then-current fair market value of the stock, or the individual's cost basis in the stock. Shares counted in calculating the share ownership guidelines include shares beneficially owned outright, whether from open market purchases, purchases through the Company's 1983 Employee Stock Purchase Plan, shares retained after option exercises, shares of restricted stock that have no further restrictions remaining, and vested restricted stock units. In addition, in the case of vested, unexercised, in-the-money stock options, the in-the-money value of the stock options will be included in the share ownership guidelines calculation. Individuals have five years from their election, hire or promotion to satisfy the share ownership guidelines. All officers and directors meet these ownership guidelines or are in compliance with the guidelines and are retaining equity awards until compliance is reached.

Restrictions on Trading Securities (Including Hedging and Pledging)

We have an insider trading policy that prohibits employees and directors from engaging in speculative transactions involving our securities. Accordingly, hedging transactions involving our securities, including, but not limited to purchase of stock on margin, short sales, buying or selling puts or calls, and any other similar transactions or arrangements that have an economic consequence of establishing downside price protection are prohibited. Our insider trading policy also prohibits officers and directors from pledging stock, subject to special Board approval. No special approvals have been provided to allow any current officer or director to pledge stock.

Pay Recoupment Policy

The 2016 and 2017 Cash Incentive Plans contain provisions providing for pay recoupment in compliance with applicable legislation and regulation. The Board expects to enact a pay recoupment policy when the regulations mandated by the Dodd-Frank Act are implemented by the SEC. At a minimum, the policy will comply with the Dodd-Frank Act and related regulations.

Employment and Severance Agreements

We have entered into change of control agreements with each of our executive officers in order to foster their objectivity in making decisions with respect to any pending or threatened change in control transaction and to alleviate certain risks and uncertainties with regard to our executive officers' financial and professional security that might be created by a pending or threatened change in control transaction. The details of the change in control agreements and any employment or severance arrangements entered into with our executive officers are provided under the caption "Employment, Change in Control and Severance Arrangements" below in this Proxy Statement.

Tax Deductibility of Compensation

The Compensation Committee attempts to structure the compensation program to achieve deductibility under Section 162 (m) of the Code, unless the benefit of such deductibility is outweighed by the need for flexibility or the attainment of other corporate objectives. The Compensation Committee will continue to monitor issues concerning the deductibility of executive compensation and will take appropriate action if and when it is warranted. Since corporate objectives may not always be consistent with the requirements for full deductibility, the Compensation Committee is prepared, if it deems appropriate, to enter into compensation arrangements under which payments may not be deductible under Section 162 (m) of the Code. Thus, deductibility will not be the sole factor used by the Compensation Committee in ascertaining appropriate levels or modes of compensation.

Stock Option Grant Practices

As described above, the Company uses stock options as part of its overall compensation program. The stock option awards provide individuals with the right to purchase a specified number of shares of the Company's stock at a specific price. The Company sets the exercise price of the stock options that it awards at or above the closing price of the Company's stock on the grant date. Accordingly, the option grant will have value to the individual only if he or she continues in our service during the vesting period and then generally only if and to the extent that the market price of the underlying shares of common stock appreciates over the option term.

Awards of equity-based compensation to our executive officers, such as options, are determined and approved by the Board of Directors or the Compensation Committee. Equity grants are typically made at the time of hire for executives and then annually as part of the overall executive compensation review. The specific terms of the awards are determined based on the position of the individual in the organization and as part of the applicable annual equity incentive program.

New hire grants are approved by the Board of Directors or the Compensation Committee when the executive's hire is approved, with the actual option grant issued on the first date of employment and the exercise price of such options being set at the closing price of the Company's common stock on that date. Annual performance grants made as part of the overall executive compensation program are generally made as of the date of Board or Compensation Committee approval. This typically occurs prior to the end of the first quarter, with grants effective on the date of Board or Compensation Committee approval and at a price at or above the closing price on the grant date.

Options granted to Company executives typically vest over a four-year period. Generally, vesting ends when employment ends and the executive has 90 days following the end of employment within which to exercise any vested stock options.

Perquisites and Other Benefits

The Compensation Committee believes that the Named Executive Officers should participate in the same benefit programs as the Company's other employees and that special executive perquisites should be minimal. Consistent with this philosophy, the Named Executive Officers participate in the Company's employee benefit plans on the same terms as other employees. These plans include medical and dental insurance, disability coverage, life insurance, the employee stock purchase plan and the 401(k) Plan.

Compensation of the Chief Executive Officer

Our Chief Executive Officer participates in the same executive compensation program provided to our other executive officers and senior management as described above. The Compensation Committee's approach to setting compensation for the Chief Executive Officer is to be competitive with comparable companies and to have a significant portion of total compensation depend upon the achievement of performance goals for the Company.

In February 2016, the Compensation Committee approved an increase in the annual base salary for Mr. Bryant from $542,540 to $558,846. As described above, the Compensation Committee approved payout, effective February 17, 2017, under the 2016 Cash Incentive Plan for combined achievement of revenue performance and EPS goals and corporate impact goals at 56% of target, and accordingly, Mr. Bryant earned a payout of $391,192. As discussed above under the caption "Executive Compensation--Compensation Discussion and Analysis--Longer-Term Equity Incentive Awards," in 2016, Mr. Bryant was also awarded 12,815 time-based restricted stock units and 93,847 non-qualified stock options.

Compensation of the Other Named Executive Officers

In February 2016, the Compensation Committee approved an increase in the base salaries of Mr. Steward, Mr. Bujarski, Dr. Kroll and Mr. Russell. Base salaries were approved as follows:

Executive Officer	Prior Base Salary	2016 Base Salary
Randall J. Steward Chief Financial Officer	$ 345,050	$ 365,058
Robert J. Bujarski SVP, Business Development and General Counsel	$ 345,050	$ 362,759
Werner Kroll, Ph.D. SVP, Research and Development	$ 339,900	$ 350,127
Edward K. Russell SVP, Global Commercial Operations	$ 360,000	$ 362,708

As described above, the Compensation Committee approved payout, effective February 17, 2017, under the 2016 Cash Incentive Plan for combined achievement of revenue performance and EPS goals and corporate impact goals at 56% of target, and, accordingly, Mr. Steward, Mr. Bujarski, Dr. Kroll and Mr. Russell earned a payout of $153,324, $152,359, $147,053 and $152,337, respectively.

As discussed above under the caption "Executive Compensation--Compensation Discussion and Analysis--Longer-Term Equity Incentive Awards," in 2016, Mr. Steward, Mr. Bujarski, Dr. Kroll and Mr. Russell were awarded shares of time-based restricted stock units and non-qualified stock options.

Summary Compensation Table

The following table sets forth information relating to fiscal years 2016, 2015 and 2014 compensation of our Chief Executive Officer, Chief Financial Officer and three other most highly paid persons serving as executive officers as of December 31, 2016.

Name and Principal Position	Year	Salary ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	All Other Compensation ($)(5)	Total ($)
Douglas C. Bryant	2016	558,846	256,010	549,005	391,192	10,014	1,765,067
President and CEO	2015	542,540	379,026	899,993	316,844	9,714	2,148,117
	2014	524,378	225,766	1,052,998	244,406	9,714	2,057,262
Randall J. Steward	2016	365,058	82,221	228,753	153,324	12,702	842,058
Chief Financial Officer	2015	345,050	124,986	374,998	132,293	12,402	989,729
	2014	331,923	66,643	431,994	97,150	12,378	940,088
Robert J. Bujarski	2016	362,759	96,851	205,873	152,359	9,030	826,872
SVP, Business Development and General Counsel	2015	345,050	128,045	337,491	132,293	8,730	951,609
	2014	334,299	75,729	323,990	97,150	8,730	839,898
Werner Kroll, Ph.D.....	2016	350,127	96,036	205,873	147,053	11,046	810,135
SVP, Research and Development	2015	339,900	112,485	337,491	130,318	10,746	930,940
	2014	195,462	649,968	250,000	57,158	241,197	1,393,785
Edward K. Russell	2016	362,708	81,601	205,873	152,337	9,030	811,549
SVP, Global Commercial Operations							

(1) The amounts shown reflect base salary compensation for the executive officers as increased in February 2016.

(2) This column represents the grant date fair value of service-based restricted stock awards granted during fiscal years 2016, 2015 and 2014 as well as (i) for 2014, the Premium RSUs associated with the 2014 Employee Deferred Bonus Compensation Program; (ii) for 2015, the Premium RSUs associated with the 2015 Employee Deferred Bonus Compensation Program; and (iii) for 2016, the Premium RSUs associated with the 2016 Employee Deferred Bonus Compensation Program as described in Note (1) in the Nonqualified Deferred Compensation table. Restricted stock awards are valued based on the closing share price on the date of grant. For additional information with respect to the 2016 grants, refer to Note 5 of our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the SEC. See the "Grants of Plan-Based Awards in Fiscal Year 2016" table for information on stock awards granted in 2016 and the 2016 Employee Deferred Bonus Compensation Program.

(3) This column represents the grant date fair value of stock options granted during fiscal years 2016, 2015 and 2014. The grant date fair value of option awards is determined using the Black-Scholes option pricing model. For additional information on the valuation assumptions with respect to the 2016 grants, refer to Note 5 of our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2016. See the "Grants of Plan-Based Awards in Fiscal Year 2016" Table for information on options granted in 2016.

(4) This column represents the approved awards to each executive officer under the 2016 Cash Incentive Plan, the 2015 ICP+ Plan, 2015 Cash Incentive Plan and the 2014 Cash Incentive Plan. Each executive officer could also elect to participate in the 2016 Employee Deferred Bonus Compensation Program, 2015 Employee Deferred Bonus Compensation Program and the 2014 Employee Deferred Bonus Compensation Program with respect to any payments received under the 2016 Cash Incentive Plan, 2015 Cash Incentive Plan and the 2014 Cash Incentive Plan, respectively. The cash component of the bonus under the 2016 Cash Incentive Plan was paid in early 2017. The cash component of

the bonus under the 2015 Cash Incentive Plan and the 2015 ICP+ Plan were paid in early 2016. The cash component of the bonus under the 2014 Cash Incentive Plan was paid in early 2015. The amounts shown are inclusive of the cash component and deferred Covered Bonus component of the electing officers' award, but do not include the Premium RSUs component which is included as a component of the amounts in the "Stock Awards" column. See the "Grants of Plan-Based Awards in Fiscal Year 2016" Table for information on the 2016 Employee Deferred Bonus Compensation Program.

(5) During the year ended December 31, 2016, (a) we made contributions under our 401(k) Plan for Mr. Bryant, Mr. Steward, Mr. Bujarski, Dr. Kroll and Mr. Russell and (b) we funded a group term life insurance plan providing life insurance in an amount equal to two times the executive officer's annual salary, a benefit that is provided to all employees. Amounts related to contributions under our 401(k) Plan, life insurance and other compensation for Mr. Bryant, Mr. Steward, Mr. Bujarski, Dr. Kroll and Mr. Russell were as follows:

Components of All Other Compensation

	401(k) Contributions ($)	Group Term Life Insurance Premiums Compensation ($)
Douglas C. Bryant	7,950	2,064
Randall J. Steward	7,950	4,752
Robert J. Bujarski	7,950	1,080
Werner Kroll, Ph.D.	7,950	3,096
Edward K. Russell	7,950	1,080

Grants of Plan-Based Awards in Fiscal Year 2016

The following table sets forth all plan-based awards granted to our Named Executive Officers during fiscal year 2016.

Name and Principal Position	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock (#)(2)	All Other Option Awards: Number of Securities Underlying Options: (#)(3)	Exercise or Base Price of Option Awards ($/sh)(4)	Grant Date Fair Value of Stock and Option Awards ($)(5)
		Threshold ($)	Target ($)	Maximum ($)				
Douglas C. Bryant	2/10/2016	—	—	—	12,815	93,847	15.40	746,356
	2/10/2016(1)	244,495	698,558	838,269	—	—	—	—
	12/31/2016	—	—	—	12,171	—	—	254,252
Randall J. Steward	2/10/2016	—	—	—	5,339	39,103	15.40	310,974
	2/10/2016	95,828	273,794	328,552	—	—	—	—
Robert J. Bujarski	2/10/2016	—	—	—	4,805	35,192	15.40	279,870
	2/10/2016(1)	95,224	272,069	326,483	—	—	—	—
	12/31/2016	—	—	—	4,740	—	—	99,019
Werner Kroll, Ph.D.	2/10/2016	—	—	—	4,805	35,192	15.40	279,870
	2/10/2016(1)	91,908	262,595	315,114	—	—	—	—
	12/31/2016				4,574	—	—	95,551
Edward K. Russell	2/10/2016	—	—	—	4,805	35,192	15.40	279,870
	2/10/2016(1)	95,211	272,031	326,437	—	—	—	—
	12/31/2016	—	—	—	4,010	—	—	83,769

(1) This row shows the potential value of the payout under the "Estimated Future Payouts" column for each Named Executive Officer under the 2016 Cash Incentive Plan program if the threshold, target and maximum goals were satisfied for all performance measures. The business measurements, performance goals and salary and bonus multiples for determining the payout are described in the "Compensation Discussion and Analysis" section. The performance measurements were achieved in fiscal year 2016 in the aggregate at the 56% level and payouts were made as described under the heading "—Annual Cash Incentive Awards" in the "Compensation Discussion and Analysis" section and in Note (4) to the "Summary Compensation Table."

(2) This column shows the number of time-based restricted stock units granted in 2016 to the Named Executive Officers. The time-based restricted stock units for Mr. Bryant, Mr. Steward, Mr. Bujarski, Dr. Kroll and Mr. Russell were granted on February 10, 2016 and vest over four years, with one half of the award vesting on the two-year anniversary of the grant date and the remaining vesting annually thereafter through the remaining four-year vesting period. This column also includes the number of restricted stock units granted in 2016 under the 2016 Employee Deferred Bonus Compensation Program. For the restricted stock units under the 2016 Employee Deferred Bonus Compensation Program the number is equal to (i) the amount of his bonus deferred under the Program divided by the market closing price for the Company's common stock on February 17, 2017, multiplied by (ii) either 1.1 or 1.3, as a premium. For Mr. Bryant, Mr. Bujarski, Dr. Kroll and Mr. Russell, $195,593, $76,165, $73,512 and $76,165 (included in the Grant Date Fair Value column), respectively, represents compensation deferred and is included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(3) This column shows the number of stock options granted in 2016 to the Named Executive Officers. These options vest and become exercisable ratably over four years, with one half of the award vesting on the two-year anniversary of the grant date and the remaining vesting annually thereafter through the remaining four-year vesting period.

(4) This column shows the exercise price for the stock options granted, which was the closing price of our common stock on the date of grant.

(5) This column shows the full grant date fair value under ASC Topic 718 of time-based restricted stock units, restricted stock units granted under the 2016 Employee Deferred Bonus Compensation Program and stock options granted to the Named Executive Officers in 2016. For the time-based restricted stock units, fair value is calculated using the closing price of our common stock on the grant date. The grant date fair value is the amount that the Company would expense in its consolidated financial statements over the award's vesting schedule, unless the named executive leaves the Company. For the restricted stock units under the 2016 Employee Deferred Bonus Compensation Program the fair value is equal to (i) the amount of his Covered Bonus deferred under the program divided by the market closing price for the Company's common stock on February 17, 2017, multiplied by (ii) either 1.1 or 1.3, as a premium. For stock options, fair value is calculated using the Black-Scholes value on the grant date and is the amount that the Company will

expense in its consolidated financial statements over the award's vesting schedule, unless the named executive leaves the Company. For additional information on the valuation assumptions, refer to Note 5 of our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2016.

Outstanding Equity Awards at 2016 Fiscal Year-End

The following table provides information on the holdings of stock options, restricted stock awards and restricted stock units by the Named Executive Officers as of December 31, 2016. This table includes unexercised and unvested stock options and unvested restricted stock awards or restricted stock units. Each equity grant is shown separately for each Named Executive Officer. The vesting schedule for each grant is shown following this table, based on the option or stock award grant date. The market value of the stock awards is based on the closing market price of our common stock as of December 31, 2016, which was $21.42. For additional information about the option awards and stock awards, see the description of "Longer-Term Equity Incentive Awards" in the "Executive Compensation" section.

	Option Awards(1)					Stock Awards			
Name	Option Grant Date	Number of Securities Underlying Unexercised Options — Exercisable (#)	Number of Securities Underlying Unexercised Options — Unexercisable (#)	Option Exercise Price($)	Option Expiration Date	Stock Award Grant Date		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Douglas C. Bryant	2/2/2009	700,000	—	12.36	2/2/2019				
	4/10/2009	61,212	—	8.50	4/10/2019				
	1/18/2010	55,458	—	15.28	1/18/2020				
	3/2/2011	85,918	—	12.63	3/2/2021				
	3/2/2012	120,393	—	15.19	3/2/2022				
	2/25/2013	72,163	24,054	22.21	2/25/2023	2/25/2013	(2)	1,097	23,498
	2/24/2014	46,511	46,510	27.57	2/24/2024	2/24/2014	(2)	2,122	45,453
	2/5/2015	—	93,847	23.41	2/5/2025	2/5/2015	(2)	12,815	274,497
						12/31/2015	(3)	5,206	111,513
	2/10/2016	—	93,847	15.40	2/10/2026	2/10/2016	(2)	12,815	274,497
						12/31/2016	(4)	2,808	60,147
Randall J. Steward	10/24/2011	60,000	—	16.60	10/24/2021				
	3/2/2012	31,125	—	15.19	3/2/2022				
	2/25/2013	29,605	9,868	22.21	2/25/2023	2/25/2013	(2)	450	9,639
	2/24/2014	19,081	19,081	27.57	2/24/2024	2/24/2014	(2)	871	18,657
	2/5/2015	—	39,103	23.41	2/5/2025	2/5/2015	(2)	5,339	114,361
	2/10/2016	—	39,103	15.40	2/10/2026	2/10/2016	(2)	5,339	114,361
Robert J. Bujarski	1/18/2010	6,225	—	15.28	1/18/2020				
	3/2/2011	30,000	—	12.63	3/2/2021				
	3/2/2012	42,038	—	15.19	3/2/2022				
	2/25/2013	22,204	7,401	22.21	2/25/2023	2/25/2013	(2)	338	7,240
	2/24/2014	14,310	14,311	27.57	2/24/2024	2/24/2014	(2)	653	13,987
	2/5/2015	—	35,192	23.41	2/5/2025	2/5/2015	(2)	4,805	102,923
						12/31/2015	(3)	1,025	21,956
	2/10/2016	—	35,192	15.40	2/10/2026	2/10/2016	(2)	4,805	102,923
						12/31/2016	(4)	1,094	23,433
Werner Kroll, Ph.D.	5/27/2014	13,242	13,241	22.85	5/27/2024	5/27/2014	(5)	10,940	234,335
						5/27/2014	(5)	17,505	374,957
	2/5/2015	—	35,192	23.41	2/5/2025	2/5/2015	(2)	4,805	102,923
	2/10/2016	—	35,192	15.40	2/10/2026	2/10/2016	(2)	4,805	102,923
						12/31/2016	(4)	1,055	22,598
Edward K. Russell	10/12/2015	8,803	26,408	18.32	2/25/2023	10/12/2015	(6)	13,646	292,297
	2/10/2016	—	35,192	15.40	2/10/2026	2/10/2016	(2)	4,805	102,923
						12/31/2016	(4)	364	7,797

(1) Stock options are service-based and vest over four years. For stock options that were not exercisable at December 31, 2016 and are presented in the table above, the first 50% vest on the second anniversary of the grant date and the remaining options vest 25% annually thereafter through the remaining four-year vesting period.
(2) Represents restricted stock granted to the Named Executive Officers. The first 50% of the award vests on the second anniversary of the grant date and the remaining award vests 25% annually thereafter through the remaining four-year vesting period.
(3) Represents the Premium RSUs component related to the 2015 Employee Deferred Bonus Compensation Program as detailed in the Nonqualified Deferred Compensation table, which vest in February 2017.
(4) Represents the Premium RSUs component related to the 2016 Employee Deferred Bonus Compensation Program as detailed in the Nonqualified Deferred Compensation table, which vest in February 2018.
(5) Represents restricted stock units granted to Dr. Kroll upon his appointment as the Company's Senior Vice President, Research and Development. The first award of 10,940 shares vests on the fourth anniversary of the grant date and the second award of 17,505 shares vests annually over four years, beginning on May 27, 2019.
(6) Represents restricted stock units granted to Mr. Russell upon his appointment as the Company's Senior Vice President, Global Commercial Operations. The stock award vests on the fourth anniversary of the grant date.

Option Exercises and Stock Vested in Fiscal Year 2016

The following table sets forth stock options that were exercised by, and restricted stock that vested for, the Named Executive Officers during fiscal year 2016.

	Option Awards		Stock Awards		
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($) (4)	Number of Shares Acquired on Vesting (#)		Value Realized on Vesting ($)(5)
Douglas C. Bryant	2,832	38,232	1,097	(1)	17,080
	17,110	224,267	2,121	(2)	34,403
	16,767	213,256	1,571	(3)	24,005
	35,291	479,161			
	24,000	348,513			
	24,000	344,121			
	24,000	343,520			
Randall J. Steward	—	—	450	(1)	7,007
			870	(2)	14,111
Robert J. Bujarski	204	1,248	337	(1)	5,247
	1,685	9,016	652	(2)	10,575
	20,168	104,402	624	(3)	9,535
	39,288	237,753			
	2,712	20,937			
Werner Kroll, Ph.D.	—	—	—		—
Edward K. Russell	—	—	—		—

(1) During 2016, restrictions lapsed with respect to 1,097, 450 and 337 shares of restricted stock held by Mr. Bryant, Mr. Steward and Mr. Bujarski, respectively. The market price for our common stock on the date of vesting was $15.57 per share.
(2) During 2016, restrictions lapsed with respect to 2,121, 870 and 652 shares of restricted stock held by Mr. Bryant, Mr. Steward and Mr. Bujarski, respectively. The market price for our common stock on the date of vesting was $16.22 per share.
(3) During 2016, restrictions lapsed with respect to 1,571 and 624 shares of restricted stock held by Mr. Bryant and Mr. Bujarski, respectively. The market price for our common stock on the date of vesting was $15.28 per share.
(4) The value realized on exercise equals the intrinsic value of the exercise which is the gain realized in the difference from the market price of the shares sold and the exercise price of the shares purchased.
(5) The value realized on vesting equals the closing price of the Company's common stock on the vesting date (the date the restrictions lapsed) multiplied by the number of shares with respect to which restrictions lapsed on such date.

Nonqualified Deferred Compensation

The following table sets forth compensation deferred by each of the Named Executive Officers during fiscal year 2016.

Name	Executive Contributions in Last FY ($)(2)	Registrant Contributions in Last FY ($)(3)	Aggregate Earnings in Last FY ($)(4)	Aggregate Withdrawals/ Distributions in last FY ($)(5)	Aggregate Balance at Last FYE ($)(1)
Douglas C. Bryant	195,593	58,659	10,589	(450,105)	1,165,287
Randall J. Steward	—	—	(8,851)	(31,154)	—
Robert J. Bujarski	76,165	22,854	7,203	(73,767)	343,261
Werner Kroll, Ph.D.	73,512	22,039	—	—	95,551
Edward K. Russell	76,165	7,604	—	—	83,769

(1) Aggregate deferrals include deferrals from the 2012 Employee Deferred Bonus Compensation Program, 2013 Employee Deferred Bonus Compensation Program, 2014 Employee Deferred Bonus Compensation Program, 2015 Employee Deferred Bonus Compensation Program and 2016 Employee Deferred Bonus Compensation Program (Collectively, the "Deferred Bonus Programs"). The 2016 Employee Deferred Bonus Compensation Program allowed all employees that are director-level and above to participate in the Program. Under the 2016 Employee Deferred Bonus Compensation Program, each participant received a restricted stock unit award that vested on February 17, 2017 in exchange for his election to defer a percentage of his 2016 bonus. In addition, he is eligible for a premium restricted stock unit award equal to either 10%, 20% or 30% of the deferred 2016 bonus, depending on the length of deferral elected by the employee, which vests on February 17, 2018. Pursuant to this program, Messrs. Bryant, Bujarski, Kroll and Russell received the following stock awards on February 17, 2017: 12,171 (including 2,808 shares relating to the premium component), 4,740 (including 1,094 shares relating to the premium component), 4,574 (including 1,055 shares relating to the premium component) and 4,010 (including 364 shares relating to the premium component), respectively.

(2) Represents the amount of incentive compensation deferred under the 2016 Employee Deferred Bonus Compensation Program by each executive officer. The amount is included as a component of non-equity incentive plan compensation in the Summary Compensation Table for 2016.

(3) Represents the 20% or 30% premium above the deferred incentive compensation amount as described above; such amounts are included in the Stock Awards column of the Summary Compensation Table for 2016.

(4) Represents the change in value of the deferred incentive compensation for each executive officer relating to the Deferred Bonus Programs.

(5) The amounts set forth in the Aggregate Withdrawals/Distributions column represent the market value of the stock on the date of distribution to Messrs. Bryant, Steward and Bujarski in accordance with their specified distribution elections.

Employment, Change in Control and Severance Arrangements

In connection with the appointment of Mr. Bryant as our President and Chief Executive Officer, on January 16, 2009, Mr. Bryant entered into an employment agreement with us. Mr. Bryant's employment agreement sets forth the terms of his employment with us and provides for, among other matters: (i) a minimum base salary of $450,000 per annum, subject to adjustment upward by the Board of Directors or its Compensation Committee; and (ii) an annual cash incentive bonus based upon attainment of performance goals set by the Board of Directors or its Compensation Committee with a target of at least 80% of base salary and a maximum opportunity of at least up to 120% of base salary.

Under his employment agreement, Mr. Bryant is an "at-will" employee, which means that either Mr. Bryant or we may terminate his employment at any time for any reason. However, and except in the context of a change in control, if Mr. Bryant's employment with us is terminated without cause or he terminates his employment for "good reason" (as defined in the employment agreement) and thereafter delivers and does not revoke a general release, he is entitled to a severance payment equal to eighteen (18) months of his then-current base salary and payment of health insurance premiums for a period of eighteen (18) months following termination. Amounts payable to Mr. Bryant upon a change in control of the Company are generally governed by his change in control agreement, dated as of January 16, 2009, which is described below.

Mr. Steward, Mr. Bujarski, Dr. Kroll and Mr. Russell are each "at will" employees of the Company with compensation arrangements that include, among other matters: (i) a minimum base salary, currently of $365,058, $362,759, $350,127 and $362,708 per annum, respectively and (ii) eligibility for an annual bonus in accordance with the Company's bonus plan. In addition, except in the context of a change of control, if we terminate Mr. Bujarski's employment without cause, he would be entitled to a severance payment equal to six months of his annual salary.

Each of Mr. Bryant, Mr. Steward, Mr. Bujarski, Dr. Kroll and Mr. Russell has entered into a change in control agreement with us, which provides for the payment of severance benefits in the event of termination of employment in connection with a change in control of the Company. The severance benefits are payable if their respective employment with us is terminated within 30 days prior to or three years following a change in control, unless terminated for cause or the termination is the result of a voluntary resignation (which does not include resignations stemming from a material adverse change in responsibilities, status, compensation, authority or location of work place) or their death or disability.

The severance benefits under the change in control agreements generally consist of a lump sum cash payment equal to two times the sum of (i) such executive's highest annual salary rate within the three year period ending on the date of termination plus (ii) an amount equal to the annualized average of all bonuses paid to the executive during the two-year period immediately before the date of termination. In addition, the change in control agreements provide for: payment of $25,000 to help defray the legal, tax and accounting fees and other costs associated with transitional matters; continued coverage for two years under our group medical insurance, group dental insurance, group-term life insurance and disability insurance programs unless and to the extent the executive obtains concurrent coverage through another program in which case our coverage will be terminated or reduced as applicable; and immediate vesting and exercisability of any and all unvested stock options and restricted stock of the executive (unless previously waived or otherwise expressly agreed to by the executive).

Potential Post-Employment Payments

As described above, our Named Executive Officers have employment, severance and/or change of control agreements with us. The table below illustrates the compensation that would be payable by the Company to each Named Executive Officer in the event of a change in control of the Company or a termination of the Named Executive Officer's employment with the Company for various described reasons, sometimes referred to in this section as a "triggering event." In accordance with applicable rules of the SEC, the following discussion assumes:

- that the triggering event in question, the death, disability, change in control or termination occurred on December 31, 2016, which was the last full business day prior to the last day of our 2016 fiscal year end which fell on Sunday, January 1, 2017; and
- the calculations provided below are based on the closing market price of our common stock as of December 31, 2016, which was $21.42.

In addition, in connection with any actual termination of employment, the Board of Directors or the Compensation Committee may determine to enter into an agreement providing additional benefits or amounts, or altering the terms of benefits described below, as deemed appropriate by the Compensation Committee or the Board of Directors. The actual amounts that would be paid upon a Named Executive Officer's termination of employment can only be determined at the time of such executive's separation from the Company. Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be higher or lower than reported below. Factors that could affect these amounts include our stock price at the time of termination and determinations by our Board of Directors.

Name and Principal Position	Potential Executive Benefits and Payments	Voluntary Termination Total ($)	Retirement Total ($)	Involuntary, Not for Cause or Voluntary, Good Reason Termination Total ($)	Involuntary, for Cause Termination Total ($)	Change in Control (Qualifying Termination) Total ($)
Douglas C. Bryant	Base Salary(1)	—	—	838,269	—	1,117,692
	Short-term Incentive Bonus(2)	—	—	—	—	354,018
	Equity					
	Restricted Stock Awards					
	Unvested and accelerated(3)	—	—	—	—	789,605
	Stock Options					
	Unvested and accelerated(4)	—	—	—	—	564,959
	Healthcare, Life and					
	Disability(5)	—	—	32,814	—	43,752
	Accrued Vacation Pay(1)	57,541	57,541	57,541	57,541	57,541
	Other Payments(6)	—	—	—	—	25,000
Randall J. Steward	Base Salary(1)	—	—	—	—	730,116
	Short-term Incentive Bonus(2)	—	—	—	—	142,809
	Equity					
	Restricted Stock Awards					
	Unvested and accelerated(3)	—	—	—	—	257,018
	Stock Options					
	Unvested and accelerated(4)	—	—	—	—	235,400
	Healthcare, Life and					
	Disability(5)	—	—	—	—	43,656
	Accrued Vacation Pay(1)	12,665	12,665	12,665	12,665	12,665
	Other Payments(6)	—	—	—	—	25,000

Name and Principal Position	Potential Executive Benefits and Payments	Voluntary Termination Total ($)	Retirement Total ($)	Involuntary, Not for Cause or Voluntary, Good Reason Termination Total ($)	Involuntary, for Cause Termination Total ($)	Change in Control (Qualifying Termination) Total ($)
Robert J. Bujarski	Base Salary(1)	—	—	181,380	—	725,518
	Short-term Incentive Bonus(2)	—	—	—	—	142,326
	Equity					
	Restricted Stock Awards					
	Unvested and accelerated(3)	—	—	—	—	272,462
	Stock Options					
	Unvested and accelerated(4)	—	—	—	—	211,856
	Healthcare, Life and					
	Disability(5)	—	—	—	—	45,528
	Accrued Vacation Pay(1)	54,064	54,064	54,064	54,064	54,064
	Other Payments(6)	—	—	—	—	25,000
Werner Kroll	Base Salary(1)	—	—	—	—	700,254
	Short-term Incentive Bonus(2)	—	—	—	—	138,686
	Equity					
	Restricted Stock Awards					
	Unvested and accelerated(3)	—	—	—	—	837,736
	Stock Options					
	Unvested and accelerated(4)	—	—	—	—	211,856
	Healthcare, Life and					
	Disability(5)	—	—	—	—	38,832
	Accrued Vacation Pay(1)	—	—	—	—	—
	Other Payments(6)	—	—	—	—	25,000
Edward K. Russell	Base Salary(1)	—	—	—	—	725,416
	Short-term Incentive Bonus(2)	—	—	—	—	152,337
	Equity					
	Restricted Stock Awards					
	Unvested and accelerated(3)	—	—	—	—	403,017
	Stock Options					
	Unvested and accelerated(4)	—	—	—	—	293,720
	Healthcare, Life and					
	Disability(5)	—	—	—	—	47,664
	Accrued Vacation Pay(1)	—	—	—	—	—
	Other Payments(6)	—	—	—	—	25,000

(1) Payable in one lump sum upon termination.
(2) This amount represents the annualized average of all bonuses paid to the executive for 2015 and 2016. The 2016 bonus was paid out in February 2017.
(3) This represents the value of unvested restricted stock awards, including stock awards associated with the premium stock awards earned pursuant to the Employee Deferred Bonus Compensation Programs as detailed in the Nonqualified Deferred Compensation table.
(4) This represents the intrinsic value of in-the-money unvested stock options (based on a market price of $21.42 per share as of the last full business day prior to the end of our fiscal year 2016).
(5) Per the change in control agreements, for two years, coverage is continued under our group medical and group dental insurance programs unless and to the extent the executive obtains concurrent coverage through another program in which case our coverage will be terminated or reduced as applicable. In addition, if Mr. Bryant's employment is terminated without cause or he terminates his employment for "good reason" (as defined in his employment agreement) and thereafter does not revoke a general release, he is entitled to receive payment of health insurance premiums for a period of eighteen months following termination.
(6) Each executive officer's change in control agreement provides for payment of $25,000 to help defray the legal, tax and accounting fees and other costs associated with transitional matters.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the number of shares of our common stock beneficially owned as of March 22, 2017 by (i) those known to be the beneficial owners of more than five percent (5%) of our outstanding common stock, (ii) each of the current directors and nominees for director, (iii) each of the Company's Named Executive Officers (as included in the Summary Compensation Table herein) and (iv) all directors and executive officers as a group. On March 22, 2017, there were 33,141,675 shares of our common stock outstanding.

	Beneficial Ownership of Common Stock(1)(2)	
Name	Number of Shares	Percent of Class
Beneficial Owners		
Brown Capital Management, LLC(3) 1201 N. Culver Street Baltimore, Maryland 21202	5,739,017	17.3%
T. Rowe Price Associates, Inc.(4) 100 E. Pratt Street Baltimore, Maryland 21202	2,657,116	8.0%
Entities affiliated with Larry N. Feinberg(5) Oracle Associates LLC 200 Greenwich Avenue, 3rd Floor Greenwich, Connecticut 06820	2,517,554	7.6%
Janus Capital Management LLC(6) 151 Detroit Street Denver, Colorado 80206	2,073,696	6.3%
Vanguard Group(7) 100 Vanguard Blvd. Malvern, Pennsylvania 19355	2,038,557	6.2%
BlackRock, Inc.(8) 55 E. 52nd Street New York, NY 10055	1,728,875	5.2%
Directors and Nominees for Director		
Thomas D. Brown(9)	144,862	*
Douglas C. Bryant(10)	1,449,811	4.2%
Kenneth F. Buechler(11)	134,392	*
Mary Lake Polan(12)	146,584	*
Jack W. Schuler(13)	5,362,281	16.2%
Charles P . Slacik(14)	16,723	*
Kenneth J. Widder(15)	24,623	*
Named Executive Officers		
Randall J. Steward(16)	198,678	*
Robert J. Bujarski(17)	207,202	*
Werner Kroll(18)	38,075	*
Edward K. Russell(19)	8,803	*
All directors and executive officers as a group (12 persons)(20)	7,741,477	22.0%

* Less than one percent

(1) Beneficial ownership is determined in accordance with the rules of the SEC. Unless otherwise noted, and subject to applicable community property laws, each executive officer and director has sole voting and dispositive power with respect to the shares indicated. The address for our directors and executive officers is c/o Quidel Corporation, 12544 High Bluff Drive, Suite 200, San Diego, CA 92130.

(2) Shares of common stock subject to options exercisable on or within 60 days of March 22, 2017 are deemed outstanding for computing the number of shares and the percentage ownership of the person holding such options, but are not deemed outstanding for computing the percentage of any other person.

(3) Based on information reported in Amendment No. 6 to Schedule 13G filed with the SEC dated February 9, 2017 by Brown Capital Management, LLC and The Brown Capital Management Small Company Fund, a registered investment company, which is managed by Brown Capital Management, LLC, in which Brown Capital Management, LLC reported aggregate beneficial ownership of 5,739,017 shares of common stock with respect to which Brown Capital Management, LLC has sole voting power of 3,321,262 shares and sole dispositive power of 5,739,017 shares as of December 31, 2016.

(4) Based on information reported in Amendment No. 14 to Schedule 13G filed with the SEC dated February 7, 2017 by T. Rowe Price Associates, Inc. and T. Rowe Price Small-Cap Value Fund, Inc., which T. Rowe Price Associates, Inc. reported beneficial ownership of 2,657,116 shares of common stock with respect to which T. Rowe Price Associates, Inc. has sole voting power of 683,516 shares and sole dispositive power of 2,657,116 shares as of December 31, 2016.

(5) Based on information reported in Amendment No. 14 to Schedule 13G filed with the SEC dated February 3, 2017 by Larry N. Feinberg, Oracle Partners, L.P., Oracle Institutional Partners, LP, Oracle Ten Fund Master, LP, Oracle Investment Management, Inc. Employee's Retirement Plan, the Feinberg Family Foundation, Oracle Associates, LLC and Oracle Investment Management, Inc., in which Mr. Feinberg reported aggregate beneficial ownership of 2,517,554 shares of common stock with respect to which he has shared voting and dispositive power of 2,517,554 shares as of December 31, 2016.

(6) Based on information reported in Amendment No. 6 to Schedule 13G filed with the SEC dated February 13, 2017 by Janus Capital Management LLC ("Janus Capital"), an investment adviser as well as a parent holding company, and on behalf of INTECH Investment Management, a registered investment adviser in which Janus Capital has a direct ownership stake of 97.11%; Perkins Investment Management LLC, a registered investment adviser, in which Janus Capital has a direct ownership stake of 100%. Janus Capital reported beneficial ownership of 2,073,896 shares of common stock with respect to which Janus Capital has sole voting and dispositive power of 2,073,896 shares as of December 31, 2016.

(7) Based on information reported in Amendment No. 3 to Schedule 13G filed with the SEC dated February 10, 2017 by The Vanguard Group in which The Vanguard Group reported aggregate beneficial ownership of 2,038,557 shares of common stock with respect to which the filer has sole voting power of 52,441 shares, shared voting power of 1,395 shares, sole dispositive power of 1,986,226 and shared dispositive power of 52,331 shares as of December 31, 2016.

(8) Based on information reported in Schedule 13G filed with the SEC dated January 30, 2017 by BlackRock, Inc in which BlackRock, Inc. reported beneficial ownership of 1,728,875 shares of common stock with respect to which BlackRock, Inc. has sole voting power of 1,666,316 shares and sole dispositive power of 1,728,875 shares as of December 31, 2016.

(9) Includes 89,369 shares of common stock issuable upon exercise of options that are exercisable on or within 60 days of March 22, 2017 and 1,599 shares of common stock underlying an equal number of restricted stock units issuable upon vesting on or within 60 days of March 22, 2017. Also includes 23,869 shares of common stock underlying an equal number of fully vested restricted stock units for which the individual has no voting or dispositive power over such shares.

(10) Includes 1,128,968 shares of common stock issuable upon exercise of options that are exercisable on or within 60 days of March 22, 2017 and 45,377 shares of common stock underlying an equal number of fully vested restricted stock units for which the individual has no voting or dispositive power over such shares.

(11) Includes 98,039 shares of common stock issuable upon exercise of options that are exercisable on or within 60 days of March 22, 2017 and 2,437 shares of common stock underlying an equal number of restricted stock units issuable upon vesting on or within 60 days of March 22, 2017. Also includes 18,605 shares of common stock underlying an equal number of fully vested restricted stock units for which the individual has no voting or dispositive power over such shares.

(12) Includes 98,700 shares of common stock issuable upon exercise of options that are exercisable on or within 60 days of March 22, 2017 and 1,727 shares of common stock underlying an equal number of restricted stock units issuable upon vesting on or within 60 days of March 22, 2017. Also includes 14,572 shares of common stock underlying an equal number of fully vested restricted stock units for which the individual has no voting or dispositive power over such shares. Also includes 7,000 shares owned by an adult son who resides with Dr. Polan; Dr. Polan disclaims beneficial ownership of these shares.

(13) Includes 1,201,235 shares that are held indirectly by the Schuler Family Foundation, 933,843 shares that are held indirectly by three family trusts of his adult children and 65,000 shares held indirectly by Mr. Schuler's spouse. Mr. Schuler disclaims beneficial ownership of the 1,201,235 shares held indirectly by the Schuler Family Foundation, the 933,843 shares that are held indirectly by three family trusts of his adult children and the 65,000 shares held by his spouse, except to the extent of his pecuniary interest in such shares, if any. Also includes 31,164 shares of common stock issuable upon exercise of options that are exercisable on or within 60 days of March 22, 2017 and 1,870 shares of common stock underlying an equal number of restricted stock units issuable upon vesting on or within 60 days of March 22, 2017. Also includes 24,958 shares of common stock underlying an equal number of fully vested restricted stock units for which Mr. Schuler has no voting or dispositive power over such shares.

(14) Includes 11,030 shares of common stock issuable upon exercise of options that are exercisable on or within 60 days of March 22, 2017, and 1,662 shares of common stock underlying an equal number of restricted stock units issuable upon vesting on or within 60 days of March 22, 2017. Also includes 3,503 shares of common stock underlying an equal number of fully vested restricted stock units for which the individual has no voting or dispositive power over such shares.

(15) Includes 17,375 shares of common stock issuable upon exercise of options that are exercisable on or within 60 days of March 22, 2017, and 1,472 shares of common stock underlying an equal number of restricted stock units issuable upon vesting on or within 60 days of March 22, 2017. Also includes 4,657 shares of common stock underlying an equal number of fully vested restricted stock units for which the individual has no voting or dispositive power over such shares.

(16) Includes 178,771 shares of common stock issuable upon exercise of options that are exercisable on or within 60 days of March 22, 2017.

(17) Includes 146,929 shares of common stock issuable upon exercise of options that are exercisable on or within 60 days of March 22, 2017 and 12,942 shares of common stock underlying an equal number of fully vested restricted stock units for which the individual has no voting or dispositive power over such shares.

(18) Includes 30,838 shares of common stock issuable upon exercise of options that are exercisable on or within 60 days of March 22, 2017 and 3,519 shares of common stock underlying an equal number of fully vested restricted stock units for which the individual has no voting or dispositive power over such shares.

(19) Includes 8,803 shares of common stock issuable upon exercise of options that are exercisable on or within 60 days of March 22, 2017 and 3,646 shares of common stock underlying an equal number of fully vested restricted stock units for which the individual has no voting or dispositive power over such shares.

(20) All directors and executive officers as a group, including 1,847,390 shares of common stock issuable upon exercise of options that are exercisable on or within 60 days of March 22, 2017 and an aggregate of 10,767 shares of common stock underlying an equal number of restricted stock units issuable upon vesting on or within 60 days of March 22, 2017 and 155,648 shares of common stock underlying an equal number of fully vested restricted stock units for which the individual has no voting or dispositive power over such shares.

With the exception of information relating to stock options, restricted stock and restricted stock units we issued, all information with respect to beneficial ownership of shares of common stock referred to in this section is based on filings made by the respective beneficial owners with the SEC or information the beneficial owners provided to us.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the securities laws of the U.S., our directors and executive officers and persons who own more than 10% of our common stock are required to report their initial beneficial ownership of our common stock and any subsequent changes in that ownership to the SEC. Specific due dates for these reports have been established, and we are required to disclose in this Proxy Statement any late filings during the year ended December 31, 2016. To our knowledge, all of the reports during 2016 were timely filed.

SECURITIES AVAILABLE FOR ISSUANCE UNDER OUR EQUITY COMPENSATION PLANS

The following table provides information with respect to our equity compensation plans as of December 31, 2016, which plans were as follows: the 1983 Employee Stock Purchase Plan; the 1990 Employee Stock Option Plan; the 1996 Non-Employee Director Plan; the 1998 Stock Incentive Plan, the 2001 Equity Incentive Plan, the 2010 Equity Incentive Plan and the 2016 Equity Incentive Plan. The 1990 Employee Stock Option Plan, the 1996 Non-Employee Director Plan, the 1998 Stock Incentive Plan, 2001 Equity Incentive Plan and the 2010 Equity Incentive Plan have been terminated, expired or superseded by subsequent plans, and thus no additional awards will be made under such plans.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)		Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (b)		Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)	
Equity compensation plans approved by security holders	4,442,408	(1)(3)	$ 17.49	(3)	2,858,146	(2)(3)
Equity compensation plans not approved by security holders	—		—		—	
Total	4,442,408	(1)(3)	$ 17.49	(3)	2,858,146	(2)(3)

(1) Includes 501,076 restricted stock units granted under our 2016 Plan for which there is no exercise price reflected in column b.

(2) Includes (i) 285,825 shares of common stock available for issuance under our 1983 Employee Stock Purchase Plan and (ii) 2,572,321 shares of common stock available for issuance, as of December 31, 2016, under our 2016 Plan, pursuant to which incentive stock awards may be granted, including restricted stock.

(3) As of March 22, 2017, a total of 2,531,640 shares were authorized for issuance under the 2016 Plan, and 1,946,154 shares remained available for future issuance.

PROPOSAL 2

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected the firm of Ernst & Young LLP, independent registered public accounting firm, to audit our consolidated financial statements for the fiscal year ending December 31, 2017 and to perform other appropriate accounting and tax services. We are asking our stockholders to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for 2017. Although ratification is not required by our bylaws or otherwise, the Board of Directors is submitting the selection of Ernst & Young LLP to our stockholders as a matter of good corporate practice. If the stockholders do not ratify the appointment of Ernst & Young LLP, the selection of the Company's independent registered public accounting firm will be reconsidered by the Audit Committee. 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 the Company and its stockholders.

One or more representatives of Ernst & Young LLP are expected to be at the Annual Meeting. The representatives of Ernst & Young LLP will have an opportunity to make a statement, if they so desire, and will be available to respond to appropriate questions.

Vote Required and Board Recommendation

The affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal is required to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for 2017**.**

Our Board of Directors Unanimously Recommends that the Stockholders Vote for the Ratification of the Selection of Ernst & Young LLP as Our Independent Registered Public Accounting Firm for the Fiscal Year Ending December 31, 2017.

PROPOSAL 3

ADVISORY APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION

We are providing stockholders with an advisory (non-binding) vote on the compensation of our Named Executive Officers (commonly referred to as "say on pay"). Accordingly, you may vote on the following resolution at the Annual Meeting:

"Resolved, that the compensation paid to the Company's Named Executive Officers, as disclosed in the "Compensation Discussion and Analysis," the accompanying compensation tables, and the related narrative discussion in this Proxy Statement, is hereby approved."

The advisory approval of the Company's executive compensation is a non-binding vote on the compensation paid to the Company's Named Executive Officers, as described pursuant to Item 402 of Regulation S-K, including the "Compensation Discussion and Analysis" section, compensation tables, and the narrative discussions, set forth in this Proxy Statement.

As described in detail under "Executive Compensation--Compensation Discussion and Analysis," our compensation programs are designed to attract, motivate and retain highly qualified executive officers who are able to achieve corporate objectives and create stockholder value. The Compensation Committee believes the Company's executive compensation programs reflect a strong pay-for-performance philosophy and are well aligned with our stockholders' long-term interests. Stockholders are encouraged to read the "Compensation Discussion and Analysis" section, the accompanying compensation tables, and the related narrative discussion.

Because the vote on this proposal is advisory in nature, it will not affect any compensation already paid or awarded to our Named Executive Officers and will not be binding on the Board of Directors or the Compensation Committee. However, the Compensation Committee will consider the outcome of the vote when making future executive compensation decisions.

Vote Required and Board Recommendation

The affirmative vote of a majority of the shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal is required to approve the advisory vote on executive compensation.

Our Board of Directors Unanimously Recommends that the Stockholders Vote "For" the Approval, on an advisory basis, of the Compensation of our Named Executive Officers.

PROPOSAL 4

ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION

In addition to providing stockholders with the opportunity to cast an advisory vote on executive compensation, with this proxy statement, we are providing stockholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years.

The Board believes that a frequency of "every one year" for the advisory vote on executive compensation is the optimal interval for conducting and responding to a "say on pay" vote. The Dodd-Frank Act requires the Company to hold the advisory vote on the frequency of the say-on-pay vote at least once every six years.

The proxy card provides stockholders with the opportunity to choose among four options (holding the vote every one, two or three years, or abstaining) and, therefore, stockholders will not be voting to approve or disapprove the Board's recommendation.

Because the vote on this proposal is advisory in nature, it will not be binding on the Board of Directors. However, the Board of Directors will consider the outcome of the vote along with other factors when making its decision about the frequency of future stockholder advisory votes on the compensation of our Named Executive Officers.

The frequency option (i.e., every year, every two years or every three years) that receives the plurality of votes cast on this proposal will be deemed the preferred option of stockholders.

Our Board of Directors Unanimously Recommends that the Stockholders Vote for the option of "Every One Year" for Future Advisory Votes on Executive Compensation.

MEETING AND OTHER INFORMATION

Stockholder Proposals

Our amended and restated bylaws require that a stockholder give timely written notice to our Corporate Secretary of any proposal such stockholder proposes to bring before a stockholders meeting or any proposal for the nomination of a director. Such written notice must be given, either by personal delivery or U.S. mail, postage prepaid, to the Corporate Secretary, Quidel Corporation, 12544 High Bluff Drive, Suite 200, San Diego, CA 92130. In order to properly bring a proposal before a stockholders meeting, a stockholder must be a stockholder of record on the date of the giving of the notice and on the record date for the determination of stockholders entitled to notice of and to vote at such meeting and be entitled to vote at such meeting. To be timely, a stockholder's notice must be delivered to, or mailed and received by the Corporate Secretary, at the address provided above not less than 90 days or more than 120 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the annual meeting is convened more than thirty (30) days before or more than sixty (60) days after such anniversary date, or if no annual meeting was held in the preceding year, notice by the stockholder to be timely must be received by the Corporate Secretary as provided above no more than one hundred twenty (120) days prior to such annual meeting nor less than the later of (i) ninety (90) days prior to such annual meeting and (ii) ten (10) days after the earlier of (A) the day on which notice of the date of the meeting was mailed or (B) the day on which public disclosure of the date of the meeting was made. In no event shall an adjournment of the annual meeting, or a postponement of an annual meeting for which notice has been given, or the public disclosure thereof, commence a new time period for the giving of a stockholder's notice as described above.

Any notice to the Corporate Secretary must be in proper written form and set forth the matters and information listed in our bylaws, including, if applicable, the matters relating to a director nomination.

Any eligible stockholder who desires to have a proposal considered for inclusion in our proxy solicitation materials for our 2018 annual meeting of stockholders must be received in writing by our Corporate Secretary at 12544 High Bluff Drive, Suite 200, San Diego, CA 92130 no later than December 14, 2017. To be included in our proxy solicitation materials, proposals must be submitted in proper written form in accordance with our bylaws, as described above, and must comply with SEC regulations promulgated under Rule 14a-8 of the Exchange Act of 1934, as amended.

Nothing in this section shall be deemed to require us to include in our proxy solicitation materials relating to any annual meeting any stockholder proposal or nomination that does not meet all of the requirements for inclusion established by the SEC.

Annual Report

Our 2016 Annual Report to Stockholders has been mailed to stockholders concurrently with this Proxy Statement. The Company incorporates by reference herein the information set forth in our Annual Report on Form 10-K under Item 1 relating to the executive officers of the Company.

A copy of our Annual Report on Form 10-K and each of our other periodic and current reports, including any amendments thereto, as filed with the SEC, are available, free of charge, on our website, *www.quidel.com*, as soon as reasonably practicable after such materials are filed or furnished to the SEC. **In addition, a copy of our Annual Report on Form 10-K, without exhibits, and/or exhibits to the Form 10-K, will be furnished, free of charge upon written request to the Investor Relations department at Quidel Corporation, 12544 High Bluff Drive, Suite 200, San Diego, CA 92130. In addition, you may obtain such documents by calling (858) 646-8023 or e-mail our Investor Relations department at *ir@quidel.com*.**

Internet Availability of Proxy Materials

IMPORTANT NOTICE REGARDING INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS MEETING TO BE HELD ON MAY 16, 2017

Our annual report on Form 10-K for the year ended December 31, 2016 and proxy materials can be accessed electronically over the internet at *www.proxyvote.com*. These filings may also be reviewed through the SEC website at *www.sec.gov*.

Forward-Looking Statements

This Proxy Statement contains "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and involve substantial risks and uncertainties, which may cause results to differ materially from those set forth in the statements. The forward-looking statements may include, but are not limited to, statements made in the CD&A section of this Proxy Statement regarding the anticipated effects of our compensation structure and programs. Quidel Corporation undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Forward-looking statements should be evaluated together with the many uncertainties that affect Quidel Corporation's business, particularly those mentioned under the heading "Risk Factors" in Quidel Corporation's Annual Report on Form 10-K which accompanies this Proxy Statement, and in the periodic reports that Quidel Corporation files with the SEC on Form 10-Q.

Other Business

We know of no other matters to be submitted at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares they represent as the Board of Directors may recommend.

San Diego, California
April 13, 2017

Stockholders are urged to specify their choices on, date, sign and return the enclosed proxy card in the accompanying prepaid, return envelope or vote via the Internet or by telephone as described on the enveloped proxy card. Prompt response is helpful and your cooperation greatly appreciated.