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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2012

or

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

For the transition period from to

Commission File Number: 001-33301

ACCURAY INCORPORATED

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**20-8370041**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

1310 Chesapeake Terrace
Sunnyvale, California 94089
(Address of Principal Executive Offices Including Zip Code)

(408) 716-4600
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o 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 (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

As of January 25, 2013, there were 73,926,393 shares of the Registrant's Common Stock, par value $0.001 per share, outstanding.

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Accuray Incorporated

Form 10-Q for the Quarter Ended December 31, 2012

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Accuray Incorporated
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)
(Unaudited)

	December 31, 2012	June 30, 2012 (1)
Assets		
Current assets:		
Cash and cash equivalents	$ 94,773	$ 143,504
Restricted cash	2,657	1,560
Accounts receivable, net of allowance for doubtful accounts of $1,327 and $1,700, respectively	63,468	67,890
Inventories	88,830	81,693
Prepaid expenses and other current assets	14,766	16,715
Deferred cost of revenue - current	7,509	4,896
Total current assets	272,003	316,258
Property and equipment, net	37,209	37,458
Goodwill	59,389	59,215
Intangible assets, net	36,317	49,819
Deferred cost of revenue - noncurrent	2,760	2,433
Other assets	7,957	7,987
Total assets	$ 415,635	$ 473,170
Liabilities and equity		
Current liabilities:		
Accounts payable	$ 20,668	$ 18,209
Accrued compensation	12,809	23,071
Other accrued liabilities	28,657	31,646
Customer advances - current	18,576	18,177
Deferred revenue - current	87,272	83,071
Total current liabilities	167,982	174,174
Long-term liabilities:		
Long-term other liabilities	5,293	5,988
Deferred revenue - noncurrent	9,968	9,675

Long-term debt	81,565	79,466
Total liabilities	264,808	269,303
Commitment and contingencies (Note 5)		
Equity:		
Preferred stock, $0.001 par value; authorized: 5,000,000 shares; no shares issued and outstanding	—	—
Common stock, $0.001 par value; authorized: 200,000,000 and 100,000,000 shares; issued and outstanding: 73,920,824 and 71,864,268 shares at December 31 and June 30, 2012, respectively	74	72
Additional paid-in capital	418,008	409,143
Accumulated other comprehensive income	2,473	2,837
Accumulated deficit	(269,728)	(216,427)
Total stockholders' equity	150,827	195,625
Non-controlling interest	—	8,242
Total equity	150,827	203,867
Total liabilities and equity	$ 415,635	$ 473,170

(1) The condensed consolidated balance sheet at June 30, 2012 has been derived from audited consolidated financial statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Accuray Incorporated
Condensed Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Net revenue:				
Products	$ 33,170	$ 63,802	$ 73,798	$ 119,976
Services	44,609	42,097	86,729	85,498
Other	—	524	—	1,400
Total net revenue	77,779	106,423	160,527	206,874
Cost of revenue:				
Cost of products	18,564	32,800	42,573	71,173
Cost of services	32,589	33,177	67,652	70,526
Cost of other	—	203	—	504
Total cost of revenue	51,153	66,180	110,225	142,203
Gross profit	26,626	40,243	50,302	64,671
Operating expenses:				
Selling and marketing	15,761	14,017	28,650	27,598
Research and development	17,239	18,283	35,813	37,401
General and administrative	15,892	13,395	28,734	28,083
Total operating expenses	48,892	45,695	93,197	93,082
Loss from operations	(22,266)	(5,452)	(42,895)	(28,411)
Other expense, net	(2,580)	(4,464)	(3,284)	(7,236)
Loss before provision for income taxes	(24,846)	(9,916)	(46,179)	(35,647)
Provision for income taxes	667	367	1,264	905
Loss from continuing operations	(25,513)	(10,283)	(47,443)	(36,552)
Loss from discontinued operations (Note 9):				
Loss from operations of a discontinued variable interest entity	(1,400)	(1,908)	(3,505)	(3,722)
Impairment of indefinite lived intangible asset of discontinued variable interest entity	—	—	(12,200)	—
Loss from deconsolidation of a variable interest entity	(3,442)	—	(3,442)	—
Loss from discontinued operations, net of tax of $0	(4,842)	(1,908)	(19,147)	(3,722)
Loss from discontinued operations attributable to non-controlling interest	(1,184)	(1,804)	(13,289)	(3,377)
Loss from discontinued operations attributable to stockholders	(3,658)	(104)	(5,858)	(345)
Net loss attributable to stockholders	$ (29,171)	$ (10,387)	$ (53,301)	$ (36,897)
Loss per share attributable to stockholders				
Basic and diluted - continuing operations	$ (0.35)	$ (0.15)	$ (0.65)	$ (0.52)
Basic and diluted - discontinued operations	$ (0.05)	$ —	$ (0.09)	$ —
Basic and diluted - net loss	$ (0.40)	$ (0.15)	$ (0.74)	$ (0.52)
Weighted average common shares used in computing loss per share				
Basic and diluted	72,870	70,698	72,433	70,481

Net loss attributable to stockholders	$ (29,171)	$ (10,387)	$ (53,301)	$ (36,897)
Foreign currency translation adjustment	171	1,532	(364)	2,367
Comprehensive loss	$ (29,000)	$ (8,855)	$ (53,665)	$ (34,530)

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Accuray Incorporated
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Six Months Ended December 31,	
	2012	2011
Cash Flows From Operating Activities		
Loss from continuing operations	$ (47,443)	$ (36,552)
Loss from discontinued operations	(19,147)	(3,722)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	13,920	16,521
Impairment of indefinite lived intangible asset	12,200	—
Share-based compensation	4,051	4,556
Accretion of interest on long-term debt	2,099	1,597
Provision for (recovery of) bad debt	(373)	1,342
Provision for write-down of inventories	408	1,020
Loss on disposal of property and equipment	391	166
Gain on previously held equity interest in Morphormics	(662)	—
Loss from deconsolidation of a variable interest entity	3,442	—
Changes in assets and liabilities:		
Restricted cash	(1,050)	(335)
Accounts receivable	5,415	(15,036)
Inventories	(7,308)	12,104
Prepaid expenses and other assets	2,096	7,703
Deferred cost of revenue	(2,951)	(1,751)
Accounts payable	3,335	(16,974)
Accrued liabilities	(13,871)	(23,800)
Customer advances	49	(2,460)
Deferred revenue	3,588	17,204
Net cash used in operating activities	(41,811)	(38,417)
Cash Flows From Investing Activities		
Purchases of property and equipment, net	(9,207)	(3,900)
Purchase of intangible asset	(232)	—
Acquisition of business, net of cash acquired	(3,861)	(1,384)
Net cash used in investing activities	(13,300)	(5,284)
Cash Flows From Financing Activities		
Proceeds from issuance of common stock	5,147	2,030
Proceeds from debt, net of costs	—	96,100
Net cash provided by financing activities	5,147	98,130
Effect of exchange rate changes on cash and cash equivalents	1,233	(1,868)
Net increase (decrease) in cash and cash equivalents	(48,731)	52,561
Cash and cash equivalents at beginning of period	143,504	95,906
Cash and cash equivalents at end of period	$ 94,773	$ 148,467

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Accuray Incorporated
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Summary of Significant Accounting Policies

Description of Business

Accuray Incorporated (together with its subsidiaries, the "Company") is incorporated in Delaware. The Company designs, develops and sells advanced radiosurgery and radiation therapy systems for the treatment of tumors throughout the body.

Basis of Presentation and Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and a variable interest entity, Compact Particle Acceleration Corporation ("CPAC") until its deconsolidation on December 21, 2012 (for further information, see "Note 9, Investment in CPAC"). All significant inter-company transactions and balances have been eliminated in consolidation.

The accompanying condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles, ("GAAP"), pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and note disclosures have been condensed or omitted pursuant to such rules and regulations. The unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair presentation of the periods presented. The results for the three and six months ended December 31, 2012 are not necessarily indicative of the results to be expected for the year ending June 30, 2013, for any other interim period or for any future year.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures at the date of the financial statements. Key estimates and assumptions made by the Company relate to revenue recognition, business combinations and intangible asset impairment, inventories, share-based compensation expense, income taxes, loss contingencies and corporate bonus expenses and accruals. Actual results could differ materially from those estimates.

Concentration of Credit and Other Risks

The Company's cash and cash equivalents are mainly deposited with several major financial institutions. At times, deposits in these institutions exceed the amount of insurance provided on such deposits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant risk on these balances.

For the three and six months ended December 31, 2012 and 2011, there were no customers that represented 10% or more of total net revenue. At December 31, 2012 and June 30, 2012, there was one customer and two customers, respectively, whose accounts receivable balances were 10% or more of the Company's total accounts receivable.

Accounts receivable are typically not collateralized. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses. Accounts receivable are deemed past due in accordance with the contractual terms of the agreement. Accounts are charged against the allowance for doubtful accounts once collection efforts are unsuccessful. Historically, such losses have been within management's expectations.

Single source suppliers presently provide the Company with several components. In most cases, if a supplier was unable to deliver these components, the Company believes that it would be able to find other sources for these components subject to any regulatory qualifications, if required.

Revenue Recognition

The Company earns revenue from the sale of products, the operation of its shared ownership program, and the provision of related services, which include post-contract customer support ("PCS"), installation services, training and other professional services. The Company records its revenues net of any value added or sales tax. For arrangements with multiple elements, the Company allocates arrangement fees to product and services based upon Vendor Specific Objective Evidence of fair value of the respective elements, or Third-Party Evidence, or Best Estimate of Selling Price using the relative selling price method.

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Product Revenue

The majority of product revenue is normally generated from sales of CyberKnife and TomoTherapy systems. The Company sells its systems with PCS contracts, installation services, training, and at times, professional services. PCS contracts provide planned and corrective maintenance services, software updates, bug fixes, as well as call-center support. If the Company is responsible for installation, the Company recognizes revenue after installation and acceptance of the system. Otherwise, revenue is recognized upon delivery.

Service Revenue

Service revenue is generated primarily from PCS (warranty period services and post warranty services), installation services, training, and professional services. PCS revenue is deferred and recognized over the service period. Installation service revenue is recognized concurrent with system revenue. Training and professional service revenues that are not deemed essential to the functionality of the systems are recognized as such services are performed.

Costs associated with service revenue are expensed when incurred, except when those costs are related to system upgrades where revenue recognition has been deferred. In those cases, the costs are deferred and are recognized over the period of revenue recognition.

Shared ownership program

The Company also enters into arrangements under its shared ownership program with certain customers. These arrangements typically have a term of five years and provide the customer an option to purchase the system during the contractual term at pre-determined prices. Under the terms of this program, the Company retains title to its system, while the customer has use of the system. The Company generally receives a minimum monthly payment and earns additional revenues from the customer based upon its use of the system which are included in product revenue in the condensed consolidated statements of operations and comprehensive loss.

Other revenue

Other revenue primarily consists of research and development and construction contract revenues.

Long-term construction and manufacturing contracts

The Company recognizes revenue and cost of revenue related to long-term construction and manufacturing contracts using contract accounting on the percentage-of-completion or the completed contract method. The Company records such revenue under other revenue and cost of such revenue under cost of other revenue in the condensed consolidated statements of operations and comprehensive loss. Any loss provision identified from the total contract in the period is recorded as an increase to cost of revenue.

Loss Per Share

Basic and diluted loss per share is computed by dividing loss attributable to stockholders by the weighted average number of common shares outstanding during the period. The potential dilutive shares of the Company's common stock resulting from the assumed exercise of outstanding stock options, the vesting of Restricted Stock Units (RSUs), Market Stock Units (MSUs) and Performance-based Stock Units (PSUs), and the purchase of shares under the Employee Stock Purchase Plan (ESPP), as determined under the treasury stock method, are excluded from the computation of diluted loss per share because their effect would have been anti-dilutive.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted loss per share attributable to stockholders follows (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Numerator:				
Loss from operations used in computing loss per share from continuing operations	$ (25,513)	$ (10,283)	$ (47,443)	$ (36,552)
Loss from discontinued operations used in computing loss per share from discontinued operations	$ (3,658)	$ (104)	$ (5,858)	$ (345)
Net loss used in computing net loss per share	$ (29,171)	$ (10,387)	$ (53,301)	$ (36,897)
Denominator:				
Weighted average shares used in computing basic loss per share	72,870	70,698	72,433	70,481
Add: Dilutive stock options and awards outstanding	—	—	—	—
Weighted average shares used in computing diluted loss per share	72,870	70,698	72,433	70,481

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The following table sets forth all potentially dilutive securities excluded from the computation in the table above because their effect would have been anti-dilutive (in thousands):

	As of December 31,	
	2012	2011
Stock options	6,911	8,115
RSUs, MSUs and PSUs	2,581	2,105
3.75% Convertible Notes	10,560	10,560
	20,052	20,780

The 3.75% Convertible Senior Notes due August 1, 2016 (the "3.75% Convertible Notes") are included in the calculation of diluted loss per share if their inclusion is dilutive under the if-converted method.

Segment Information

The Company has determined that it operates in only one segment, as it only reports profit and loss information on an aggregate basis to its chief operating decision maker. The Company's long-lived assets maintained outside the United States are not material. Revenue by geographic region is based on the shipping addresses of the Company's customers. The following summarizes revenue by geographic region (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Americas	$ 35,079	$ 54,262	$ 70,890	$ 103,111
Europe, Middle East, India and Africa	27,838	25,330	52,956	53,945
Asia (excluding Japan)	5,537	19,715	20,658	35,872
Japan	9,325	7,116	16,023	13,946
Total	$ 77,779	$ 106,423	$ 160,527	$ 206,874

2. Balance Sheet Components

Accounts receivable, net

Accounts receivable, net consisted of the following (in thousands):

	December 31,	June 30,

	2012	2012
Accounts receivable	$ 64,422	$ 69,285
Unbilled fees and services	373	305
	64,795	69,590
Less: Allowance for doubtful accounts	(1,327)	(1,700)
Accounts receivable, net	$ 63,468	$ 67,890

Financing receivables

A financing receivable is a contractual right to receive money, on demand or on fixed or determinable dates, that is recognized as an asset in the creditor's balance sheet. The Company's financing receivables, consisting of its accounts receivable with contractual maturities of more than one year totaled $2.9 million and $2.5 million at December 31, 2012 and June 30, 2012, respectively and are included in Other Assets in the condensed consolidated balance sheets. There was no balance in the allowance for doubtful financing receivable accounts related to financing receivables as of December 31, 2012 and June 30, 2012.

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Inventories

Inventories consisted of the following (in thousands):

	December 31, 2012	June 30, 2012
Raw materials	$ 38,071	$ 34,579
Work-in-process	21,644	16,547
Finished goods	29,115	30,567
Inventories	$ 88,830	$ 81,693

Property and equipment, net

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

	December 31, 2012	June 30, 2012
Furniture and fixtures	$ 6,515	$ 5,921
Computer and office equipment	9,520	9,126
Software	9,445	9,429
Leasehold improvements	16,842	16,065
Machinery and equipment	31,843	33,493
Shared ownership systems	4,979	4,979
Construction in progress	7,928	3,787
	87,072	82,800
Less: Accumulated depreciation	(49,863)	(45,342)
Property and equipment, net	$ 37,209	$ 37,458

Depreciation expense related to property and equipment for the three and six months ended December 31, 2012 was $3.9 million and $8.0 million, respectively. Depreciation expense related to property and equipment for the three and six months ended December 31, 2011 was $4.1 million and $8.3 million, respectively.

3. Goodwill and Intangible Assets

Goodwill

Activity related to goodwill consisted of the following (in thousands):

	Six Months Ended December 31, 2012	Year Ended June 30, 2012
Balance at the beginning of the period	$ 59,215	$ 54,474
Addition related to acquisition	77	—
Currency translation and other adjustments	97	—
Adjustments related to prior year acquisition (1)	—	4,741
Balance at the end of the period	$ 59,389	$ 59,215

(1) Primarily represents liabilities related to the TomoTherapy acquisition.

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Intangible Assets

The Company's intangible assets associated with completed acquisitions at December 31, 2012 and June 30, 2012 are as follows (in thousands):

	Useful Lives (in years)	December 31, 2012 Gross Carrying Amount	December 31, 2012 Accumulated Amortization	December 31, 2012 Net Amount	June 30, 2012 Gross Carrying Amount	June 30, 2012 Accumulated Amortization	June 30, 2012 Net Amount
Developed technology	5 - 6	$ 48,556	$ (13,107)	$ 35,449	$ 43,455	$ (9,161)	$ 34,294
Backlog	1.25	10,500	(10,500)	—	10,500	(8,867)	1,633
Distributor license	1.5 - 2.5	2,070	(1,202)	868	1,860	(768)	1,092
In-process research and development (CPAC)	Indefinite	—	—	—	12,800	—	12,800
		$ 61,126	$ (24,809)	$ 36,317	$ 68,615	$ (18,796)	$ 49,819

Prior to the deconsolidation of CPAC on December 21, 2012 (see Note 9), the Company had noted certain impairment triggers based on results of research and development work carried out by CPAC. As a result, based on projected future usage of the in-process research and development ("IPR&D") technology by CPAC, an impairment charge of $12.2 million was recorded during the three months ended September 30, 2012. The Company did not identify any impairment triggers on goodwill or any of its other definite-lived intangible and long-lived assets.

Amortization expense related to intangible assets for the three and six months ended December 31, 2012 was $2.2 million and $6.0 million, respectively. Amortization expense related to intangible assets for the three and six months ended December 31, 2011 was $4.1 million and $8.2 million, respectively.

The estimated future amortization expense of purchased intangible assets as of December 31, 2012 is as follows (in thousands):

Year Ending June 30,	Amount
2013 (remaining 6 months)	$ 4,412
2014	8,388
2015	7,953
2016	7,953
2017	7,568
Thereafter	43
	$ 36,317

4. Financial Instruments

The following tables summarize the fair value of financial instruments measured on a recurring basis as of December 31, 2012 and June 30, 2012 (in thousands):

Type of instrument and line item in condensed consolidated balance sheets	Fair value measurement using: Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total balance
Assets at December 31, 2012				
Money market funds - included in cash and cash equivalents	$ 20,086	$ —	$ —	$ 20,086
Certificate of deposits - included in cash and cash equivalents	$ 9,139	$ —	$ —	$ 9,139
Assets at June 30, 2012				
Money market funds - included in cash and cash equivalents	$ 40,068	$ —	$ —	$ 40,068
Certificate of deposits - included in cash and cash equivalents	$ 6,742	$ —	$ —	$ 6,742

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The following tables summarize the fair value of financial instruments that are not measured on a recurring basis as of December 31, 2012 and June 30, 2012 (in thousands):

Type of instrument and line item in condensed consolidated balance sheets	Fair value measurement using: Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total balance
At December 31, 2012				
Long-term debt	$ —	$ 100,400	$ —	$ 100,400
At June 30, 2012				
Long-term debt	$ —	$ 101,400	$ —	$ 101,400

The long-term debt is measured on a non-recurring basis using Level 2 inputs based upon observable inputs of the Company's underlying stock price and the time value of the conversion option, since an observable quoted price of the 3.75% Convertible Notes is not readily available.

5. Contingencies

Litigation

From time to time, the Company is involved in legal proceedings arising in the ordinary course of its business. Currently, management believes the Company does not have any probable and estimable loss related to any current legal proceedings and claims that would individually or in the aggregate materially adversely affect its financial condition or operating results. Litigation is inherently unpredictable and is subject to significant uncertainties, some of which are beyond the Company's control. Should any of these estimates and assumptions change or prove to have been incorrect, the Company could incur significant charges related to legal matters which could have a material impact on its results of operations, financial position and cash flows.

Best Medical Trade Secret Litigation

On September 3, 2009, Best Medical International, Inc. ("Best Medical") filed a lawsuit against the Company in the U.S. District Court for the Western District of Pennsylvania, claiming that the Company induced certain individuals to leave the employment of Best Medical and join the Company in order to gain access to Best Medical's confidential information and trade secrets. Best Medical is seeking monetary damages and other relief. The Company filed a motion for summary judgment on May 20, 2011, Best Medical filed its response on June 21, 2011, and the Company filed a response to their response on July 8, 2011. On October 25, 2011, the court granted summary judgment in favor of the Company on all counts. On November 21, 2011 Best Medical filed a notice of appeal, and the parties await a ruling by the appellate court. At this time, the Company does not have enough information to estimate what, if any, financial impact this claim will have.

Best Medical Patent Litigation

On August 6, 2010, Best Medical filed an additional lawsuit against the Company in the U.S. District Court for the Western District of Pennsylvania, claiming that the Company has infringed U.S. Patent No. 5,596,619, a patent that Best Medical alleges protects a method and apparatus for conformal radiation therapy. On December 2, 2010, the Court granted the Company's motion to dismiss, with leave to amend. On December 16, 2010, Best Medical filed an amended complaint, claiming that the Company also infringed U.S. Patent Nos. 6,038,283 and 7,266,175, both of which Best Medical alleges cover methods and apparatus for conformal radiation therapy. On March 9, 2011, the Court dismissed with prejudice all counts against the Company, except for two counts of alleged willful infringement of two of the patents. The Court issued a Scheduling Order on May 12, 2011 appointing a special master for claim construction, and setting a claim construction hearing on January 10, 2012. Best Medical moved to voluntarily dismiss one of the two remaining patent claims on June 28, 2011, which the court granted on June 30, 2011, leaving only one patent (U.S. Patent No. 6,038,283) at issue in the case. The Court held a claim construction hearing on May 16, 2012. On January 10, 2013, the Court issued the claim construction order and a mandatory mediation will occur in March 2013. Best Medical is seeking declaratory and injunctive relief, as well as unspecified compensatory and treble damages and other relief. At this time, the Company does not have enough information to estimate what, if any, financial impact this claim will have.

Rotary Systems

On April 28, 2011, a former supplier to TomoTherapy, Rotary Systems Incorporated, filed suit in Minnesota state court, Tenth Judicial District, Anoka County, against TomoTherapy alleging misappropriation of trade secrets, as well as several other counts alleging various theories of injury. Rotary Systems alleges TomoTherapy misappropriated Rotary Systems' trade secrets pertaining to a component previously purchased from Rotary Systems, which component TomoTherapy now purchases from a different supplier. The suit alleges TomoTherapy improperly supplied the alleged trade secrets to its present supplier, Dynamic Sealing Technologies Inc. (also a named defendant in the suit). Rotary Systems has made an unspecified claim for damages of greater than $50,000. TomoTherapy moved to dismiss the case on May 19, 2011,

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and on August 29, 2011, the court granted the motion to dismiss with respect to all counts other than the count alleging misappropriation of trade secrets. On May 21, 2012, the court granted the Company's motion for sanctions, in part, and gave Rotary Systems sixty days to identify the alleged trade secrets with specificity or face dismissal of its claim with prejudice. The court held a hearing on September 20, 2012 to review Rotary System's amended complaint and set a calendar for discovery. At this time, the Company does not have enough information to estimate what, if any, financial impact this claim will have.

Radiation Stabilization Solutions Patent Litigation

On September 15, 2011, Radiation Stabilization Solutions LLC ("RSS") filed a patent infringement complaint in the United States District Court for the Northern District of Illinois, Eastern Division. The complaint, alleged the Company's sale of the TomoHD product induces infringement of or contributorily infringes U.S. Patent No. 6,118,848, or the '848 Patent, and sought unspecified monetary damages for the alleged infringement. The complaint also named Varian Medical Systems, Inc., BrainLab AG, BrainLab, Inc., Elekta AB and Elekta, Inc. as defendants, alleging that certain of their products also infringe the '848 patent. On October 27, 2011, the Court dismissed the complaint without prejudice because non-resident defendants had been improperly named in the complaint.

On October 28, 2011, RSS filed a new complaint against the Company and a customer of the Company in the United States District Court for the Northern District of Illinois, Eastern Division. The new complaint repeats the original complaint's allegations against the Company and seeks unspecified monetary damages for the alleged infringement. The complaint further alleges that the customer directly and indirectly infringes the '848 patent, and seeks unspecified monetary damages for the alleged infringement. RSS also filed individual suits against each of Varian and Elekta and several of their respective customers. RSS served the complaint on Accuray and its customer on December 7, 2011. On January 30, 2012 the Company filed a motion to dismiss the complaint, and the Court heard oral argument for the motion on June 29, 2012. On August 21, 2012, the court granted the Company's motion in part and gave RSS leave to amend the complaint. On September 21, 2012, RSS filed an amended complaint. On November 2, 2012, the Company and RSS entered into a settlement agreement, under which the Company paid $150,000 to resolve all outstanding claims.

Accuray Securities Complaint

On November 1, 2012, a complaint was filed in Santa Clara County Superior Court purportedly on behalf of a class of shareholders seeking to enjoin the shareholder vote to be held at our annual meeting scheduled for November 30, 2012. The complaint named as defendants the Company and the members of the board of directors and alleged that the disclosures in the proxy statement for the annual meeting concerning the advisory vote on executive

compensation and the proposal to amend the certificate of incorporation to increase the number of authorized shares are inadequate and constitute a breach of fiduciary duty. In addition to an injunction, the complaint sought unspecified monetary damages and other relief. The annual meeting was held on November 30, 2012. On December 28, 2012, the plaintiffs requested dismissal of the case from the court without prejudice, which was granted on January 3, 2013.

Sarif Biomedical Patent Litigation

On January 28, 2013 Sarif Biomedical filed a patent infringement complaint in the United States District Court for Delaware. The complaint alleges the Company's CyberKnife system directly infringes U.S. Patent No. 5,755,725, or the '725 Patent, and seeks unspecified monetary damages for the alleged infringement. At this time, we do not have enough information to estimate what, if any, financial impact this claim will have.

Software License Indemnity

Under the terms of the Company's software license agreements with its customers, the Company agrees that in the event the software sold infringes upon any patent, copyright, trademark, or any other proprietary right of a third party, it will indemnify its customer licensees against any loss, expense, or liability from any damages that may be awarded against its customer. The Company includes this infringement indemnification in all of its software license agreements and selected managed services arrangements. In the event the customer cannot use the software or service due to infringement and the Company cannot obtain the right to use, replace or modify the license or service in a commercially feasible manner so that it no longer infringes, then the Company may terminate the license and provide the customer a refund of the fees paid by the customer for the infringing license or service. The Company has not recorded any liability associated with this indemnification, as it is not aware of any pending or threatened actions that represent probable losses as of December 31, 2012.

6. Acquisition

On July 16, 2012, the Company acquired the remaining 90% of the outstanding shares of Morphormics, Inc. ("Morphormics"), a privately-held developer of medical imaging software based in North Carolina. The purpose of this acquisition was to enable the Company to extend auto-contouring capabilities for both the CyberKnife and TomoTherapy systems to improve disease specific workflows. The Company previously held 10% of the outstanding shares of Morphormics which was carried at zero value prior to the acquisition and re-measured to its acquisition-date fair value of $0.7 million based on the fair value of the consideration transferred. The acquisition has been accounted for as a business combination using purchase accounting and Morphormics' results of operations are included in the condensed consolidated financial

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statements from July 16, 2012. The acquisition was not considered a material business combination and was funded through cash on-hand. As per the acquisition agreement, $0.9 million of the purchase consideration is to be paid on April 16, 2013 and is included in other accrued liabilities in the condensed consolidated balance sheet at December 31, 2012. The Company has not incurred material severance or acquisition-related costs.

The fair value of total purchase consideration paid and payable for 100% of Morphormics' equity interest as of the acquisition date was as follows (in thousands):

Cash paid and payable	$	5,385
Fair value of pre-existing investment in Morphormics		662
Total	$	6,047

The total purchase price was allocated to the net tangible and intangible assets acquired and liabilities assumed based on their fair values as of the acquisition date as follows (in thousands):

Cash and cash equivalents	$	668
Accounts receivable		283
Other current assets		7
Amortizable intangible assets - developed technology		5,100
Goodwill		77
Accrued compensation		(88)
Total purchase price	$	6,047

Pro forma results of operations for the acquisition have not been presented because they are not material to the Company's condensed consolidated statements of operations and comprehensive loss, balance sheets, or cash flows.

7. Share-Based Compensation

The following table summarizes the share-based compensation charges included in the Company's condensed consolidated statements of operations and comprehensive loss (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Cost of revenue	$ 319	$ 437	$ 566	$ 995
Selling and marketing	327	151	547	380
Research and development	477	567	993	1,169
General and administrative	1,173	792	1,945	2,012
	$ 2,296	$ 1,947	$ 4,051	$ 4,556

At December 31, 2012 and June 30, 2012, capitalized share-based compensation expenses of $0.5 million and $0.4 million, respectively, were included as a component of inventories.

Performance-Based Awards

During fiscal 2012, the Compensation Committee of the Board of Directors of the Company approved the granting of PSUs to employees of the Company which vest only upon meeting certain financial performance criteria during the performance period commencing on the first day of the Company's 2012 fiscal year and ending on the last day of the Company's 2013 fiscal year. If the PSUs do not become vested as a result of the Company's performance during the performance period, all PSUs are automatically forfeited by the participants effective as of the last day of the performance period. During fiscal 2012, approximately 1.0 million PSUs were granted to employees valued at approximately $3.9 million which was based on the fair value of the Company's common stock on the grant date and will be recognized over the requisite performance period based on management's assessment of the probability of achieving the performance criteria. Approximately 0.7 million PSUs are outstanding as of December 31, 2012.

As of December 31, 2012, management assessed that it was not probable that the performance criteria would be met during the performance period and accordingly, no compensation cost has been recognized for the PSUs to date or during the three months ended December 31, 2012. If in a future period management revises its assessment and concludes that it is probable that the performance criteria will be met, the Company will record a cumulative catch-up compensation charge for the PSUs in that period. Remaining compensation charges would be recognized ratably over the remaining performance period.

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Market Stock Unit ("MSU") program

In October 2012, the Compensation Committee approved a new performance equity program, referred to as the market stock unit program ("MSU Program"). The program uses the Russell 2000 index as a performance benchmark and requires that the Company's total stockholder return exceed that of the Russell 2000. Based on a sliding scale of how much the Russell 2000 benchmark is exceeded, participating executives can earn up to a maximum of 150% of the target number of shares over two measurement periods, one at the end of fiscal 2014 and another at the end of fiscal 2015. During the three months ended December 31, 2012, 0.2 million MSUs were granted to participating executives. The MSUs were valued at approximately $1.2 million based on a Monte-Carlo simulation on the grant date and will be recognized over a weighted average period of 2.1 years.

8. Debt

On August 1, 2011, the Company issued the 3.75% Convertible Notes to certain qualified institutional buyers or QIBs. The 3.75% Convertible Notes were offered and sold to the QIBs pursuant to Rule 144A under the Securities Act of 1933, as amended. The net proceeds from the $100 million offering, after deducting the initial purchaser's discount and commission and the related offering costs, were approximately $96.1 million. The offering costs and the initial purchaser's discount and commission (which are recorded in Other Assets) are both being amortized to interest expense using the effective interest method over five years. The 3.75% Convertible Notes bear interest at a rate of 3.75% per year, payable semi-annually in arrears in cash on February 1 and August 1 of each year, beginning on February 1, 2012. The 3.75% Convertible Notes will mature on August 1, 2016, unless earlier repurchased, redeemed or converted.

The 3.75% Convertible Notes were issued under an Indenture between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Holders of the 3.75% Convertible Notes may convert their 3.75% Convertible Notes at any time on or after May 1, 2016 until the close of business on the business day immediately preceding the maturity date. Prior to May 1, 2016, holders of the 3.75% Convertible Notes may convert their 3.75% Convertible Notes only under the following circumstances: (1) during any calendar quarter after the calendar quarter ending September 30, 2011, and only during such calendar quarter, if the closing sale price of the Company's common stock for each of 20 or more trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price in effect on the last trading day of the immediately preceding calendar quarter; (2) during the five consecutive business days immediately after any five consecutive trading-day period (such five consecutive trading-day period, the "Note Measurement Period") in which the trading price per $1,000 principal amount of 3.75% Convertible Notes for each trading day of that Note Measurement Period was equal to or less than 98% of the product of the closing sale price of shares of the Company's common stock and the applicable conversion rate for such trading day; (3) if the Company calls any or all of the 3.75% Convertible Notes for redemption, at any time prior to the close of business on the business day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate transactions as described in the Indenture. Upon conversion by holders of the 3.75% Convertible Notes, the Company will have the right to pay or deliver, as the case may be, cash, shares of common stock of the Company or a combination thereof, at the Company's election. At any time on or prior to the 33rd business day immediately preceding the maturity date, the Company may irrevocably elect to (a) deliver solely shares of common stock of the Company in respect of the Company's conversion obligation or (b) pay cash up to the aggregate principal amount of the 3.75% Convertible Notes to be converted and pay or deliver, as the case may be, cash, shares of common stock of the Company or a combination thereof in respect of the remainder, if any, of the Company's conversion obligation in excess of the aggregate principal amount of the 3.75% Convertible Notes being converted. The initial conversion rate is 105.5548 shares of the Company's common stock per $1,000 principal amount of 3.75% Convertible Notes (which represents an initial conversion price of approximately $9.47 per share of the Company's common stock). The conversion rate, and thus the conversion price, are subject to adjustment as further described below.

Holders of the 3.75% Convertible Notes who convert their 3.75% Convertible Notes in connection with a "make-whole fundamental change", as defined in the Indenture, may be entitled to a make-whole premium in the form of an increase in the conversion rate. Additionally, in the event of a fundamental change, as defined in the Indenture, holders of the 3.75% Convertible Notes may require the Company to purchase all or a portion of their 3.75% Convertible Notes at a fundamental change repurchase price equal to 100% of the principal amount of 3.75% Convertible Notes, plus accrued and unpaid interest, if any, to, but not including, the fundamental change repurchase date.

On or after August 1, 2014 and prior to the maturity date, the Company may redeem for cash all or a portion of the 3.75% Convertible Notes if the closing sale price of its common stock exceeds 130% of the applicable conversion price (the initial conversion price is approximately $9.47 per share of common stock) of such 3.75% Convertible Notes for at least 20 trading days during any consecutive 30 trading-day period (including the last trading day of such period).

In accordance with Accounting Standards Codification ("ASC") 470-20 Debt with Conversion and Other Options, the Company separately accounts for the liability and equity conversion components of the 3.75% Convertible Notes. The principal amount of the liability component of the 3.75% Convertible Notes was $75.9 million as of the date of issuance based on the present value of its cash flows using a discount rate of 10%, our approximate borrowing rate

at the date of the issuance for a similar debt instrument without the conversion feature. The carrying value of the equity conversion component was $24.1 million. A portion of the initial purchaser's discount and commission and the offering costs totaling $0.9 million was allocated to the equity conversion component. The liability component will be accreted to the principal amount of the 3.75% Convertible Notes using the effective interest method over five years.

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The following table presents the carrying value of the 3.75% Convertible Notes as of December 31, 2012 (in thousands):

Carrying amount of the equity conversion component	$ 23,189
Principal amount of the 3.75% Convertible Notes	$ 100,000
Unamortized debt discount (1)	(18,435)
Net carrying amount	$ 81,565

(1)As of December 31, 2012, the remaining period over which the unamortized debt discount will be amortized is 43 months.

A summary of interest expense and effective interest rate on the liability component related to the 3.75% Convertible Notes for the three and six months ended December 31, 2012 and 2011 was as follows (in thousands):

	Three months ended December 31,		Six months ended December 31,	
	2012	2011	2012	2011
Effective interest rate	10.0%	10.0%	10.0%	10.0%
Interest expense related to contractual interest coupon	$ 937	$ 938	$ 1,875	$ 1,563
Interest expense related to amortization of debt discount	1,058	959	2,099	1,597
Total interest expense recognized	$ 1,995	$ 1,897	$ 3,974	$ 3,160

9. Investment in CPAC

On December 21, 2012, the Company and CPAC entered into a Purchase Agreement (the "Purchase Agreement"), whereby all the equity and debt investments held by the Company in CPAC were purchased by CPAC for a nominal consideration. Additionally, the Company assigned all its rights to the Dielectric Wall Accelerator ("DWA") technology licensed from Lawrence Livermore National Security, LLC to CPAC. As a result of the Purchase Agreement, the Company has concluded that it is no longer the primary beneficiary of CPAC since it does not have any variable interests in that entity. Accordingly, the Company has deconsolidated CPAC and recorded a loss of $3.4 million during the three and six months ended December 31, 2012 due to the write-down of the carrying value of CPAC's net liabilities, the write-off of the receivables from CPAC and the non-controlling interest in CPAC, net of cash consideration received. The results of operations of CPAC, including the loss on deconsolidation of CPAC and the losses attributable to the non-controlling interest recorded during the three and six months ended December 31, 2012 and 2011 have been disclosed as discontinued operations in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

10. Restructuring and Severance Charges

During December 2012, the Company vacated an office facility and recorded a charge of $1.4 million in general and administrative expenses during the three months ended December 31, 2012 for the remaining lease obligations on the facility, net of estimated sub-lease income. The Company also recorded a charge of $0.3 million in general and administrative expenses during the three months ended December 31, 2012 related to the disposition of certain fixed assets and leasehold improvements at this facility.

During the three months ended December 31, 2012, the Company also recorded severance related charges of $2.2 million in general and administrative expenses due to the departure of Dr. Euan S. Thomson (former Chief Executive Officer), Mr. Chris Raanes (former Chief Operating Officer) and certain other employees.

11. Subsequent Events

Restructuring

On January 3, 2013, the Company announced a restructuring of operations to focus on improving commercial execution and position the Company to support sustainable revenue growth and profitability. The restructuring reduced staffing by approximately 13 percent and was most heavily concentrated in the United States. As a result of the restructuring, the Company expects to record a charge of $3 million to $4 million, most of which will be recorded in the third quarter of fiscal 2013.

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Proposed Financing

On February 6, 2013, the Company announced its intention to engage in a financing pursuant to Rule 144A under the Securities Act of 1933, as amended.

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

The following discussion and analysis of our financial condition as of December 31, 2012 and results of operations for the three and six months ended December 31, 2012 and 2011 should be read together with our condensed consolidated financial statements and related notes included elsewhere in this report. Statements made in this Form 10-Q report that are not statements of historical fact are forward-looking statements and are subject to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this report relate, but are not limited, to: expectations related to profitability and cash flows in fiscal 2013; sufficiency of cash resources and expected cash flows to fund future operations; expected uses of cash during fiscal 2013; the anticipated drivers of our future capital requirements; the impact of our prior sales reorganization on sales performance, particularly in the United States; the expected impact of and benefits from our recent restructuring of operations; anticipated increases in service revenue; the ongoing impact of purchase accounting adjustments; our expectations regarding the factors that will impact sales, competitive positioning and long-term success for our CyberKnife and TomoTherapy Systems; our expectations regarding the impact on our revenues and business of the introduction of our new CyberKnife and TomoTherapy Systems; and the anticipated risks associated with our foreign operations and fluctuations in the U.S. dollar. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from expectations, including risks detailed from time to time under the heading "Risk Factors" in Part II, Item 1A of this report, Part I, Item 1A of the Company's annual report on Form 10-K for fiscal year 2012, and Part II, Item 1A of the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2012. Forward-looking statements speak only as of the date the statements are made and are based on information available to the Company at the time those statements are made and/or management's good faith belief as of that time with respect to future events. The Company assumes no obligation to update forward-looking statements to reflect actual performance or results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. Accordingly, investors should not place undue reliance on any forward-looking statements.

In this report, "Accuray," the "Company," "we," "us," and "our" refer to Accuray Incorporated and its subsidiaries.

Overview

Products and Markets

We believe we are a leading radiation oncology company with a history of rapid innovations. Our leading edge technologies are designed specifically to deliver radiosurgery, stereotactic body radiation therapy, intensity modulated radiation therapy, image guided radiation therapy and adaptive radiation therapy that is tailored to the specific needs of each patient. Our suite of products includes the CyberKnife® Systems and the TomoTherapy® Systems. The systems are generally complementary offerings, serving generally separate patient populations treated by the same medical specialty.

The CyberKnife Systems are robotic systems designed to deliver radiosurgery treatments to cancer tumors anywhere in the body. They are the only dedicated, full body robotic radiosurgery systems on the market. Radiosurgery is an alternative to traditional surgery for tumors and is performed on an outpatient basis in one to five treatment sessions. It allows for the treatment of patients who otherwise would not be treated with radiation, who may not be good candidates for surgery, or who desire non-surgical treatments. The use of radiosurgery with CyberKnife Systems to treat tumors throughout the body has grown significantly in recent years, but currently represents only a small portion of the patients who develop tumors treatable with CyberKnife Systems. A determination of when it may or may not be appropriate to use a CyberKnife System for treatment is at the discretion of the treating physician and depends on the specific patient. However, given the CyberKnife Systems' design to treat focal tumors, the CyberKnife Systems are generally not used to treat (1) very large tumors, which are considerably wider than the radiation beam that can be delivered by CyberKnife Systems, (2) diffuse, wide-spread disease, as is often the case for late stage cancers, because they are not localized (though CyberKnife Systems might be used to treat a focal area of the disease) and (3) systemic disease, like leukemias and lymphomas, which are not localized to an organ, but rather involve cells throughout the body.

In October 2012, we formally introduced two new versions of our technology platforms: the CyberKnife M6 Series and the TomoTherapy H Series. We expect that these new platforms will drive future orders and revenue growth. Due to an aggressive product development and launch plan as well as certain manufacturing and supply issues affecting the new CyberKnife M6 Series with the Multileaf Collimator, or MLC, including low manufacturing yields with the MLC, we have experienced, and may continue to experience, delays in new orders and sales of these systems, which has had and may continue to have an adverse impact on our revenue levels and our business. Further continuation of these manufacturing and supply issues or the occurrence of new manufacturing and supply issues with either the CyberKnife M6 Series or the TomoTherapy H Series may adversely affect market acceptance of these new systems and negatively impact our revenue and our overall business.

We believe that the long term success of the CyberKnife System is dependent on a number of factors including the following:

- Adoption of our recently introduced new CyberKnife platform;
- Change in medical practice to utilize radiosurgery more regularly as an alternative to surgery or other treatments;

- Greater awareness among doctors and patients of the benefits of radiosurgery with the CyberKnife Systems;
- Continued evolution in clinical studies demonstrating the safety, efficacy and other benefits of using the CyberKnife Systems to treat tumors in various parts of the body;
- Continued advances in technology that improve the quality of treatments and ease of use of the CyberKnife Systems;
- Improved access to radiosurgery with the CyberKnife Systems in various countries through regulatory approvals;
- Medical insurance reimbursement policies that cover CyberKnife System treatments; and
- Expansion of sales of CyberKnife Systems in countries throughout the world.

The TomoTherapy Systems are advanced, fully integrated and versatile radiation therapy systems for the treatment of a wide range of cancer types. We began selling TomoTherapy Systems after our acquisition of TomoTherapy Incorporated on June 10, 2011. Radiation therapy is used in a variety of ways, often to treat tissue surrounding a tumor area after surgical removal of the tumor and also as the primary treatment for tumors. Radiation therapy treatments impact both cancer cells as well as healthy tissue; therefore the total prescribed radiation dose is divided into many fractions and delivered in an average of 25 to 35 treatment sessions over several weeks. Radiation therapy has been widely available and used in developed countries for decades, though many developing countries do not currently have a sufficient number of radiation therapy systems to adequately treat their domestic cancer patient populations. The number of radiation therapy systems in use and sold each year is currently many times larger than the number of radiosurgery systems. Large companies, including Varian Medical Systems, Inc. and Elekta AB, generate most of the sales in this market. We believe the TomoTherapy Systems offer clinicians and patients significant benefits over other radiation therapy systems in the market. We believe our ability to capture more sales in this established market will be influenced by a number of factors including the following:

- Adoption of our recently introduced new TomoTherapy platform and receipt of regulatory clearances associated with such new platform;
- Greater awareness among doctors and patients of the benefits of radiation therapy using TomoTherapy Systems;
- Advances in technology which improve the quality of treatments and ease of use of TomoTherapy Systems;
- Greater awareness among doctors of the improvement in reliability of TomoTherapy Systems; and
- Expansion of TomoTherapy System sales in countries throughout the world.

Sale of Our Products

Generating revenue from the sale of our systems is a lengthy process. Selling our systems, from first contact with a potential customer to a signed sales contract that meets our backlog criteria, generally spans six months to two years. The time from receipt of a signed contract to revenue recognition is governed generally by the time required by the customer to build, renovate or prepare the treatment room for installation of the system. This time varies significantly, generally from six to twenty-four months.

In the United States, we market to customers, including hospitals and stand-alone treatment facilities, directly through our sales organization. Outside the United States, we market to customers in over 80 countries directly and through distributors. We have sales and service offices in Japan and many countries in Europe and Asia.

The following table shows the number of systems installed by geographic region as of December 31, 2012:

	CyberKnife	TomoTherapy	Total
Americas	158	217	375
Europe, Middle East, India and Africa	60	97	157
Asia (excluding Japan)	33	57	90
Japan	23	32	55
Total	274	403	677

International sales of our products account for a significant and growing portion of our total net revenue. Revenue derived from sales outside of the United States was $42.7 million and $52.2 million for the three months ended December 31, 2012 and 2011, respectively, and represented 55% and 49% of our net sales during these periods, respectively. Revenue derived from sales outside of the United States was $89.6 million and $103.8 million for the six months ended December 31, 2012 and 2011, respectively, and represented 56% and 50% of our net sales during these periods, respectively.

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Backlog

We report backlog in the following manner:

- Products: Orders for systems, upgrades, and our shared ownership program are reported in backlog, excluding amounts attributable to PCS (warranty period services and post warranty services), installation, training and professional services.
- Service: Orders for PCS, installation services, training and professional services are not reported in backlog.

For orders that cover both products and services, only the portion of the order that is recognized as product revenue is reported as backlog. The portion of the order that is recognized as service revenue (for example, PCS) is not included in reported backlog. Additionally, orders for TomoTherapy Systems made on or before June 30, 2011, that met the historical TomoTherapy backlog criteria have been grandfathered into, and are included in, our backlog, with the exception of orders that would have “aged out” as of June 30, 2011. TomoTherapy previously did not have an “age out” criteria, so we have adjusted the TomoTherapy backlog to age out orders where 2.5 years have passed from the time the order entered TomoTherapy’s backlog. As of December 31, 2012, product only backlog was $279.0 million as compared to $276.8 million as of December 31, 2011.

In order for the product portion of a sales agreement to be counted as backlog, it must meet the following criteria:

- The contract is signed and properly executed by both the customer and us. A customer purchase order that is signed and incorporates the terms of our contract quote will be considered equivalent to a signed and executed contract;
- The contract is non-contingent—it either has cleared all its contingencies or contains no contingencies when signed;

- We have received a minimum deposit or a letter of credit; the sale is a direct channel sale to a government entity, or the product has shipped to a customer with credit sufficient to cover the minimum deposit;

- The specific end customer site has been identified by the customer in the written contract or written amendment; and

- Less than 2.5 years have passed since the contract met all the criteria above.

Although our backlog includes only contractual agreements from our customers to purchase CyberKnife Systems or TomoTherapy Systems, we cannot provide assurance that we will convert backlog into recognized revenue due to factors outside our control, which includes, without limitation, changes in customers' needs or financial condition, changes in government or health insurance reimbursement policies, changes to regulatory requirements, or other reasons for cancellation of orders.

We also use book-to-bill ratios to assess the quality and growth of our backlog. The ratio is calculated for a period as new orders booked and included in backlog upon meeting criteria described above less any orders cancelled from backlog, and the resultant net orders being divided by total product revenue recognized during that period.

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Results of Continuing Operations

Three and six month periods ended December 31, 2012 compared to three and six month periods ended December 31, 2011

Net Revenue

(Dollars in thousands)	Three Months Ended December 31, 2012	2011	Variance	Variance in Percent	Six Months Ended December 31, 2012	2011	Variance	Variance in Percent
Products	$ 33,170	$ 63,802	$ (30,632)	-48%	$ 73,798	$ 119,976	$ (46,178)	-38%
Services	44,609	42,097	2,512	6%	86,729	85,498	1,231	1%
Other	—	524	(524)	-100%	—	1,400	(1,400)	-100%
Net Revenue	$ 77,779	$ 106,423	$ (28,644)	-27%	$ 160,527	$ 206,874	$ (46,347)	-22%

Total revenues during the three months ended December 31, 2012 decreased by 27% from the three months ended December 31, 2011 primarily due to lower product revenues. We recognized revenues on 11 units during the three months ended December 31, 2012 as compared to 24 units during the three months ended December 31, 2011. This resulted in decreases in product revenues by $30.8 million during the three months ended December 31, 2012 as compared to the three months ended December 31, 2011. Additionally, product upgrade revenues decreased by $2.0 million during the three months ended December 31, 2012 as compared to the three months ended December 31, 2011. The decreases were partially offset by $2.1 million of higher revenues during the three months ended December 31, 2012 resulting from a decrease in revenue deferrals for units sold with extended payment terms as compared to the three months ended December 31, 2011.

Total revenues during the six months ended December 31, 2012 decreased by 22% from the six months ended December 31, 2011 primarily due to lower product revenues. We recognized revenues on 26 units during the six months ended December 31, 2012 as compared to 48 units during the six months ended December 31, 2011. This resulted in decreases in product revenues by $50.2 million during the six months ended December 31, 2012 as compared to the six months ended December 31, 2011. Additionally, product upgrade revenues decreased by $2.0 million during the six months ended December 31, 2012 as compared to the six months ended December 31, 2011. The decreases were partially offset by $4.4 million of higher revenues during the six months ended December 31, 2012 resulting from a decrease in revenue deferrals for units sold with extended payment terms as compared to the six months ended December 31, 2011.

Services revenues during the three and six months ended December 31, 2012 increased by $2.5 million and $1.2 million, respectively, from the three and six months ended December 31, 2011. Service revenues during the three and six months ended December 31, 2011 included $3.7 million and $8.8 million, respectively, of service revenues arising from purchase accounting adjustments related to the TomoTherapy acquisition which was completed in June 2011. Such purchase accounting adjustments were not material during the three and six months ended December 31, 2012. Excluding such adjustments, service revenues increased by $6.2 million and $9.9 million, respectively, during the three and six months ended December 31, 2012 as compared to the three and six months ended December 31, 2011 due to increases in our installed base. We expect our service revenue to increase as our installed base continues to grow.

Gross Profit

	Three Months Ended December 31, 2012 (Dollars in thousands)	2012 (% of net revenue)	2011 (Dollars in thousands)	2011 (% of net revenue)	Six Months Ended December 31, 2012 (Dollars in thousands)	2012 (% of net revenue)	2011 (Dollars in thousands)	2011 (% of net revenue)
Gross profit	$ 26,626	34.2%	$ 40,243	37.8%	$ 50,302	31.3%	$ 64,671	31.3%
Products	14,606	44.0%	31,002	48.6%	31,225	42.3%	48,803	40.7%
Services	12,020	26.9%	8,920	21.2%	19,077	22.0%	14,972	17.5%
Other	—	0.0%	321	61.3%	—	0.0%	896	64.0%

The overall gross profit margin during the three months ended December 31, 2012 declined by 3.6 percentage points as compared to the three months ended December 31, 2011. Product margins were lower during the three months ended December 31, 2012 primarily due to higher cost of units sold, partially offset by the favorable impact of a net reduction in purchase accounting adjustments resulting from the acquisition of TomoTherapy on June 10, 2011. Service margins were higher during the three months ended December 31, 2012 primarily due to improvements in the reliability of the TomoTherapy Systems leading to reduced parts usage, partially offset by the unfavorable impact of a net reduction in purchase accounting adjustments resulting from the acquisition of TomoTherapy on June 10, 2011.

The overall gross profit margin percentage during the six months ended December 31, 2012 remained relatively unchanged as compared to the six months ended December 31, 2011. Product margins were higher during the six months ended December 31, 2012 primarily due to the favorable impact of a net reduction in purchase accounting adjustments resulting from the acquisition of TomoTherapy on June 10, 2011. This was partially offset by higher cost of units sold during the six months ended December 31, 2012. Service margins were higher during the six months ended December 31, 2012 primarily due to improvements in the reliability of the TomoTherapy Systems, partially offset by the unfavorable impact of a net reduction in purchase accounting adjustments resulting from the acquisition of TomoTherapy on June 10, 2011.

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In accordance with purchase accounting standards, a number of adjustments were recorded to the value of assets and liabilities of TomoTherapy as of the closing of the acquisition on June 10, 2011. These included the write-up of inventory based on selling price rather than cost of manufacturing, the write-down of deferred product revenue, the write-up of deferred service revenue, and the recording of intangible assets related to developed technology and to backlog existing at the time of the acquisition. On the acquisition date, deferred service and product revenues were valued at cost plus a reasonable margin. Purchase accounting adjustments increased gross profits for the three months ended December 31, 2011 by $0.1 million as follows: Product revenues were reduced by $0.1 million while product cost of revenues was increased by $4.5 million; Services revenues were increased by $3.7 million while services cost of revenues was decreased by $1.1 million. Purchase accounting adjustments reduced gross profit for the six months ended December 31, 2011 by $9.1 million as follows: Product revenues were reduced by $0.6 million, while product cost of revenues was increased by $15.9 million; Services revenues were increased by $8.8 million while services cost of revenues was increased by $1.4 million. Purchase accounting adjustments reduced gross profit for the three and six months ended December 31, 2012 by $1.6 million and $5.2 million, respectively, resulting primarily from the increases in product cost of revenues by $1.7 million and $5.1 million, respectively. The impact of purchase accounting adjustments, other than the amortization of intangible assets assigned to developed technology, are expected to be significantly smaller during the rest of fiscal 2013 and subsequent years.

Selling and Marketing

(Dollars in thousands)	Three Months Ended December 31, 2012	2011	Variance	Variance in Percent	Six Months Ended December 31, 2012	2011	Variance	Variance in Percent
Selling and marketing	$ 15,761	$ 14,017	$ 1,744	12%	$ 28,650	$ 27,598	$ 1,052	4%
Percentage of net revenue	*20.3%*	*13.2%*			*17.8%*	*13.3%*		

Selling and marketing expenses increased by $1.7 million during the three months ended December 31, 2012 as compared to the three months ended December 31, 2011 primarily due to higher tradeshow, advertising and consulting related expenses of $2.6 million related to the introduction of two new products at an industry trade show in October 2012, partially offset by lower compensation related costs of $1.1 million due to cost control initiatives.

Selling and marketing expenses increased by $1.1 million during the six months ended December 31, 2012 as compared to the six months ended December 31, 2011 primarily due to higher tradeshow, advertising and consulting related expenses of $2.3 million related to the introduction of two new products at an industry trade show in October 2012, and facilities and information technology related expenses of $0.5 million, partially offset by lower compensation related costs of $0.9 million and travel related expenses of $0.8 million due to cost control initiatives.

Research and Development

(Dollars in thousands)	Three Months Ended December 31, 2012	2011	Variance	Variance in Percent	Six Months Ended December 31, 2012	2011	Variance	Variance in Percent
Research and development	$ 17,239	$ 18,283	$ (1,044)	-6%	$ 35,813	$ 37,401	$ (1,588)	-4%
Percentage of net revenue	*22.2%*	*17.2%*			*22.3%*	*18.1%*		

Research and development expenses decreased by $1.0 million during the three months ended December 31, 2012 as compared to the three months ended December 31, 2011 primarily due to decreases in project related costs of $0.7 million and compensation related costs of $0.3 million due to cost control initiatives and reduction in development related activities since the two new product introductions at an industry trade show in October 2012.

Research and development expenses decreased by $1.6 million during the six months ended December 31, 2012 as compared to the six months ended December 31, 2011 primarily due to decreases in project related costs of $1.8 million due to cost control initiatives and reduction in development related activities since the two new product introductions at an industry trade show in October 2012.

General and Administrative

(Dollars in thousands)	Three Months Ended December 31, 2012	2011	Variance	Variance in Percent	Six Months Ended December 31, 2012	2011	Variance	Variance in Percent
General and administrative	$ 15,892	$ 13,395	$ 2,497	19%	$ 28,734	$ 28,083	$ 651	2%
Percentage of net revenue	*20.4%*	*12.6%*			*17.9%*	*13.6%*		

General and administrative expenses increased by $2.5 million during the three months ended December 31, 2012 as compared to the three months ended December 31, 2011 primarily due to $2.2 million of severance charges incurred for the departure of our former CEO, COO and other employees and $1.7 million related to lease acceleration and fixed asset disposal charges from vacating an office facility during the three months ended December 31, 2012. This was partially offset by lower consulting, legal and accounting related expenses of $0.9 million and operational expenses of $0.3 million due to cost control initiatives.

General and administrative expenses increased by $0.7 million during the six months ended December 31, 2012 as compared to the six months ended December 31, 2011 primarily due to $2.2 million of severance charges incurred for the departure of our former CEO, COO and other employees and $1.7 million related to lease acceleration and fixed asset disposal charges from vacating an office facility during the six months ended December 31, 2012. This was partially offset by lower consulting, legal and accounting related expenses of $2.4 million and compensation and travel related expenses of $1.1 million due to cost control initiatives.

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Other Expense, Net

(Dollars in thousands)	Three Months Ended December 31, 2012	2011	Variance	Variance in Percent	Six Months Ended December 31, 2012	2011	Variance	Variance in Percent
Other expense, net	$ (2,580)	$ (4,464)	$ 1,884	-42%	$ (3,284)	$ (7,236)	$ 3,952	-55%

Net other expense decreased by $1.9 million during the three months ended December 31, 2012 as compared to the three months ended December 31, 2011. During the three months ended December 31, 2012, we recognized net other expense of $2.6 million primarily due to $2.2 million of interest expenses related to our 3.75% Convertible Note and $0.6 million of foreign currency losses primarily resulting from the depreciation of the Japanese Yen against the U.S. Dollar. During the three months ended December 31, 2011, we recognized net other expense of $4.5 million primarily due to $2.3 million of foreign currency losses resulting primarily from the depreciation of the Euro against the U.S. Dollar and $2.0 million of interest expenses related to our 3.75% Convertible Note.

Net other expense decreased by $4.0 million during the six months ended December 31, 2012 as compared to the six months ended December 31, 2011. During the six months ended December 31, 2012, we recognized net other expense of $3.3 million primarily due to $4.3 million of interest expenses related to our 3.75% Convertible Note partially offset by a $0.7 million gain on our previously held equity interest in Morphormics, Inc., resulting from our acquisition of Morphormics on July 16, 2012 and $0.3 million of foreign currency gains. During the six months ended December 31, 2011, we recognized net other expense of $7.2 million primarily due to $3.8 million of foreign currency losses and $3.4 million of interest expenses related to our 3.75% Convertible Note, which was issued on August 1, 2011.

Provision for Incomes Taxes

(Dollars in thousands)	Three Months Ended December 31, 2012	2011	Variance	Variance in Percent	Six Months Ended December 31, 2012	2011	Variance	Variance in Percent
Provision for income taxes	$ 667	$ 367	$ 300	82%	$ 1,264	$ 905	$ 359	40%
Percentage of loss before provision for income taxes	*-2.8%*	*-3.7%*			*-2.8%*	*-2.5%*		

On a quarterly basis, we provide for income taxes based upon an estimated annual effective income tax rate. Income tax expenses were $0.7 million and $1.3 million for the three and six months ended December 31, 2012 respectively, compared to income tax expenses of $0.4 million and $0.9 million for the three and six months ended December 31, 2011 respectively. The increases were primarily due to increased earnings in international locations.

Loss from Discontinued Operations

The results of operations of CPAC, including the loss on deconsolidation of CPAC and the losses attributable to the non-controlling interest recorded during the three and six months ended December 31, 2012 and 2011 have been disclosed as discontinued operations.

Impairment of Indefinite Lived Intangible Assets

We incurred $12.2 million of impairment charges related to the write-down of our in-process research and development (IPR&D) asset during the first quarter of fiscal 2013, based on results of research and development work carried out by CPAC, then a variable interest entity consolidated by us. See Note 3, “Goodwill and Intangible Assets” for details.

Loss from Deconsolidation of CPAC

On December 21, 2012, the Company and CPAC entered into a Purchase Agreement, whereby all the equity and debt investments held by us in CPAC were purchased by CPAC for a nominal consideration. Additionally, we assigned all our rights to the DWA technology licensed from Lawrence Livermore National Security, LLC to CPAC. As a result of the Purchase Agreement, we concluded that we are no longer the primary beneficiary of CPAC since we do not have any variable interests in that entity. Accordingly, we have deconsolidated CPAC and recorded a loss of $3.4 million during the three and six months ended December 31, 2012 due to the write-down of the carrying value of CPAC’s net liabilities, the write-off of the receivables from CPAC and the non-controlling interest in CPAC, net of cash consideration received.

Equity Awards

Performance-based Awards

During fiscal 2012, the Compensation Committee of our Board of Directors of the Company approved the granting of Performance-Based Stock Units (“PSUs”) to employees of the Company which vest only upon meeting certain financial performance criteria during the performance period commencing on the first day of our 2012 fiscal year and ending on the last day of our 2013 fiscal year. In the event that the PSUs do not become vested as a result of the Company’s performance during the performance period, all PSUs are automatically forfeited by the participants effective as of the last day of the performance period. During fiscal 2012, approximately 1.0 million PSUs were granted to employees valued at approximately $3.9 million which was based on the fair value of the Company’s common stock on the grant date and will be recognized over the requisite performance period based on our assessment of the probability of achieving the performance criteria. Approximately 0.7 million PSUs are outstanding as of December 31, 2012.

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As of December 31, 2012, we have assessed that it was not probable that the performance criteria would be met during the performance period and accordingly, no compensation cost has been recognized for the PSUs to date or during the three months ended December 31, 2012. If in a future period management revises its assessment and concludes that it is probable that the performance criteria will be met, we will record a cumulative catch-up compensation charge for the PSUs in that period. Remaining compensation charges for the PSUs would be recognized ratably over the remaining performance period.

Market Stock Unit ("MSU") program

In October 2012, the Compensation Committee approved a new performance equity program, referred to as the market stock unit program ("MSU Program"). The program uses the Russell 2000 index as a performance benchmark and requires that the Company's total stockholder return exceed that of the Russell 2000. Based on a sliding scale of how much the Russell 2000 benchmark is exceeded, participating executives can earn up to a maximum of 150% of the target number of shares over two measurement periods, one at the end of fiscal 2014 and another at the end of fiscal 2015. During the three months ended December 31, 2012, 0.2 million MSUs were granted to participating executives. The MSUs were valued at approximately $1.2 million based on a Monte-Carlo simulation on the grant date and will be recognized over a weighted average period of 2.1 years.

Liquidity and Capital Resources

At December 31, 2012, we had $94.8 million in cash and cash equivalents. We expect to use cash for the balance of fiscal 2013 driven primarily by operating losses and capital expenditures. Cash from operations could be affected by various risks and uncertainties, including, but not limited to the risks included in Part II, Item 1A of this Form 10-Q and in Part I, Item 1A titled "Risk Factors" of Form 10-K for the year ended June 30, 2012. Also refer to Note 8, "Debt" to the condensed consolidated financial statements for discussion of the 3.75% Convertible Notes and Note 11, "Subsequent Events" for discussion of our announcement on February 6, 2013 regarding our intention to engage in a financing pursuant to Rule 144A under the Securities Act of 1933, as amended. Based on our current business and financial plan and revenue prospects, we believe that we will have sufficient cash resources and anticipated cash flows to fund our operations for at least the next 12 months.

Cash Flows From Operating Activities

Net cash used in operating activities was $41.8 million for the six months ended December 31, 2012 which was attributable to a net loss of $66.6 million, comprised of $47.4 million from continuing operations and $19.1 million from discontinued operations, and cash used for working capital purposes of $10.7 million. This was partially offset by $35.5 million of non-cash charges, which primarily included depreciation and amortization expenses of $13.9 million, $12.2 million of impairment charges related to in-process research and development assets, share-based compensation expenses of $4.1 million, loss on deconsolidation of CPAC of $3.4 million and accretion of interest expense on the 3.75% Convertible Notes of $2.1 million. Cash used for working capital was primarily attributed to increases in inventory balances of $7.3 million due to delays in manufacturing newly introduced products and decreases in accrued liabilities of $13.9 million due to payment of bonuses, reduction of compensation related accruals, payments for inventory buy-back obligations and other liabilities. This was partially offset by decreases in accounts receivable of $5.4 million due to lower billings, increases in deferred revenue of $3.6 million and increases in accounts payable of $3.3 million due to timing of vendor payments.

Net cash used in operating activities was $38.4 million for the six months ended December 31, 2011 which was attributable to net loss of $40.3 million, comprised of $36.6 million from continuing operations and $3.7 million from discontinued operations, and cash used for working capital purposes of $23.3 million, offset by $25.2 million of non-cash charges. Cash used for working capital was primarily attributed to increases in account receivable of $15.0 million due to higher billings, decreases in accounts payable of $17.0 million due to timing of vendor payments and decreases in accrued liabilities of $23.8 million due to payments for acquisition related, value-added tax related, and other liabilities, and partially offset by cash flow from decreases in inventory balances of $12.1 million due to usage and increases in deferred revenues of $17.2 million due to increased shipments and billings. Non-cash charges primarily included $16.5 million of depreciation and amortization expenses, $4.6 million of share-based compensation expense, accretion of interest expense on the 3.75% Convertible Notes of $1.6 million, $1.3 million for provision for bad debts and $1.0 million for provision for write-down of inventories.

Cash Flows From Investing Activities

Net cash used in investing activities was $13.3 million for the six months ended December 31, 2012, which primarily consisted of the purchase of property and equipment of $9.2 million and $3.9 million related to the acquisition of Morphormics.

Net cash used in investing activities was $5.3 million for the six months ended December 31, 2011, which consisted of purchases of property and equipment of $3.9 million and $1.4 million related to the acquisition of TomoTherapy.

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Cash Flows From Financing Activities

Cash flows from financing activities during the six months ended December 31, 2012 was attributable to proceeds from the exercise of common stock options and the purchase of common stock under our employee stock plans.

Net cash provided by financing activities was $98.1 million for the six months ended December 31, 2011. In August 2011, we issued the 3.75% Convertible Notes for net proceeds of $96.1 million. In addition, we received $2.0 million attributable to proceeds from the exercise of common stock options and the purchase of common stock under our employee stock plans.

Operating Capital and Capital Expenditure Requirements

Our future capital requirements depend on numerous factors. These factors include but are not limited to the following:

- Revenue generated by sales of our products, our shared ownership program and service plans;
- Costs associated with our sales and marketing initiatives and manufacturing activities;

- Facilities, equipment and IT systems required to support current and future operations;
- Rate of progress and cost of our research and development activities;
- Costs of obtaining and maintaining FDA and other regulatory clearances of our products;
- Effects of competing technological and market developments;
- Number and timing of acquisitions and other strategic transactions; and
- Costs associated with the integration of TomoTherapy.

If our cash and cash equivalents are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity or convertible debt securities could result in dilution to our stockholders. If additional funds are raised through the issuance of debt securities, these securities could have rights senior to those associated with our common stock and could contain covenants that would restrict our operations. Additional financing may not be available at all, or in amounts or on terms acceptable to us. If we are unable to obtain this additional financing, we may be required to reduce the scope of our planned product development and marketing efforts.

Contractual Obligations and Commitments

We presented our contractual obligations in our Annual Report on Form 10-K for the previous annual reporting period ended June 30, 2012. There have been no material changes outside of the ordinary course of business in those obligations during the current quarter. Also refer to Note 11, “Subsequent Events” to the condensed consolidated financial statements for discussion of our announcement on February 6, 2013 regarding our intention to engage in a financing pursuant to Rule 144A under the Securities Act of 1933, as amended.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of these condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as revenue and expenses during the reporting periods. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. Actual results could therefore differ materially from those estimates if actual conditions differ from our assumptions.

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During the three and six months ended December 31, 2012, there have been no changes to the critical accounting policies and estimates as discussed in Part II, Item 7 of our Form 10-K for the year ended June 30, 2012, which we believe are those related to revenue recognition, business combinations and intangible asset impairment, inventories, share-based compensation expense, income taxes, loss contingencies and corporate bonus expense and accruals.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Rate Risk

Future fluctuations in the value of the U.S. dollar may affect the price competitiveness of our products outside the United States. For direct sales outside the United States, we sell in both U.S. dollars and local currencies, which could expose us to additional foreign currency risks, including changes in currency exchange rates. Our operating expenses in countries outside the United States, are payable in foreign currencies and therefore expose us to currency risk. To the extent that management can predict the timing of payments under sales contracts or for operating expenses that are denominated in foreign currencies, we may engage in hedging transactions to mitigate such risks in the future.

Interest Rate Risk

At December 31, 2012, we had $29.2 million of cash equivalents invested in money market funds and certificates of deposit. Our earnings would not be materially affected by interest rate risk due to the low interest rate on these highly liquid investments.

Equity Price Risk

On August 1, 2011, we issued $100 million aggregate principal amount of the 3.75% Convertible Notes. Upon conversion, we can settle the obligation by issuing our common stock, cash or a combination thereof at an initial conversion rate equal to 105.5548 shares of common stock per $1,000 principal amount of the 3.75% Convertible Notes, which is equivalent to a conversion price of approximately $9.47 per share of common stock, subject to adjustment. There is no equity price risk if the share price of our common stock is below $9.47 upon conversion of the 3.75% Convertible Notes. For every $1 that the share price of our common stock exceeds $9.47, we expect to issue an additional $10.6 million in cash or shares of our common stock, or a combination thereof, if all of the 3.75% Convertible Notes are converted.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2012. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2012 our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the three months ended December 31, 2012, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Internal Control Over Financial Reporting

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Please refer to Note 5 to the condensed consolidated financial statements above for a description of certain legal proceedings currently pending against the Company. From time to time we are involved in legal proceedings arising in the ordinary course of our business.

Item 1A. Risk Factors.

The risks described in Item 1A. Risk Factors, in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012, could materially and adversely affect our business, operations and financial condition. These risk factors do not identify all risks that we face—our business, operations and financial conditions also could be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. The Risk Factors section of our Annual Report on Form 10-K for the fiscal year ended June 30, 2012 remains current as updated by our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 with the exception of the revised and additional risk factors below that amend and supplement the risk factors previously disclosed.

If the CyberKnife or TomoTherapy Systems do not achieve widespread market acceptance, we will not be able to generate the revenue necessary to support our business.

We are highly dependent on the commercial success of our two principal products, the CyberKnife and TomoTherapy Systems. Achieving physician, patient, hospital administrator and third-party payor acceptance of the CyberKnife and TomoTherapy Systems as preferred methods of tumor treatment will be crucial to our continued success. Physicians will not begin to use or increase the use of the CyberKnife or TomoTherapy Systems unless they determine, based on experience, clinical data and other factors, that the CyberKnife and TomoTherapy Systems are safe and effective alternatives to current treatment methods. We often need to educate physicians about the use of stereotactic radiosurgery, image guided radiation therapy, or IGRT and adaptive radiation therapy, convince healthcare payors that the benefits of the CyberKnife and TomoTherapy Systems and their related treatment processes outweigh their costs and help train qualified physicians in the skilled use of the CyberKnife and TomoTherapy Systems. For example, the complexity and dynamic nature of stereotactic radiosurgery and Robotic Intensity - Modulated Radiation Therapy, or IMRT, as well as adaptive radiation therapy and IGRT, require significant education of hospital personnel and physicians regarding the benefits of stereotactic radiosurgery and Robotic IMRT, as well as adaptive radiation therapy and IGRT, and require departures from their customary practices. We have expended and will continue to expend significant resources on marketing and educational efforts to create awareness of stereotactic radiosurgery and Robotic IMRT as well as adaptive radiation therapy and IGRT generally and to encourage the acceptance and adoption of our products for these technologies.

The CyberKnife and TomoTherapy Systems are major capital purchases, and purchase decisions are greatly influenced by hospital administrators who are subject to increasing pressures to reduce costs. These and other factors, including the following, may affect the rate and level of market acceptance of each of the CyberKnife and TomoTherapy Systems:

- The CyberKnife and TomoTherapy Systems' price relative to other products or competing treatments;
- Our ability to develop new products and enhancements to products and receive regulatory clearances and approval, if required, in a timely manner;
- Effectiveness of our sales and marketing efforts;
- Impact of the current economic environment on our business and our customer's business, including the postponement by our customers of purchase decisions or required build-outs;

- Capital equipment budgets of healthcare institutions;
- Increased scrutiny by state boards when evaluating certificates of need requested by purchasing institutions;
- Perception by patients, physicians and other members of the healthcare community of the CyberKnife and TomoTherapy Systems' safety, efficacy, efficiency, reliability, cost-effectiveness and benefits compared to competing technologies or treatments;
- Publication in peer-reviewed medical journals of data regarding the successful use and longer term clinical benefits of the CyberKnife and TomoTherapy Systems;
- Willingness of physicians to adopt new techniques and the ability of physicians to acquire the skills necessary to operate the CyberKnife and TomoTherapy Systems;
- Extent of third-party coverage and reimbursement rates, particularly from Medicare, for procedures using the CyberKnife and TomoTherapy Systems;
- Development of new products and technologies by our competitors or new treatment alternatives;
- Regulatory developments related to manufacturing, marketing and selling the CyberKnife and TomoTherapy Systems both within and outside the United States;
- Perceived liability risks arising from the use of new products; and
- Unfavorable publicity concerning the CyberKnife or TomoTherapy Systems or radiation based treatment alternatives.

In October 2012, we formally introduced two new versions of our technology platforms: the CyberKnife M6 Series and the TomoTherapy H Series. We expect that these new platforms will drive future orders and revenue growth. If either of these new CyberKnife or TomoTherapy Systems, or any of the CyberKnife or TomoTherapy Systems, is unable to achieve or maintain market acceptance, new orders

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and sales of our systems would be adversely affected, our revenue levels would decrease and our business would be harmed. Due to an aggressive product development and launch plan as well as certain manufacturing and supply issues affecting the new CyberKnife M6 Series with the Multileaf Collimator, or MLC, including low manufacturing yields for the MLC, we have experienced, and may continue to experience, delays in new orders and sales of these systems, which has had and may continue to have an adverse impact on our revenue levels and our business. Any continuation of these manufacturing and supply issues or the occurrence of new manufacturing and supply issues with either the CyberKnife M6 Series or the TomoTherapy H Series may adversely affect market acceptance of these new systems and negatively impact our revenue and our overall business.

We have limited experience and capability in manufacturing. If we encounter manufacturing problems, or if our manufacturing facilities do not continue to meet federal, state or foreign manufacturing standards, we may be required to temporarily cease all or part of our manufacturing operations, which would result in delays and lost revenue.

The CyberKnife and TomoTherapy Systems are complex, and require the integration of a number of components from several sources of supply. We must manufacture and assemble these complex systems in commercial quantities in compliance with regulatory requirements and at an acceptable cost. We have a limited history of manufacturing commercial quantities of the CyberKnife and TomoTherapy Systems. In particular, we manufacture compact linacs as a component of the CyberKnife and TomoTherapy Systems. Our linac components are extremely complex devices and require significant expertise to manufacture, and as a result of our limited manufacturing experience we may have difficulty producing needed materials in a commercially viable manner. We may encounter difficulties in scaling up production of the CyberKnife or TomoTherapy Systems, including problems with quality control and assurance, component supply shortages, increased costs, shortages of qualified personnel, the long lead time required to develop additional radiation-shielded facilities for purposes of testing our products and/or difficulties associated with compliance with local, state, federal and foreign regulatory requirements. If our manufacturing capacity does not keep pace with product demand, we will not be able to fulfill orders in a timely manner which in turn may have a negative effect on our financial results and overall business. Conversely, if demand for our products decreases, the fixed costs associated with excess manufacturing capacity may adversely affect our financial results.

Due to an aggressive product development and launch plan as well as certain manufacturing and supply issues affecting the new CyberKnife M6 Series with the MLC, including low manufacturing yields for the MLC, we have experienced, and may continue to experience, delays in new orders and sales of these systems, which has had and may continue to have an adverse impact on our revenue levels and our business. Any continuation of these manufacturing and supply issues or the occurrence of new manufacturing and supply issues with either the CyberKnife M6 Series or the TomoTherapy H Series may adversely affect market acceptance of these new systems and negatively impact our revenue and our overall business.

Our manufacturing processes and the manufacturing processes of our third-party suppliers are required to comply with the FDA's Quality System Regulation, or QSR. The QSR is a complex regulatory scheme that covers the methods and documentation of the design, testing, production processes, controls, manufacturing, labeling, quality assurance, packaging, storage and shipping of our products. Furthermore, we are required to verify that our suppliers maintain facilities, procedures and operations that comply with our quality requirements. We are also subject to state licensing and other requirements and licenses applicable to manufacturers of medical devices, and we are required to comply with International Organization for Standardization, or ISO, quality system standards in order to produce products for sale in Europe, as well as various other foreign laws and regulations. Because our manufacturing processes include the production of diagnostic and therapeutic X-ray equipment and laser equipment, we are subject to the electronic product radiation control provisions of the Federal Food, Drug and Cosmetic Act, which requires that we file reports with the FDA, applicable states and our customers regarding the distribution, manufacturing and installation of these types of equipment. The FDA enforces the QSR and the electronic product radiation control provisions through periodic inspections, some of which may be unannounced. We have been, and anticipate in the future being subject to such inspections. FDA inspections usually occur every two to three years. During such inspections, the FDA may issue Inspectional Observations on Form FDA 483, listing instances where the manufacturer has failed to comply with applicable regulations and procedures, or warning letters. Our Sunnyvale facility, where we manufacture the CyberKnife System, was most recently inspected by the FDA in June 2012. The 2012 inspection resulted in several observations. The initial classification of the inspection is considered to be Voluntary Action Indicated. We have undertaken corrective actions in response to the FDA's observations, although there can be no assurance that such action will be adequate.

If a manufacturer does not adequately address the observations, the FDA may take enforcement action against the manufacturer, including the imposition of fines, restriction of the ability to export product, total shutdown of production facilities and criminal prosecution. If we or a third-party supplier receive a Form FDA 483 with material or major observations that are not promptly corrected, fail to pass a QSR inspection, or fail to comply with these, ISO and other applicable regulatory requirements, our operations could be disrupted and our ability to generate sales could be delayed. Our failure to take prompt and satisfactory corrective action in response to an adverse inspection or our failure to comply with applicable standards could result in enforcement actions, including a public warning letter, a shutdown of our manufacturing operations, a recall of our products, civil or criminal penalties, or other sanctions, which

would cause our sales and business to suffer. In addition, because some foreign regulatory approvals are based on approvals or clearances from the FDA, any failure to comply with FDA requirements may also disrupt our sales of products in other countries. We cannot assure you that the FDA or other governmental authorities would agree with our interpretation of applicable regulatory requirements or that we or our third-party suppliers have in all instances fully complied with all applicable requirements. If any of these events occurs, our reputation could be harmed, we could lose customers and there could be a material adverse effect on our business, financial condition and results of operations.

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If we cannot achieve the required level and quality of production, we may need to outsource production or rely on licensing and other arrangements with third parties who possess sufficient manufacturing facilities and capabilities in compliance with regulatory requirements. Even if we could outsource needed production or enter into licensing or other third party arrangements, this could reduce our gross margin and expose us to the risks inherent in relying on others. We also cannot assure you that our suppliers will deliver an adequate supply of required components on a timely basis or that they will adequately comply with the QSR. Failure to obtain these components on a timely basis would disrupt our manufacturing processes and increase our costs, which would harm our operating results.

We have a large accumulated deficit, may incur future losses and may be unable to achieve profitability.

As of December 31, 2012, we had an accumulated deficit of $269.7 million. We may incur net losses in the future, particularly as we resolve the manufacturing and supply issues with our new CyberKnife M6 Series with the MLC, and restructure our selling and marketing activities. Our ability to achieve and sustain long-term profitability is largely dependent on our ability to successfully market and sell the CyberKnife and TomoTherapy Systems and to control our costs and effectively manage our growth. We cannot assure you that we will be able to achieve profitability. In the event we fail to achieve profitability, our stock price could decline.

Our ability to achieve profitability depends in part on maintaining or increasing our gross margins on product sales and service, which we may not be able to achieve.

A number of factors may result in adverse impacts to our gross margins, including:

- Actions related to new products, pricing and marketing programs;
- Lower than expected manufacturing yields of high cost components leading to increased manufacturing costs;
- The timing of revenue recognition and revenue deferrals;
- Sales discounts;
- Changes in product configurations;
- Increases in material or labor costs;
- Increased service or warranty costs or the failure to reduce service or warranty costs, especially with respect to the TomoTherapy Systems;
- Excess inventory and inventory holding charges;
- Obsolescence charges;
- Our ability to reduce production costs;
- Increased price competition;
- Variation in the margins across products installed in a particular period; and
- How well we execute on our strategic and operating plans.

We may not realize all of the benefits that we expect from our restructuring of operations that was announced in January 2013 and it may adversely affect our business.

In January 2013, we announced a restructuring of our operations to focus on improving commercial execution and position the Company to support sustainable revenue growth and profitability. The restructuring was designed to establish a cost structure that reallocates resources to commercial sales and marketing initiatives and improve business processes to support accelerated revenue growth. The restructuring is expected to generate an annual savings of approximately $40 million compared to our operating expenses as originally reported for fiscal 2012. It is expected that approximately half of these savings will come from reducing the number of our employees by approximately 13 percent and the remaining savings will come from program and discretionary spending reduction. We may not be able to implement all of the actions that we intend to take in the restructuring of our operations and we may not realize all of the benefits that were expected from the restructuring. The Company may not be able to successfully establish a cost structure that appropriately reallocates resources to commercial sales and marketing initiatives or may not be able to implement improved business processes to support accelerated revenue growth. The restructuring may not improve commercial execution, and the Company may not be able to support sustainable revenue growth and profitability following the restructuring.

If we are unable to develop new products or enhance existing products, we may be unable to attract or retain customers.

Our success depends on the successful development, regulatory clearance or approval, introduction and commercialization of new generations of products, treatment systems, and enhancements to and/or simplification of existing products. The CyberKnife and TomoTherapy Systems, which are currently our principal products, are technologically complex and must keep pace with, among other things, the products of our competitors. We are making significant investments in long-term growth initiatives. Such initiatives require significant capital commitments, involvement of senior management and other investments on our part, which we may be unable to recover. Our timeline for the development of new products or enhancements may not be achieved and price and profitability targets may not prove feasible. Commercialization of new products may prove challenging, and we may be required to invest more time and money than expected to successfully introduce them. Once introduced, new products may adversely impact orders and sales of our existing products, or make them less

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desirable or even obsolete. Compliance with regulations, competitive alternatives, and shifting market preferences may also impact the successful implementation of new products or enhancements. This includes two new versions of our technology platforms: the CyberKnife M6 Series and the TomoTherapy H Series, which we formally introduced in October 2012.

Our ability to successfully develop and introduce new products, treatment systems and product enhancements and simplifications, and the revenues and costs associated with these efforts, will be affected by our ability to:

- Properly identify customer needs;
- Prove feasibility of new products;
- Educate physicians about the use of new products and procedures;
- Limit the time required from proof of feasibility to routine production;
- Comply with internal quality assurance systems and processes timely and efficiently;
- Limit the timing and cost of obtaining regulatory approvals or clearances;
- Accurately predict and control costs associated with inventory overruns caused by phase-in of new products and phase-out of old products;
- Price our products competitively;
- Manufacture and deliver our products in sufficient volumes on time, and accurately predict and control costs associated with manufacturing, installation, warranty and maintenance of the products;
- Meet our product development plan and launch timelines;
- Improve manufacturing yields of components;
- Manage customer acceptance and payment for products;
- Manage customer demands for retrofits of both old and new products; and
- Anticipate and compete successfully with competitors.

Even if customers accept new products or product enhancements, the revenues from these products may not be sufficient to offset the significant costs associated with making them available to customers.

We cannot be sure that we will be able to successfully develop, obtain regulatory approval or clearance for, manufacture or introduce new products, treatment systems or enhancements, the roll-out of which involves compliance with complex quality assurance processes, including the quality system regulation, or QSR, enforced by the FDA. Failure to obtain regulatory approval or clearance for our products or to complete these processes in a timely and efficient manner could result in delays that could affect our ability to attract and retain customers, or could cause customers to delay or cancel orders, causing our backlog, revenues and operating results to suffer.

We depend on key employees, the loss of whom would adversely affect our business. If we fail to attract and retain employees with the expertise required for our business, we may be unable to continue to grow our business.

We are highly dependent on the members of our senior management, operations and research and development staff. In October 2012, we hired a new CEO. We are unable to predict how the market and our customers may react to this leadership change. Our future success will depend in part on our ability to retain our key employees and to identify, hire and retain additional personnel. In January 2013, we underwent a restructuring of our operations, and it may be more difficult to recruit new qualified personnel as a result of that restructuring. Competition for qualified personnel in the medical device industry, particularly in northern California and in Madison, Wisconsin, is intense, and finding and retaining qualified personnel with experience in our industry is very difficult. We believe there are only a limited number of individuals with the requisite skills to serve in many of our key positions and we compete for key personnel with other medical equipment and software manufacturers and technology companies, as well as universities and research institutions. It is increasingly difficult, time consuming and expensive to hire and retain these persons, and we may be unable to replace key persons if they leave or fill new positions requiring key persons with appropriate experience. A significant portion of our compensation to our key employees is in the form of stock option grants. A prolonged depression in our stock price could make it difficult for us to retain our employees and recruit additional qualified personnel. We do not maintain, and do not currently intend to obtain, key employee life insurance on any of our personnel. If we fail to hire and retain personnel in key positions, we may be unable to continue to grow our business successfully.

Third parties may claim we are infringing their intellectual property, and we could suffer significant litigation or licensing expenses or be prevented from selling our product.

The medical device industry is characterized by a substantial amount of litigation over patent and other intellectual property rights. In particular, the field of radiation treatment of cancer is well established and crowded with the intellectual property of competitors and others. We also expect that other participants will enter the field. A number of companies in our market, as well as universities and research institutions, have issued patents and have filed patent applications which relate to the use of radiation therapy and stereotactic radiosurgery to treat cancerous and benign tumors.

Determining whether a product infringes a patent involves complex legal and factual issues, and the outcome of patent litigation actions is often uncertain. We have not conducted an extensive search of patents issued to third parties, and no assurance can be given that third-party patents containing claims covering our products, parts of our products, technology or methods do not exist, have not been filed, or

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could not be filed or issued. Because of the number of patents issued and patent applications filed in our technical areas or fields, our competitors or other third parties may assert that our products and the methods we employ in the use of our products are covered by United States or foreign patents held by them. For example, on August 6, 2010, Best Medical International, Inc., or Best Medical, filed a lawsuit against Accuray in the U.S. District court for the Western District of Pennsylvania, claiming Accuray has infringed U.S. Patent No. 5,596,619, a patent that Best Medical alleges protects a method and apparatus for conformal radiation therapy, and on December 16, 2010, Best Medical filed an amended complaint, claiming that the Company also infringes U.S. Patent Nos. 6,038,283 and 7,266,175, both of which Best Medical alleges cover methods and apparatus for conformal radiation therapy. On March 9, 2011, the Court dismissed with prejudice all counts against the Company, except for two counts of alleged willful infringement of two of the patents. The Court issued a Scheduling Order on May 12, 2011 appointing a special master for claim construction, and setting a claim construction hearing on January 10, 2012. Best Medical moved to voluntarily dismiss one of the two remaining patents on June 28, 2011, which the court granted on June 30, 2011, leaving only one patent at issue in the case. The Court held a claim construction hearing on May 16, 2012. On January 10, 2013, the Court issued the claim construction order and a

mandatory mediation will occur in March 2013. Best Medical is seeking declaratory and injunctive relief as well as unspecified compensatory and treble damages and other relief.

In addition, because patent applications can take many years to issue and because publication schedules for pending applications vary by jurisdiction, there may be applications now pending of which we are unaware, and which may result in issued patents which our current or future products infringe. Also, because the claims of published patent applications can change between publication and patent grant, there may be published patent applications that may ultimately issue with claims that we infringe. There could also be existing patents that one or more of our products or parts may infringe and of which we are unaware. As the number of competitors in the market for less invasive cancer treatment alternatives grows, and as the number of patents issued in this area grows, the possibility of patent infringement claims against us increases. Regardless of the merit of infringement claims, they can be time-consuming, result in costly litigation and diversion of technical and management personnel. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise funds, if necessary, to continue our operations.

In the event that we become subject to a patent infringement or other intellectual property lawsuit and if the relevant patents or other intellectual property were upheld as valid and enforceable and we were found to infringe or violate the terms of a license to which we are a party, we could be prevented from selling our products unless we could obtain a license or were able to redesign the product to avoid infringement. Required licenses may not be made available to us on acceptable terms or at all. If we were unable to obtain a license or successfully redesign our system, we might be prevented from selling our system. If there is an allegation or determination that we have infringed the intellectual property rights of a competitor or other person, we may be required to pay damages, enter into a settlement or pay ongoing royalties. In these circumstances, we may be unable to sell our products at competitive prices or at all, and thus, our business and operating results could be harmed.

Our liquidity could be adversely impacted by adverse conditions in the financial markets.

At December 31, 2012, we had $94.8 million in cash and cash equivalents. The available cash and cash equivalents are held in accounts managed by third-party financial institutions and consist of invested cash and cash in our operating accounts. The invested cash is invested in interest bearing funds managed by third-party financial institutions, consisting of money market funds and certificates of deposit. To date, we have experienced no loss or lack of access to our invested cash or cash equivalents; however, we can provide no assurances that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

At any point in time, we also have funds in our operating accounts that are with third-party financial institutions that exceed the Federal Deposit Insurance Corporation, or FDIC, insurance limits. While we monitor daily the cash balances in our operating accounts and adjust the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions fail or become subject to other adverse conditions in the financial markets. To date, we have experienced no loss or lack of access to cash in our operating accounts.

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Increased leverage as a result of our Convertible Notes may harm our financial condition and operating results.

As of December 31, 2012, we had total consolidated long-term liabilities of approximately $96.8 million, including the liability component of the 3.75% Convertible Notes in the amount of $81.6 million.

Our level of indebtedness could have important consequences to stockholders and note holders, because:

- it could affect our ability to satisfy our obligations under the 3.75% Convertible Notes;
- a substantial portion of our cash flows from operations will have to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- it may impair our ability to obtain additional financing in the future;
- it may limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- it may make us more vulnerable to downturns in our business, our industry or the economy in general.

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Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from executing our growth strategy.

While we believe that our existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for at least the next twelve months, the timing and amount of our working capital and capital expenditure requirements may vary significantly depending on numerous factors, including the other risk factors described above and below, as well as:

- Market acceptance of our products;
- The need to adapt to changing technologies and technical requirements;
- Our ability to continue to increase orders growth and revenue, manage expenses and integrate the TomoTherapy business;
- Our ability to improve service margins;
- The existence of opportunities for expansion; and
- Access to and availability of sufficient management, technical, marketing and financial personnel.

If our capital resources are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity securities or debt securities or obtain other debt financing, which could be difficult or impossible in the current economic and capital markets environments. Our debt levels may impair our ability to obtain additional financing in the future. The sale of additional equity securities or convertible debt securities would result in additional dilution to our stockholders. We cannot assure that additional financing, if required, will be available in amounts or on terms acceptable to us, if at all.

The price of our common stock is volatile and may continue to fluctuate significantly, which could lead to losses for stockholders.

The trading prices of the stock of high-technology companies of our size can experience extreme price and volume fluctuations. These fluctuations often have been unrelated or out of proportion to the operating performance of these companies. The market price of our common stock has experienced, and may continue to experience, significant volatility. Any negative change in the public's perception of the prospects of companies that employ similar technology or sell into similar markets could also depress our stock price, regardless of our actual results.

Numerous factors, including many over which we have no control, may have a significant impact on the market price of our common stock. In addition to the risk factors described above and in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, other factors affecting the trading price of our common stock include, among other things:

- Changes in our revenue guidance or other financial metrics;
- Restructuring activities and operating expense reductions;
- Regulatory developments related to manufacturing, marketing or sale of the CyberKnife or TomoTherapy Systems;
- Our ability to successfully integrate the TomoTherapy acquisition;
- Economic changes and overall market volatility;
- Political or social uncertainties;
- Changes in product pricing policies;
- Variations in our operating results, as well as costs and expenditures;
- Changes in our operating results as a result of problems with our internal controls;
- Announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- Recruitment or departure of key personnel;
- Changes in the estimates of our operating results or changes in recommendations by any securities analyst;
- Market conditions in our industry, the industries of our customers and the economy as a whole;
- Sales (or anticipated sales) of large blocks of our common stock; and
- Changes in accounting principles or changes in interpretations of existing principles, which could affect our financial results.

In addition, the stock market in recent years has experienced extreme price and trading volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of our common stock, regardless of our operating performance. In addition, sales of substantial amounts of our common stock in the public market after this offering, or the perception that those sales may occur, could cause the market price of our common stock to decline. Furthermore, stockholders may initiate securities class action lawsuits if the market price of our common stock drops significantly, which may cause us to incur substantial costs and could divert the time and attention of our management. These factors, among others, could significantly depress the price of our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Sales of Unregistered Securities

None.

(b) Use of Proceeds from Public Offering of Common Stock

None.

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

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Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
10.2	General Release and Separation Agreement by and between Registrant and Euan S. Thomson, Ph.D., dated October 27, 2012.
10.3	Consulting Services Agreement by and between Registrant and Euan S. Thomson, Ph.D., dated October 27, 2012.
10.4	General Release and Separation Agreement by and between Registrant and Chris Raanes, dated November 26, 2012.
10.5*	Purchase Agreement and Release dated December 21, 2012, by and between Registrant and Compact Particle Acceleration Corporation.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.

32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. 1350
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Portions of the exhibit have been omitted pursuant to a request for confidential treatment. The omitted information has been filed separately with the Securities and Exchange Commission.

** XBRL (eXtensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURE

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

ACCURAY INCORPORATED

By: /s/ Joshua Levine
Joshua Levine
President and Chief Executive Officer

By: /s/ Derek Bertocci
Derek Bertocci
Senior Vice President and Chief Financial Officer

Date: February 6, 2013

GENERAL RELEASE AND SEPARATION AGREEMENT

This General Release and Separation Agreement (hereafter "**Agreement**") is entered into between Euan Thomson, Ph. D., (the "**Executive**"), and Accuray Incorporated (the "**Company**"), effective on the eighth calendar day following the Executive's signature (the "**Effective Date**"), unless he revokes his acceptance in accordance with the terms of Section 7(b), below.

WHEREAS, the Executive was President and Chief Executive Officer of the Company, pursuant to the terms of the Amended and Restated Employment Agreement effective October 1, 2011 (the "**Employment Agreement**");

WHEREAS, the Executive resigned effective October 11, 2012; and

WHEREAS, the Company and the Executive now wish to document the termination of their employment relationship and fully and finally to resolve all matters between them;

THEREFORE, in exchange for the good and valuable consideration set forth herein, the adequacy of which is specifically acknowledged, the Executive and the Company hereby agree as follows:

1. Resignation of Employment. The Executive confirms his resignation of his employment and of his position as an officer and member of the Board of Directors (the "Board") of the Company effective October 11, 2012 (the "**Resignation Date**"). The parties hereby acknowledge and agree that the Executive's resignation of employment constitutes a "separation from service" from the Company within the meaning of Section 409A(a)(2)(A)(i) of the Internal Revenue Code of 1986, as amended (the "**Code**"), and Treasury Regulation Section 1.409A-1(h) (a "**Separation from Service**"). As of the Resignation Date, the Employment Agreement shall automatically terminate and be of no further force and effect, and neither the Company nor the Executive shall have any further obligations thereunder, except as expressly provided herein. Notwithstanding the foregoing, the Company shall be obligated to Executive for severance payments and continuation of benefits as contemplated by Section 7 of the Employment Agreement and as set forth in Section 4 below.

2. Consulting Relationship. In consideration of the Executive's promises herein, the Company will enter into a consulting relationship with the Executive for a period of six months commencing the day after the Effective Date of this Agreement on the terms set forth in Exhibit A hereto.

3. Payment of Accrued Wages and Expenses. The Executive acknowledges receipt, on the Resignation Date, of an amount equal to all accrued wages through the Resignation Date, including accrued, unused vacation and/or paid time off, less applicable taxes and other authorized withholding (apart from the Executive's bonus for the current fiscal year, which will be paid in accordance with the terms of this Agreement). The Executive shall also be promptly reimbursed for all expenses incurred by him on behalf of the Company, so long as they are submitted for reimbursement on or before December 1, 2012, and they are in accordance with the Company's expense reimbursement policies.

4. Cash Severance Benefits and COBRA Premiums. The Executive agrees that, except as set forth in this Agreement, he is entitled to no additional pay or benefits in conjunction with the termination of his employment. Subject to Section 23(b) of this Agreement, the Company shall pay to the Executive, in a lump-sum, cash severance in the gross amount of $1,159,666 (the "**Severance Payment**"), which the parties acknowledge and agree represents the amount of the "Severance Payment"

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calculated under, and as defined in, Section 7 of the Employment Agreement, consisting of:

a.	Salary:	$	530,500.00
b.	Bonus:	$	530,500.00
c.	Health Benefit:	$	98,666.00

The Severance Payment shall be paid net of applicable taxes and other authorized withholdings.

5. Stock Options and Restricted Stock Units. The Executive acknowledges that as of the Resignation Date, the Executive was vested in Stock Options and Restricted Stock Units ("**RSUs**") as reflected in the report attached as Exhibit B hereto. As provided in Section 7(a) of the Employment Agreement, the unvested stock options and RSUs previously granted to the Executive that would have vested within twelve (12) months after the Termination Date shall become immediately vested and are included in Exhibit B hereto. Except as specifically set forth herein, the Executive's rights with respect to Stock Options and RSUs issued to him are governed by the Stock Option and Restricted Stock Unit Agreements entered into between the Executive and the Company, and the applicable Company equity incentive plan(s) and Notice(s) of Grant.

6. Outplacement Assistance. The Company will pay for executive outplacement assistance for a period of up to twelve (12) months after the Effective Date of this Agreement, provided that the Executive uses the Company's outplacement service provider. The Company's outplacement service provider will bill the Company directly, and there is no cash value to this benefit.

7. General Release of Claims by the Executive.

(a) The Executive, on behalf of himself and his executors, heirs, administrators, representatives and assigns, hereby agrees to release and forever discharge the Company and all predecessors, successors and their respective parent corporations, affiliates, related, and/or subsidiary entities, and all of their past and present investors, directors, shareholders, officers, general or limited partners, executives, attorneys, agents and representatives, and executive benefit plans in which the Executive is or has been a participant by virtue of his employment with the Company, from any and all claims, debts, demands, accounts, judgments, rights, causes of action, equitable relief, damages, costs, charges, complaints, obligations, promises, agreements, controversies, suits, expenses, compensation, responsibility and liability of every kind and character whatsoever (including attorneys' fees and costs), whether in law or equity, known or unknown, asserted or unasserted, suspected or unsuspected (collectively, "**Claims**"), which the Executive has or may have had against such entities based on any events or circumstances arising or occurring on or prior to the date hereof or on or prior to the Resignation Date, arising directly or indirectly out of, relating to, or in any other way involving in any manner whatsoever the Executive's employment by the Company or the separation thereof, and any and all claims arising under federal, state, or local laws relating to employment, including without limitation claims of wrongful

discharge, breach of express or implied contract, fraud, misrepresentation, defamation, or liability in tort, claims of any kind that may be brought in any court or administrative agency, any claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Family and Medical Leave Act, and state or local statutes, ordinances, and regulations, including, without limitation, the California Family Rights Act, the California Fair Employment and Housing Act and the California Labor Code.

Notwithstanding the generality of the foregoing, the Executive does not release the following claims and rights:

(i) Claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law;

(ii) Claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of the federal law known as COBRA;

(iii) The Executive's right to bring to the attention of the Equal Employment Opportunity Commission claims of discrimination; provided, however, that the Executive does release his right to secure damages for any alleged discriminatory treatment;

(iv) The Executive's rights under the Indemnification Agreement between Company and Executive and under applicable law (including California Labor Code Section 2802), the General Corporation Law of Delaware and the Company's D&O policy to seek indemnity for acts committed, or omissions, within the course and scope of the Executive's employment duties; and

(v) Claims for breach of this Separation Agreement.

(b) In accordance with the Older Workers Benefit Protection Act of 1990, the Executive acknowledges that he is aware of the following:

(i) This Section and this Agreement are written in a manner calculated to be understood by the Executive.

(ii) The waiver and release of claims under the ADEA contained in this Agreement does not cover rights or claims that may arise after the date on which the Executive signs this Agreement.

(iii) This Agreement provides for consideration in addition to anything of value to which the Executive is already entitled.

(iv) The Executive has been advised to consult an attorney before signing this Agreement.

(v) The Executive has been granted twenty one (21) days after he is presented with this Agreement to decide whether or not to sign this Agreement. If the Executive executes this Agreement prior to the expiration of this 21-day period, he does so voluntarily and after having had the opportunity to consult with an attorney, and hereby waives the remainder of the period.

(vi) The Executive has the right to revoke this general release within seven (7) days of signing this Agreement. In the event this general release is revoked, this Agreement will be null and void in its entirety, and the Executive will not receive the benefits of this Agreement.

If the Executive wishes to revoke this agreement, he must deliver written notice stating that intent to revoke, in accordance with the notice provisions of Section 18 of this Agreement, on or before 5:00 p.m. on the seventh (7^{th}) day after the date on which the Executive signs this Agreement.

8. The Company's Release of Claims. Nothing herein shall release or discharge any Claim by the Company against the Executive, or the right of the Company to bring any action, legal or

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otherwise, against the Executive as a result of any failure by him to perform his obligations under this Agreement, or as a result of any acts of intentional misconduct or recklessness (including, but not limited to, fraud, embezzlement, misappropriation, or other malfeasance).

9. Waiver of Rights Under California Civil Code Section 1542. The Company and the Executive acknowledge that they have been advised of and are familiar with the provisions of California Civil Code Section 1542, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

Being aware of said code section, the Company and the Executive hereby expressly waive any rights they may have thereunder, as well as under any other statutes or common law principles of similar effect; provided, however, that such waiver is not intended to affect claims expressly preserved under the terms of the parties' respective releases.

10. Nondisparagement. The Executive agrees that neither he nor anyone acting by, through, under or in concert with him shall disparage or otherwise communicate negative statements or opinions about the Company, its Board members, officers, executives or business. The Company agrees that neither its Board members nor executive officers shall disparage or otherwise communicate negative statements or opinions about the Executive.

11. Restrictive Covenants. The Executive acknowledges his continuing obligations, pursuant to Section 9(a), (b) and (d) of the Employment Agreement and under the Employee Invention Assignment and Confidentiality Agreement to which he is a party.

12. Cooperation. The Executive agrees to give reasonable cooperation, at the Company's request, in any pending or future litigation or arbitration brought against the Company and in any investigation that the Company or any government entity may conduct. The Company shall reimburse the Executive for all out of pocket expenses reasonably incurred by him in compliance with this Section 12. For his part, Executive agrees to submit a reimbursement for such out of pocket expenses within thirty (30) days after they have been incurred.

13. Executive's Representations and Warranties. The Executive represents and warrants that:

(a) He has been paid all wages owed to him by the Company, including all accrued, unused vacation and/or paid time off, as of the date of execution of this Agreement;

(b) As of the date of execution of this Agreement, he has not sustained any injuries for which he/she might be entitled to compensation pursuant to California's Workers Compensation law;

(c) The Executive has not initiated any adversarial proceedings of any kind against the Company or against any other person or entity released herein, nor will he do so in the future, except as specifically allowed by this Agreement, and the Executive is not aware of any facts that would support any Claims, any government law or regulation compliance-related violation, or any violation of the Company's Code of Conduct & Ethics for Employees, Agents and Contractors or Code of Ethics on Interactions with Health Care Professionals.

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14. Confidential Information; Return of Company Property.

(a) The Executive hereby expressly confirms his continuing obligations to the Company pursuant to Section 9(a) of the Employment Agreement, and pursuant to the Employee Invention Assignment and Confidentiality Agreement executed by the Executive, a copy of which is attached as Exhibit C and incorporated herein by reference.

(b) The Executive shall deliver to the Company within five days of the Resignation Date, all originals and copies of correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, or any other documents concerning the Company and its customers', business plans, marketing strategies, products, processes or business of any kind, and all originals and copies of documents that contain proprietary information or trade secrets of the Company that are in the possession or control of the Executive or his agents or representatives.

(c) The Executive shall return to the Company within five days of the Resignation Date all equipment of the Company in his possession or control. The Executive may however keep his Company-issued laptop computer and cellular phone if within five (5) days of the Resignation Date the Executive provides these items to the Company to remove all Company licensed software and confidential information before transfer of ownership.

15. Taxes. To the extent any taxes may be payable by the Executive for the benefits provided to him by this Agreement beyond those withheld by the Company, the Executive agrees to pay them himself and to indemnify and hold the Company and the other entities released herein harmless for any tax claims or penalties, and associated attorneys' fees and costs, resulting from any failure by him to make required payments.

16. In the Event of a Claimed Breach. All controversies, claims and disputes arising out of or relating to this Agreement, including without limitation any alleged violation of its terms, shall be resolved by final and binding arbitration before a single neutral arbitrator in San Jose, California, in accordance with the applicable dispute resolution rules of the Judicial Arbitration and Mediation Service ("**JAMS**"). The arbitration shall be commenced by filing a demand for arbitration with JAMS within 60 (sixty) days after the filing party has given notice of such breach to the other party. The arbitrator shall have authority to award the prevailing party attorneys' fees and expert fees, if any. Notwithstanding the foregoing, it is acknowledged that it will be impossible to measure in money the damages that would be suffered if the parties fail to comply with any of the obligations imposed on them under Sections 14(a) and (b) hereof, and that in the event of any such failure, an aggrieved person will be irreparably damaged and will not have an adequate remedy at law. Any such person shall, therefore, be entitled to injunctive relief, including specific performance, to enforce such obligations, and if any action shall be brought in equity to enforce any of the provisions of Sections 14(a) and (b) of this Agreement, neither of the parties hereto shall raise the defense that there is an adequate remedy at law.

17. Choice of Law. This Agreement shall in all respects be governed and construed in accordance with the laws of the State of California, including all matters of construction, validity and performance, without regard to conflicts of law principles.

18. Notices. All notices, demands or other communications regarding this Agreement shall be in writing and shall be sufficiently given if either personally delivered or sent by facsimile, electronic mail, or overnight courier, addressed as follows:

(a) If to the Company:

Accuray Incorporated
Attn: General Counsel
1310 Chesapeake Terrace
Sunnyvale, California 94089
Fax: 408-716-4747

(b) If to the Executive:

Euan Thomson, Ph. D.
17150 Los Robles Way
Los Gatos, California 95030
Email: euan_thomson@comcast.net

19. Severability. Except as otherwise specified below, should any portion of this Agreement be found void or unenforceable for any reason by a court of competent jurisdiction, the parties intend that such provision be limited or modified so as to make it enforceable, and if such provision cannot be modified to be enforceable, the unenforceable portion shall be deemed severed from the remaining portions of this Agreement, which shall otherwise remain in full force and effect. If any portion of this Agreement is so found to be void or unenforceable for any reason in regard to any one or more persons, entities,

or subject matters, such portion shall remain in full force and effect with respect to all other persons, entities, and subject matters. This paragraph shall not operate, however, to sever the Executive's obligation to provide the binding release to all entities intended to be released hereunder.

20. Understanding and Authority. The parties understand and agree that all terms of this Agreement are contractual and are not a mere recital, and represent and warrant that they are competent to covenant and agree as herein provided.

21. Integration Clause. This Agreement, the Employment Agreement, and the Employee Invention Assignment and Confidentiality Agreement contain the entire agreement of the parties with regard to the matters referenced herein and supersede any prior agreements as to such matters. This Agreement may not be changed or modified, in whole or in part, except by an instrument in writing signed by the Executive and the Chief Executive Officer of the Company. The Indemnification Agreement between the Company and the Executive shall not be affected by the existence of this Agreement, including this Section 21 hereof, and shall remain in full force and effect.

22. Execution in Counterparts. This Agreement may be executed in counterparts with the same force and effectiveness as though executed in a single document.

23. Section 409A of the Code.

(a) The payments and benefits under this Agreement are intended to be exempt from the application of Section 409A of the Code. To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Code and Department of Treasury Regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of this Agreement to the contrary, if the Company determines that any such compensation or benefits payable under this Agreement may be subject to Section 409A of the Code and related Department of Treasury guidance, the Company may, with the Executive's prior written consent, adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to (i) exempt the compensation and benefits payable under this Agreement from Section 409A of the Code and/or

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preserve the intended tax treatment of such compensation and benefits, or (ii) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

(b) Notwithstanding anything to the contrary in this Agreement, no payment or benefits, including without limitation the amount payable under Section 4 hereof, shall be paid to the Executive during the six (6) month period following the Executive's Separation from Service if the Company determines that paying such amount at the time or times indicated in this Agreement would be a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amount is delayed as a result of the previous sentence, then on the first business day following the end of such six (6) month period (or such earlier date upon which such amount can be paid under Section 409A of the Code without resulting in a prohibited distribution, including as a result of the Executive's death), the Company shall pay the Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Executive during such period.

(c) To the extent permitted under Section 409A of the Code, any separate payment or benefit under this Agreement or otherwise shall not be deemed "nonqualified deferred compensation" subject to Section 409A and the six (6) month delay requirement under 409A(a)(2)(B)(i) of the Code to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A of the Code.

(d) To the extent that any reimbursements or corresponding in-kind benefits provided to the Executive under this Agreement, including, without limitation under Section 4 or Section 12 hereof, are deemed to constitute compensation to the Executive, such amounts shall be paid or reimbursed reasonably promptly, but not later than December 31 of the year following the year in which the expense was incurred. The amount of any such payments or expense reimbursements in one year shall not affect the expenses or in-kind benefits eligible for payment or reimbursement in any other taxable year, and the Executive's right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

The parties have carefully read this Agreement in its entirety; fully understand and agree to its terms and provisions; and intend and agree that it is final and binding on all parties.

IN WITNESS WHEREOF, and intending to be legally bound, the parties have executed the foregoing on the dates shown below.

EUAN THOMSON, Ph.D.	ACCURAY INCORPORATED
/s/ Euan Thomson	/s/ Darren J. Milliken
Euan Thomson	Darren J. Milliken
	Senior Vice President, General Counsel
Date: Oct 27, 2012	Date: Oct 27, 2012

Exhibit A

Form of Consulting Agreement

See Exhibit 10.3

Exhibit B

List of Vested Stock options and RSUs as of Resignation Date

Personnel Grant Status

Accuray Incorporated
ID: 20-8370041
1310 Chesapeake Terrace
Sunnyvale, CA 94089

File: Optstmt
Date: 10/19/2012
Time:1:29:11PM

AS OF 10/11/2012

Euan Thomson
17150 Los Robles Way
Los Gatos, CA United States 95030

A W A R D S

Number	Grant Date	Plan	Type	Granted	Price	Released	Vested	Cancelled	Unvested	Deferred	Next Deferral Release Date
00003036	8/31/2010	2007	RSU	38,300.00	$ 0.00000	19,150.00	19,150.00	0.00	19,150.00	0.00	
00004058	9/30/2011	2007	RSU	32,000.00	$ 0.00000	8,000.00	8,000.00	0.00	24,000.00	0.00	
P0004102	9/30/2011	2007	PSU	56,000.00	$ 0.00000	0.00	0.00	0.00	56,000.00	0.00	
P0004130	9/30/2011	2007	PSU	56,000.00	$ 0.00000	0.00	0.00	0.00	56,000.00	0.00	
				182,300.00		27,150.00	27,150.00	0.00	155,150.00	0.00	

S T O C K O P T I O N S

Number	Grant Date	Plan	Type	Granted	Price	Exercised	Vested	Cancelled	Unvested	Outstanding	Exercisable
00000446	3/28/2002	1998	ISO	437,499.00	$ 0.75000	437,499.00	437,499.00	0.00	0.00	0.00	0.00
00000447	3/28/2002	1998	NQ	162,501.00	$ 0.75000	162,501.00	162,501.00	0.00	0.00	0.00	0.00
00000540	7/9/2003	1998	ISO	15,833.00	$ 0.75000	15,833.00	15,833.00	0.00	0.00	0.00	0.00
00000603	8/27/2003	1998	NQ	560,000.00	$ 0.75000	317,899.00	560,000.00	0.00	0.00	242,101.00	242,101.00
00000632	3/16/2004	1998	ISO	22,500.00	$ 1.40000	22,500.00	22,500.00	0.00	0.00	0.00	0.00
00000702	8/10/2004	1998	ISO	91,399.00	$ 2.50000	91,399.00	91,399.00	0.00	0.00	0.00	0.00
00000703	8/10/2004	1998	NQ	208,601.00	$ 2.50000	0.00	208,601.00	0.00	0.00	208,601.00	208,601.00
00000783	5/12/2005	1998	ISO	2,500.00	$ 3.50000	0.00	2,500.00	0.00	0.00	2,500.00	2,500.00
00000788	11/7/2005	1998	ISO	20,833.00	$ 4.38000	0.00	20,833.00	0.00	0.00	20,833.00	20,833.00
00000789	11/7/2005	1998	NQ	137,167.00	$ 4.38000	0.00	137,167.00	0.00	0.00	137,167.00	137,167.00
00000919	4/5/2006	1998	ISO	2,500.00	$ 6.73000	0.00	2,500.00	0.00	0.00	2,500.00	2,500.00
00000996	8/23/2006	1998	ISO	8,755.00	$ 9.50000	0.00	8,755.00	0.00	0.00	8,755.00	8,755.00
00001559	8/31/2007	2007	NQ	40,000.00	$ 28.47000	0.00	40,000.00	0.00	0.00	40,000.00	40,000.00
00001560	8/31/2007	2007	NQ	135,000.00	$ 13.83000	0.00	135,000.00	0.00	0.00	135,000.00	135,000.00
00002062	2/29/2008	2007	NQ	40,000.00	$ 10.36000	0.00	40,000.00	0.00	0.00	40,000.00	40,000.00
00002178	8/29/2008	2007	NQ	140,000.00	$ 8.25000	0.00	140,000.00	0.00	0.00	140,000.00	140,000.00
00002546	2/27/2009	2007	NQ	40,000.00	$ 4.67000	0.00	37,500.00	0.00	2,500.00	40,000.00	37,500.00
00002629	8/31/2009	2007	NQ	160,000.00	$ 6.41000	0.00	120,000.00	0.00	40,000.00	160,000.00	120,000.00
00002945	1/29/2010	2007	NQ	40,000.00	$ 5.94000	0.00	27,500.00	0.00	12,500.00	40,000.00	27,500.00
00003035	8/31/2010	2007	NQ	75,000.00	$ 6.58000	0.00	37,500.00	0.00	37,500.00	75,000.00	37,500.00
00003404	1/31/2011	2007	NQ	40,000.00	$ 8.56000	0.00	17,500.00	0.00	22,500.00	40,000.00	17,500.00
00004031	9/30/2011	2007	NQ	80,000.00	$ 4.01000	0.00	20,000.00	0.00	60,000.00	80,000.00	20,000.00
C0000540	7/9/2003	1998	NQ	24,167.00	$ 0.75000	5,000.00	24,167.00	0.00	0.00	19,167.00	19,167.00
C0000632	3/16/2004	1998	NQ	17,500.00	$ 1.40000	0.00	17,500.00	0.00	0.00	17,500.00	17,500.00
C0000783	5/12/2005	1998	NQ	37,500.00	$ 3.50000	0.00	37,500.00	0.00	0.00	37,500.00	37,500.00
C0000919	4/5/2006	1998	NQ	37,500.00	$ 6.73000	0.00	37,500.00	0.00	0.00	37,500.00	37,500.00
C0000996	8/23/2006	1998	NQ	291,245.00	$ 9.50000	0.00	291,245.00	0.00	0.00	291,245.00	291,245.00
				2,868,000.00		1,052,631.00	2,693,000.00	0.00	175,000.00	1,815,369.00	1,640,369.00

Exhibit C

Copy of Executed Employee Invention Assignment and Confidentiality Agreement

EMPLOYEE INVENTION ASSIGNMENT AND CONFIDENTIALITY AGREEMENT

In consideration of, and as a condition of my employment with Accuray Incorporated, a Delaware Corporation ("***Accuray***"), I hereby represent to, and agree with Accuray as follows:

1. **Effective Date.** I understand that this Agreement shall take effect on the date I begin work with Accuray ("***Effective Date***").

2. **Purpose of Agreement.** I understand that Accuray is engaged in a continuous program of research, development, production and marketing in connection with its business and that it is critical for Accuray to preserve and protect its "***Proprietary Information***" (as defined in Section 8 below), its rights in "**Inventions**" (as defined in Section 3 below) and in all related intellectual property rights. Accordingly, I am entering into this Employee Invention Assignment and Confidentiality Agreement (this "***Agreement***") as a condition of my employment with Accuray, whether or not I am expected to create inventions of value for Accuray.

3. **Disclosure of Inventions.** I will promptly disclose in confidence to Accuray all ideas, writings, discoveries, inventions, improvements, designs, original works of authorship, formulas, processes, compositions of matter, computer software programs, databases, mask works and trade secrets that I make or conceive of or first reduce to practice or create, either alone or jointly with others, during the period of my employment, whether or not in the course of my employment, and whether or not patentable, copyrightable or protectable as trade secrets (the "***Inventions***"). I agree to maintain adequate and current written records on the development of all Inventions.

4. **Work for Hire; Assignment of Inventions.** I acknowledge and agree that any copyrightable works prepared by me within the scope of my employment are "works for hire" under the Copyright Act and that Accuray will be considered the author and owner of such copyrightable works. I agree that all Inventions that (i) are developed using equipment, supplies, facilities or trade secrets of Accuray, (ii) result from work performed by me for Accuray, or (iii) relate to Accuray's business or actual or demonstrably anticipated research and development (the "***Assigned Inventions***"), will be the sole and exclusive property of Accuray. I hereby irrevocably convey, transfer, assign, and agree to assign, all right, title, and interest in the Assigned Inventions to Accuray**.**

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5. **Labor Code Section 2870 Notice.** I have been notified and understand that the provisions of Sections 3 and 4 of this Agreement do not apply to any Assigned Invention that qualifies fully under the provisions of Section 2870 of the California Labor Code, which states as follows:

> ***ANY PROVISION IN AN EMPLOYMENT AGREEMENT WHICH PROVIDES THAT AN EMPLOYEE SHALL ASSIGN, OR OFFER TO ASSIGN, ANY OF HIS OR HER RIGHTS IN AN INVENTION TO HIS OR HER EMPLOYER SHALL NOT APPLY TO AN INVENTION THAT THE EMPLOYEE DEVELOPED ENTIRELY ON HIS OR HER OWN TIME WITHOUT USING THE EMPLOYER'S EQUIPMENT, SUPPLIES, FACILITIES, OR TRADE SECRET INFORMATION EXCEPT FOR THOSE INVENTIONS THAT EITHER: (1) RELATE AT THE TIME OF CONCEPTION OR REDUCTION TO PRACTICE OF THE INVENTION TO THE EMPLOYER'S BUSINESS, OR ACTUAL OR DEMONSTRABLY ANTICIPATED RESEARCH OR DEVELOPMENT OF THE EMPLOYER; OR (2) RESULT FROM ANY WORK PERFORMED BY THE EMPLOYEE FOR THE EMPLOYER. TO THE EXTENT A PROVISION IN AN EMPLOYMENT AGREEMENT PURPORTS TO REQUIRE AN EMPLOYEE TO ASSIGN AN INVENTION OTHERWISE EXCLUDED FROM BEING REQUIRED TO BE ASSIGNED UNDER CALIFORNIA LABOR CODE SECTION 2870(a), THE PROVISION IS AGAINST THE PUBLIC POLICY OF THIS STATE AND IS UNENFORCEABLE.***

Accordingly, I acknowledge that Inventions set forth in Schedule A ("Employee's Disclosure") are excluded from the operation of this Agreement.

6. **Assignment of Other Rights.** In addition to the foregoing assignment of Assigned Inventions to Accuray, I hereby irrevocably transfer and assign to Accuray: (i) all worldwide patents, patent applications, copyrights, mask works, trade secrets and other intellectual property rights, including but not limited to rights in databases, in any Assigned Inventions, along with any registrations of or applications to register such rights; and (ii) any and all "Moral Rights" (as defined below) that I may have in or with respect to any Assigned Inventions. I also hereby forever waive and agree never to assert any and all Moral Rights I may have in or with respect to any Assigned Inventions, even after termination of my work on behalf of Accuray. ***"Moral Rights"*** mean any rights to claim authorship of or credit on an Assigned Inventions, to object to or prevent the modification or destruction of any Assigned Inventions, or to withdraw from circulation or control the publication or distribution of any Assigned Inventions, and any similar right, existing under judicial or statutory law of any country or subdivision thereof in the world, or under any treaty, regardless of whether or not such right is denominated or generally referred to as a "moral right."

7. **Cooperation.** At Accuray's request and expense, I will, during the term of my employment and thereafter, cooperate with and assist Accuray, and perform such further acts and execute, acknowledge and deliver to Accuray such further documents, as Accuray may deem necessary or advisable in order to obtain, establish, perfect, maintain, evidence, enforce or otherwise protect any of the rights, title and interests assigned, transferred, conveyed, or licensed (or intended to be assigned, transferred, conveyed, or licensed) to Accuray under this Agreement, or otherwise carry out the intent and accomplish the purposes of this Agreement. Without

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limiting the generality of the foregoing, to the extent permitted by applicable law, I hereby appoint Accuray as my attorney-in-fact (which appointment is coupled with an interest), with full power of substitution and delegation, with the right (but not the obligation) to perform any such acts and to execute, acknowledge and deliver any such documents on my behalf.

8. **Proprietary Information.** I understand that my employment by Accuray creates a relationship of confidence and trust with respect to any information of a confidential or secret nature that may be disclosed to me by Accuray or a third party that relates to the business of Accuray or to the business of any parent, subsidiary, affiliate, customer or supplier of Accuray or any other party to which Accuray owes a duty of confidentiality, whether or not labeled or identified as proprietary or confidential, and including any copies, portions, extracts and derivatives thereof, except to the extent that I can prove that such information or materials (i) are or become generally known to the public through lawful means and through no act or omission of mine; (ii) were part of my general knowledge prior to my employment by Accuray; or (iii) are disclosed to me without restriction by a third party who rightfully possesses the information and is under no duty of confidentiality with respect thereto (the "***Proprietary Information***"). Such Proprietary Information includes, but is not limited to, Assigned Inventions, marketing plans, product plans, business strategies, financial information, forecasts, personnel information, customer lists and data, and domain names. Except as disclosed on Schedule A to this Agreement, I have no knowledge of Accuray's business or Proprietary Information, other than information I have learned from Accuray in the course of being hired and employed

9. **Confidentiality.** At all times, both during my employment and after its termination, I will keep and hold all such Proprietary Information in strict confidence and trust. I agree to maintain at my work station and/or any other place under my control only such Proprietary Information that is necessary to carry out my responsibilities as an employee of Accuray. I agree to return to the appropriate person or location or otherwise properly dispose of Proprietary Information once that necessity no longer exists. I also agree not to make copies or otherwise reproduce Proprietary Information except to the

extent necessary to carry out my responsibilities as an employee of Accuray. I understand that avoiding loss or theft of Proprietary Information is an important part of my duties. I will not allow any other person to use my office access card or computer passwords, without prior managerial approval. I will only use secure networks established by Accuray when using Proprietary Information. I will not use or disclose any Proprietary Information without the prior written consent of Accuray, except as may be necessary to perform my duties as an employee of Accuray for the benefit of Accuray.

10. **Termination.** Upon termination of my employment with Accuray, I will promptly deliver to Accuray all documents and materials of any nature pertaining to my work with Accuray and, upon Company request, will execute a document confirming my agreement to honor my responsibilities contained in this Agreement. I will not take with me or retain any documents or materials or copies thereof containing any Proprietary Information. I agree that after the termination of my employment with Accuray, I will not enter into any agreement that would cause me to violate any of my obligations under this Agreement and will inform any subsequent employers of my obligations under this Agreement.

11. **Survival**. The terms and conditions of this Agreement and my obligations hereunder shall survive any termination of my employment with Accuray and any expiration or

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termination of any employment or other agreement between Accuray and me, and such terms and conditions shall remain in full force and effect as set forth herein.

12. **No Breach of Prior Agreement.** I represent that my performance of all the terms of this Agreement and my duties as an employee of Accuray will not breach any invention assignment, proprietary information, confidentiality or similar agreement with any former employer or other party. I represent that I will not bring with me to Accuray or use in the performance of my duties for Accuray any documents or materials or intangibles of a former employer or third party that are not generally available to the public or have not been legally transferred to Accuray. Except as disclosed on Schedule A, I am aware of no prior agreements between me and any other person or entity concerning propriety information, creations, or proprietary rights.

13. **Efforts; Duty Not to Compete.** I understand that my employment with Accuray requires my undivided attention and effort. As a result, during my employment, I will not, without Accuray's express written consent, engage in any other employment or business that (i) directly competes with the current or future business of Accuray; (ii) uses any Accuray information, equipment, supplies, facilities or materials; or (iii) otherwise conflicts with Accuray's business interest and causes a disruption of its operations.

14. **Notification.** I hereby authorize Accuray to notify third parties, including, without limitation, customers and actual or potential employers, of the terms of this Agreement and my responsibilities hereunder.

15. **Non-Solicitation of Employees/Consultants.** During my employment with Accuray and for a period of one (1) year thereafter, I will not directly or indirectly solicit away employees or consultants of Accuray for my own benefit or for the benefit of any other person or entity.

16. **Non-Solicitation of Suppliers/Customers.** During and after the termination of my employment with Accuray, I will not directly or indirectly solicit or otherwise take away customers or suppliers of Accuray if, in so doing, I access, use or disclose any trade secrets or proprietary or confidential information of Accuray. I acknowledge and agree that the names and addresses of Accuray's customers and suppliers, and all other confidential information related to them, including their buying and selling habits and special needs, whether created or obtained by, or disclosed to me during my employment, constitute trade secrets of Accuray.

17. **Name & Likeness Rights.** I hereby authorize Accuray to use, reuse, and to grant others the right to use and reuse, my name, photograph, likeness (including caricature), voice, and biographical information, and any reproduction or simulation thereof, in any form of media or technology now known or hereafter developed (including, but not limited to, film, video and digital or other electronic media), both during and after my employment, for whatever purposes Accuray deems necessary**.**

18. **Remedies.** I recognize that nothing in this Agreement is intended to limit any remedy of Accuray under any law concerning trade secrets or other Proprietary Rights. I recognize that my violation of this Agreement could cause Accuray irreparable harm and

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acknowledge that Accuray may have the right to apply to any court of competent jurisdiction for an order restraining any breach or threatened breach of this Agreement.

19. **Governing Law; Severability.** This Agreement will be governed by and construed in accordance with the laws of the State of California, without giving effect to its laws pertaining to conflict of laws. If any provision of this Agreement is determined by any court or arbitrator of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such provision will be enforced to the maximum extent possible given the intent of the parties hereto. If such clause or provision cannot be so enforced, such provision shall be stricken from this Agreement and the remainder of this Agreement shall be enforced as if such invalid, illegal or unenforceable clause or provision had (to the extent not enforceable) never been contained in this Agreement.

20. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, and all of which together shall constitute one and the same agreement.

21. **Entire Agreement.** This Agreement and the documents referred to herein constitute the entire agreement and understanding of the parties with respect to the subject matter of this Agreement, and supersede all prior understandings and agreements, whether oral or written, between or among the parties hereto with respect to the specific subject matter hereof.

22. **Amendment and Waivers.** This Agreement may be amended only by a written agreement executed by each of the parties hereto. No amendment of or waiver of, or modification of any obligation under this Agreement will be enforceable unless set forth in a writing signed by the party against which enforcement is sought. For Accuray, any such writing must be signed by one of the following: CEO, CFO or General Counsel. Any amendment effected in accordance with this section will be binding upon all parties hereto and each of their respective successors and assigns. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance. No waiver

granted under this Agreement as to any one provision herein shall constitute a subsequent waiver of such provision or of any other provision herein, nor shall it constitute the waiver of any performance other than the actual performance specifically waived.

23. **Successors and Assigns; Assignment.** I acknowledge and agree that my obligations hereunder are personal, and that I shall have no right to assign, transfer or delegate and shall not assign, transfer or delegate or purport to assign, transfer or delegate this Agreement or any of my rights or obligations hereunder. This Agreement and any rights and obligations of Accuray hereunder may be freely assigned, transferred or delegated by Accuray. Any assignment, transfer or delegation in violation of this Article 23 shall be null and void. Subject to the foregoing restrictions on assignments, transfers and delegations, this Agreement shall inure to the benefit of Accuray and its affiliates, officers, directors, agents, successors and assigns; and shall be binding on me and my heirs, devisees, spouses, agents, legal representatives and successors

24. **"At Will" Employment.** I understand that this Agreement does not constitute a contract of employment or obligate Accuray to employ me for any stated period of time. I

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understand that I am an "at will" employee of Accuray and that my employment can be terminated at any time, with or without notice and with or without cause, for any reason or for no reason, by either Accuray or myself. I acknowledge that any statements or representations to the contrary are ineffective, unless put into a writing signed by Accuray. I further acknowledge that my participation in any stock option or benefit program is not to be construed as any assurance of continuing employment for any particular period of time.

I REPRESENT THAT I HAVE READ THIS AGREEMENT, AND THAT I FULLY UNDERSTAND ALL OF ITS TERMS AND CONDITIONS; I HAVE EXECUTED THIS AGREEMENT WITHOUT COERCION OR DURESS OF ANY KIND.

AGREEMENT FOR CONSULTING SERVICES

This Consulting Services Agreement ("Agreement") is made and entered into by and between Euan Thomson, Ph.D. ("CONSULTANT") and Accuray Incorporated ("ACCURAY"). This Agreement shall be effective on the effective date of the General Release and Separation Agreement ("Separation Agreement") between CONSULTANT and ACCURAY ("Effective Date").

W I T N E S S E T H

WHEREAS, CONSULTANT has training, expertise and prior experience in the development, manufacture and sale of radiation oncology, including radio surgery and radiation therapy, technologies and devices, and executive management of ACCURAY; and

WHEREAS, ACCURAY desires to retain the services of CONSULTANT to provide the consulting services specified in this Agreement; and

WHEREAS, CONSULTANT desires to provide consulting services for the benefit of ACCURAY and its related entities using his knowledge, skills, experience and abilities;

NOW THEREFORE, in consideration of the mutual promises contained herein, and other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I - SERVICES TO BE PROVIDED

A. Nature of Services. CONSULTANT shall be available to provide advice and assistance to ACCURAY and its related entities, and specifically the President and Chief Executive Officer of ACCURAY, with respect to various questions, initiatives and projects in the areas of radio surgery and radiation therapy, and personnel, customers, prospective customers and vendors of ACCURAY (collectively, "Services") on an as needed basis, up to a maximum of 80 hours of Services each month during the term of this Agreement.

B. Right of Control. CONSULTANT shall have exclusive control over the means, manner, methods and processes by which the Services are performed.

C. Exclusive Services. In order to ensure that CONSULTANT is available to provide, and to devote his undivided attention and effort in providing, the Services as required by ACCURAY, and to insure compliance with the obligations in Article IV of this Agreement, CONSULTANT agrees that he will not accept any employment or engage in any other consulting, business and/or commercial activities with the following entities: Varian Medical Systems, Elekta AB, Siemens AG, ViewRay Inc, Best Medical, Rotary Systems, Radiation Stabilization Solutions, Alliance Oncology, MedyTec, Oncology Systems Limited (the "Prohibited Entities"). In addition, in the event CONSULTANT intends to provide services related in any way to radiation oncology, including radio surgery and radiation therapy, during the term of this Agreement to any entity other than a Prohibited Entity, CONSULTANT shall notify ACCURAY's General Counsel to get approval by ACCURAY and such approval shall not be unreasonably withheld. In the event CONSULTANT desires to provide work to any of the

above listed Prohibited Entities, CONSULTANT may terminate this Agreement in accordance with Article III (B).

ARTICLE II - COMPENSATION FOR SERVICES

A. Consulting Fees. As payment and consideration for the Services to be provided and promises made herein by CONSULTANT, ACCURAY agrees to pay CONSULTANT a "Consulting Fee" of $20,500 per month for the Services. The Consulting Fee will be paid in two equal installments each month and mailed to CONSULTANT before the 15th and last day of each month in which the Services are provided. To the extent ACCURAY requires more than 80 hours of Services per month, CONSULTANT will be paid for the Services at the rate of $255 per hour.

B. Reimbursement of Authorized Expenses. ACCURAY agrees to reimburse CONSULTANT for all actual out-of-pocket expenses that are necessary for the performance of CONSULTANT's Services under this Agreement, provided, however, that any expenses must be approved in advance in writing by ACCURAY's President and Chief Executive Officer.

C. Tax Obligations. CONSULTANT understands and agrees that all compensation to which he is entitled under the Agreement shall be reported on an IRS Form 1099, and that he is solely responsible for all income and/or other tax obligations, if any, including but not limited to all reporting and payment obligations, if any, which may arise as a consequence of any payment under this Agreement.

D. No Benefits. CONSULTANT understands and agrees that since he is no longer an employee of ACCURAY, he shall not be entitled to participate in ACCURAY employee benefits plans or receive any benefits provided to employees of ACCURAY, including, but not limited to participation in retirement savings or benefit plans, bonus plans and/or stock option plans beyond his participation during his employment by ACCURAY; holidays off with pay; vacation time off with pay; paid leaves of absence of any kind; and insurance coverage of any kind, specifically including, but not limited to, medical and dental insurance, workers' compensation insurance and state disability insurance.

ARTICLE III - TERM AND TERMINATION

A. Term of Agreement. This Agreement shall continue in full force and effect from the Effective Date through April 15, 2013 (the "Term").

B. Termination Prior to Expiration of Term. Either party hereto may terminate this Agreement at any time without cause on ten (10) business days' advance written notice to the other. If ACCURAY terminates the Agreement without Cause, it shall pay CONSULTANT the monthly Consulting Fee that otherwise would have been paid through the end of the Term. If CONSULTANT terminates the Agreement, ACCURAY shall have no

obligation to pay any portion of the Consulting Fee after the termination is effective. The Consulting Fee for the month in which the termination notice is effective shall be calculated by dividing the monthly Consulting Fee by the number of days in the month in which the termination is effective and multiplying that result by the number of days in the month until the termination is effective minus any portion of the Consulting Fee already paid that month.

ACCURAY may terminate this Agreement for Cause before the expiration of the Term hereof without any prior notice. "**Cause**" shall mean (i) CONSULTANT'S commission of a felony, (ii) CONSULTANT'S commission of a crime involving moral turpitude or CONSULTANT'S commission of any other material act or material omission involving dishonesty, disloyalty, breach of fiduciary duty or fraud with respect to ACCURAY or any of its subsidiaries or any of their customers or suppliers, (iii) the material violation of ACCURAY'S written Code of Conduct and Ethics that was provided to CONSULTANT, as determined in ACCURAY'S reasonable sole discretion, (iv) the violation of the Foreign Corrupt Practices Act (the "***FCPA***"), (v) CONSULTANT'S material failure to perform the normal and customary duties under the Agreement as reasonably directed by ACCURAY, provided, that any of the acts or omissions described in the foregoing clauses are not cured to ACCURAY's reasonable satisfaction within thirty (30) days after written notice is given to CONSULTANT. If CONSULTANT is terminated for cause, ACCURAY shall have no obligation to pay any portion of the Consulting Fee after the termination is effective. The Consulting Fee for the month in which the termination is effective shall be calculated by dividing the monthly Consulting Fee by the number of days in the month in which the termination is effective and multiplying that result by the number of days in the month until the termination is effective minus any portion of the Consulting Fee already paid that month.

ARTICLE IV — PROPRIETARY RIGHTS

A. No Impediments to Providing Consulting Services. CONSULTANT represents that he is not party to any agreement with any individual or business entity, including any relating to protection of alleged trade secrets or confidential business information that would prevent him from providing the Services or that would be violated by the providing of the Services.

B. Confidential and Proprietary Information. CONSULTANT acknowledges that the post-employment terms of the ACCURAY Employee Invention Assignment and Confidentiality Agreement, the Employment Agreement that existed before this Agreement and the Separation Agreement remain in full force and effect, specifically including the prohibitions against using or disclosing any of ACCURAY's trade secrets or proprietary and/or confidential information learned while employed by ACCURAY during any subsequent employment. CONSULTANT also acknowledges that during the term of this Agreement he will have access to and learn additional confidential information and/or trade secrets regarding the business of ACCURAY and its related entities, including, but not limited to, radio surgery and radiation therapy devices, and various other business, financial, technical and employee information (collectively, "Confidential and Proprietary Information").

C. Restrictions on Use and Disclosure of Confidential and Proprietary Information. In addition to the confidential information obligations that continue from the period of CONSULTANT's employment with ACCURAY, CONSULTANT agrees to hold all Confidential and Proprietary Information in trust and in the strictest of confidence, and to protect the Confidential and Proprietary Information from disclosure, except as required to perform the Services hereunder. CONSULTANT further agrees that he will not, directly or indirectly, use, publish, disseminate or otherwise disclose any Confidential and Proprietary Information to any

third party without the prior written consent of ACCURAY, which may be withheld in its absolute discretion.

D. Return of Property. CONSULTANT agrees not to remove any property of ACCURAY or its related entities from their premises without express permission, and to return all such property, including computer data, written materials provided to or obtained during the term of this Agreement, customer and supplier address lists, and any other items of value at the time this Agreement is terminated.

E. No Solicitation of Customers and Vendors. CONSULTANT further agrees that, during the term of this Agreement and for a period of one year after the termination of it, he will not directly or indirectly, either on his own behalf or on behalf of any other person or entity, use any Confidential and Proprietary Information to attempt to persuade or solicit any customer or vendor of ACCURAY to cease to do business or to reduce the amount of business which any customer or vendor has customarily done or contemplates doing with them, or to expand the customer's or vendor's business with a competitor of ACCURAY or its related entities.

F. No Solicitation of Employees and Other Consultants. CONSULTANT further agrees, that during the term of this Agreement and for a period of one year after its termination, he will not directly or indirectly, either on his own behalf or on behalf of any other person or entity, attempt to persuade or solicit any person who is an employee or consultant of ACCURAY or its related entities to terminate such employment or consulting relationship. In addition, CONSULTANT agrees that after the termination of this Agreement he will not seek to obtain or misappropriate any of the Confidential and Proprietary Information of ACCURAY or its related entities from any of their current or former employees and consultants.

G. Violations. CONSULTANT agrees that ACCURAY and its related entities would be irreparably harmed by any actual or threatened violation of the promises in this Article IV, and therefore, that, in addition to other remedies, ACCURAY and its related entities will be entitled to an injunction prohibiting CONSULTANT from committing any such violations.

ARTICLE V — MISCELLANEOUS PROVISIONS

A. Independent Contractor Status. CONSULTANT understands and agrees that he is an independent contractor and not an employee of ACCURAY and that he shall not become an employee of ACCURAY by virtue of the performance of the services called for under this Agreement.

B. No Office Space. CONSULTANT understands and agrees that he will not be provided with a regular office and access to telephone, clerical support and facsimile and internet services at ACCURAY. CONSULTANT shall at his own expense acquire, operate, maintain and repair or replace any office and equipment and supplies as maybe required for his performance of consulting services under this Agreement.

C. Subconsultants and Other Contractors. CONSULTANT is not authorized to engage the services of subconsultants, vendors or other contractors on behalf of ACCURAY or its related entities, unless she has obtained written authorization from ACCURAY to do so in

advance. To the extent such advance authorization has been obtained, ACCURAY will pay for the services provided by such subconsultants, vendors and/or other contractors.

D. Consultant's Employees. To the extent CONSULTANT has any employees as of the date he signs this Agreement or hires any employees during the term of this Agreement, CONSULTANT understands and agrees that all such employees shall be his employees only, and that ACCURAY shall not be an employer of the employees. ACCURAY shall have no responsibility for providing and shall not provide directions, instructions or supervision to any of CONSULTANT's employees. Only CONSULTANT shall provide such directions, instructions and supervision. In addition, all decisions with respect to the employment of CONSULTANT's employees, if any, shall be made solely and exclusively by CONSULTANT. ACCURAY shall have no responsibility for or input into such decisions. CONSULTANT hereby agrees to indemnify, defend and hold ACCURAY harmless from and against any costs, losses, damages, obligations, liabilities and expenses, including attorneys' fees, arising from or in connection with any claim asserted by any of CONSULTANT's employees against ACCURAY based on the employees' employment with CONSULTANT, such as claims for discrimination in employment, harassment, retaliation, violation of statutory law, and wrongful termination.

E. No Purchases. CONSULTANT shall not purchase materials or supplies for the accounts of ACCURAY or its related entities, or otherwise hold himself out as being authorized to make purchases for which ACCURAY or its related entities would be billed directly by the seller of the materials or supplies, unless such purchase is authorized in writing by ACCURAY in advance.

F. Compliance with Governmental Requirements. CONSULTANT will maintain in force and/or secure all required licenses, permits, certificates and exemptions necessary for the performance of his services under this Agreement, and at all times shall comply with all applicable federal, state and local laws, regulations and orders.

G. Indemnification. CONSULTANT shall indemnify and hold ACCURAY and its related entities, and the directors, officers, agents, representatives and employees of all such entities, harmless from and against any and all liabilities, losses, damages, costs, expenses, causes of action, claims, suits, legal proceedings and similar matters, including without limitation reasonable attorneys' fees, resulting from or arising out of the failure of CONSULTANT or any of his employees to comply with and perform fully the obligations hereunder, or resulting from any act or omission on the part of CONSULTANT, provided however that the indemnification shall not apply to any good faith action on the part of the CONSULTANT that is within the scope of this Agreement. If any cause of action, claim, suit or other legal proceeding is brought against CONSULTANT in connection with any services rendered under this Agreement, CONSULTANT shall promptly notify ACCURAY upon learning of any such proceeding.

ACCURAY shall indemnify and hold CONSULTANT and his agents, employees, representatives and heirs, harmless from and against any and all liabilities, losses, damages, costs, expenses, causes of action, claims, suits, legal proceedings and similar matters, including without limitation reasonable attorneys' fees, resulting from or arising out of the performance of any act specifically requested or authorized by ACCURAY in connection with this Agreement. This promise does not apply to any actions arising out of or in connection with

CONSULTANT's operation of any motor vehicle. If any cause of action, claim, suit or other legal proceeding is brought against ACCURAY in connection with any services provided by CONSULTANT under this Agreement, ACCURAY shall promptly notify CONSULTANT upon learning of any such proceeding.

H. Notices. Any and all notices and other communications hereunder shall have been deemed to have been duly given when delivered personally or by e-mail during normal business hours, or 24 hours after being emailed outside of normal business hours or mailed, certified or registered mail, return receipt requested, postage prepaid, in the English language, to the addresses set forth below the signatures of the parties hereto or to such other address as either of the parties hereto may from time-to-time designate to the other party in writing.

I. Waiver. No purported waiver by either party hereto of any provision of this Agreement or of any breach thereof shall be deemed a waiver of such provision or breach unless such waiver is in writing signed by the party making such waiver. No such waiver shall be deemed to be a subsequent waiver of such provision or waiver of any subsequent breach of the same or any other provision hereof.

J. Severability. The provisions of this Agreement are severable, and if any part of it is found to be unenforceable, the other paragraphs shall remain fully valid and enforceable.

K. Arbitration. This Agreement shall in all respects be interpreted and governed by and under the laws of the State of California. Any dispute between the parties hereto, including any dispute regarding any aspect of this Agreement or any act which allegedly has or would violate any provision of this Agreement or any law (hereinafter "Arbitrable Dispute"), will be submitted to arbitration through Judicial Arbitration and Mediation Services, Inc. ("JAMS") in San Jose, California, unless the parties agree to another location, using the JAMS Commercial Arbitration Rules ("JAMS Rules"). The arbitrator shall be an experienced arbitrator licensed to practice law in California and selected in accordance with the JAMS Rules, unless the parties agree to another arbitrator. Arbitration shall be the exclusive remedy for any such Arbitrable Dispute. The decision of the arbitrator shall be final, conclusive and binding upon the parties. Should any party to this Agreement pursue any Arbitrable Dispute by any method other than said arbitration, the responding party shall be entitled to recover from the initiating party all damages, costs, expenses and attorneys' fees incurred as a result of such action. This section shall not restrict the right of ACCURAY to go to court seeking injunctive relief for a violation of Article IV of this Agreement, pending the outcome of an arbitration proceeding.

L. Sole and Entire Agreement. This Agreement sets forth the entire agreement between the parties hereto pertaining to the subject matter hereof, and fully supersedes any and all prior agreements or understandings between the parties hereto, whether written or oral, pertaining to the subject matter hereof. No change in, modification of, or addition, amendment or supplement to this Agreement shall be valid unless set forth in writing and signed and dated by each of the parties hereto subsequent to the execution of this Agreement.

ACCURAY INCORPORATED:	CONSULTANT:
By: /s/ Darren J. Milliken	By: /s/ Euan Thomson
Darren J. Milliken, SVP General Counsel	Euan S. Thomson, Ph.D.
Date: October 27, 2012	Date: October 27, 2012

GENERAL RELEASE AND SEPARATION AGREEMENT

This General Release and Separation Agreement (hereafter "**Agreement**") is entered into between Chris Raanes (the "**Executive**"), and Accuray Incorporated (the "**Company**"), effective on the eighth calendar day following the Executive's signature (the "**Effective Date**"), unless he/she revokes his/her acceptance in accordance with the terms of Section 6(b), below.

WHEREAS, the Executive was Executive Vice President, Chief Operating Officer of the Company, pursuant to the terms of the original employment offer letter dated January 1, 2011 (the "**Employment Agreement**");

WHEREAS, the Executive resigned effective November 16, 2012; and

WHEREAS, the Company and the Executive now wish to document the termination of their employment relationship and fully and finally to resolve all matters between them;

THEREFORE, in exchange for the good and valuable consideration set forth herein, the adequacy of which is specifically acknowledged, the Executive and the Company hereby agree as follows:

1. Resignation of Employment. The Executive confirms his/her resignation of his/her employment and of his/her position as an officer of the Company effective November 16, 2012 (the "**Resignation Date**"). The parties hereby acknowledge and agree that the Executive's resignation of employment constitutes a "separation from service" from the Company within the meaning of Section 409A(a)(2)(A)(i) of the Internal Revenue Code of 1986, as amended (the "**Code**"), and Treasury Regulation Section 1.409A-1(h) (a "**Separation from Service**"). As of the Resignation Date, the Employment Agreement shall automatically terminate and be of no further force and effect, and neither the Company nor the Executive shall have any further obligations thereunder, except as expressly provided herein. Notwithstanding the foregoing, the Company shall be obligated to Executive for severance payments and continuation of benefits as contemplated by Section 7 of the Employment Agreement and as set forth in Section 3 below.

2. Payment of Accrued Wages and Expenses. The Executive acknowledges receipt, on the Resignation Date, of an amount equal to all accrued wages through the Resignation Date, including accrued, unused vacation and/or paid time off, less applicable taxes and other authorized withholding (apart from the Executive's bonus for the current fiscal year, which will be paid in accordance with the regular terms of the Company Bonus Plan). The Executive shall also be promptly reimbursed for all expenses incurred by him on behalf of the Company, so long as they are submitted for reimbursement and they are in accordance with the Company's expense reimbursement policies.

3. Cash Severance Benefits and COBRA Premiums. The Executive agrees that, except as set forth in this Agreement, he/she is entitled to no additional pay or benefits in conjunction with the termination of his/her employment. Subject to Section 22(b) of this Agreement, the Company shall pay to the Executive, in a lump-sum, cash severance in the gross amount of **$475,120.05** (the "**Severance Payment**"), which the parties acknowledge and agree represents the amount of the "Severance Payment" calculated under, and as defined in, Section 7 of the Employment Agreement, consisting of:

1. Salary:	$	265,666.66
2. Bonus:	$	172,683.33
3. Health Benefit:	$	36,770.06

The Severance Payment shall be paid net of applicable taxes and other authorized withholding.

4. Stock Options and Restricted Stock Units. The Executive acknowledges that as of the Resignation Date, the Executive was vested in Stock Options and Restricted Stock Units ("**RSUs**") as reflected in the report attached as Exhibit A hereto. Except as specifically set forth herein, the Executive's rights with respect to Stock Options and RSUs issued to him/her are governed by the Stock Option and Restricted Stock Unit Agreements entered into between the Executive and the Company, and the applicable Company equity incentive plan(s) and Notice(s) of Grant.

5. Outplacement Assistance. The Company will pay for executive outplacement assistance for a period of up to twelve (12) months after the Effective Date of this Agreement, provided that Executive uses Accuray's outplacement service provider. Accuray's outplacement service provider will bill Accuray directly and there is no cash value to this benefit.

6. General Release of Claims by the Executive.

(a) The Executive, on behalf of himself/herself and his/her executors, heirs, administrators, representatives and assigns, hereby agrees to release and forever discharge the Company and all predecessors, successors and their respective parent corporations, affiliates, related, and/or subsidiary entities, and all of their past and present investors, directors, shareholders, officers, general or limited partners, executives, attorneys, agents and representatives, and executive benefit plans in which the Executive is or has been a participant by virtue of his/her employment with the Company, from any and all claims, debts, demands, accounts, judgments, rights, causes of action, equitable relief, damages, costs, charges, complaints, obligations, promises, agreements, controversies, suits, expenses, compensation, responsibility and liability of every kind and character whatsoever (including attorneys' fees and costs), whether in law or equity, known or unknown, asserted or unasserted, suspected or unsuspected (collectively, "**Claims**"), which the Executive has or may have had against such entities based on any events or circumstances arising or occurring on or prior to the date hereof or on or prior to the Resignation Date, arising directly or indirectly out of, relating to, or in any other way involving in any manner whatsoever the Executive's employment by the Company or the separation thereof, and any and all claims arising under federal, state, or local laws relating to employment, including without limitation claims of wrongful discharge, breach of express or implied contract, fraud, misrepresentation, defamation, or liability in tort, claims of any kind that may be brought in any court or administrative agency, any claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Fair Labor Standards Act, the Executive Retirement Income Security Act, the Family and Medical Leave Act, and similar state or local statutes, ordinances, and regulations, including, without limitation, the California Family Rights Act, the California Fair Employment and Housing Act and the California Labor Code.

Notwithstanding the generality of the foregoing, the Executive does not release the following claims and rights:

(i) Claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law;

(ii) Claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of the federal law known as COBRA;

(iii) The Executive's right to bring to the attention of the Equal Employment Opportunity Commission claims of discrimination; provided, however, that the Executive does release

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his/her right to secure damages for any alleged discriminatory treatment;

(iv) The Executive's rights under the Indemnification Agreement between Company and Executive and under applicable law (including California Labor Code Section 2802), the General Corporation Law of Delaware and the Company's D&O policy to seek indemnity for acts committed, or omissions, within the course and scope of the Executive's employment duties; and

(v) Claims for breach of this Separation Agreement.

(b) In accordance with the Older Workers Benefit Protection Act of 1990, the Executive acknowledges that he/she is aware of the following:

(i) This Section and this Agreement are written in a manner calculated to be understood by the Executive.

(ii) The waiver and release of claims under the ADEA contained in this Agreement does not cover rights or claims that may arise after the date on which the Executive signs this Agreement.

(iii) This Agreement provides for consideration in addition to anything of value to which the Executive is already entitled.

(iv) The Executive has been advised to consult an attorney before signing this Agreement.

(v) The Executive has been granted forty-five (45) days after he is presented with this Agreement to decide whether or not to sign this Agreement. If the Executive executes this Agreement prior to January 7, 2013, he does so voluntarily and after having had the opportunity to consult with an attorney, and hereby waives the remainder of the period.

(vi) The Executive has the right to revoke this general release within seven (7) days of signing this Agreement. In the event this general release is revoked, this Agreement will be null and void in its entirety, and the Executive will not receive the benefits of this Agreement.

If the Executive wishes to revoke this agreement, he/she must deliver written notice stating that intent to revoke, in accordance with the notice provisions of Section 17 of this Agreement, on or before 5:00 p.m. on the seventh (7^{th}) day after the date on which the Executive signs this Agreement.

7. The Company's Release of Claims. Nothing herein shall release or discharge any Claim by the Company against the Executive, or the right of the Company to bring any action, legal or otherwise, against the Executive as a result of any failure by him to perform his/her obligations under this Agreement, or as a result of any acts of intentional misconduct or recklessness (including, but not limited to, fraud, embezzlement, misappropriation, or other malfeasance).

8. Waiver of Rights Under California Civil Code Section 1542. The Company and the Executive acknowledge that they have been advised of and are familiar with the provisions of California Civil Code Section 1542, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist

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in his/her or her favor at the time of executing the release, which if known by him or her must have materially affected his/her or her settlement with the debtor."

Being aware of said code section, the Company and the Executive hereby expressly waive any rights they may have thereunder, as well as under any other statutes or common law principles of similar effect; provided, however, that such waiver is not intended to affect claims expressly preserved under the terms of the parties' respective releases.

9. Nondisparagement. The Executive agrees that neither he/she nor anyone acting by, through, under or in concert with him shall disparage or otherwise communicate negative statements or opinions about the Company, its Board members, officers, executives or business. The Company agrees that neither its Board members nor executive officers shall disparage or otherwise communicate negative statements or opinions about the Executive.

10. Restrictive Covenants. The Executive acknowledges his/her continuing obligations, pursuant to Section 9(a), (b) and (d) of the Employment Agreement.

11. Cooperation. The Executive agrees to give reasonable cooperation, at the Company's request, in any pending or future litigation or arbitration brought against the Company and in any investigation that the Company or any government entity may conduct. The Company shall reimburse the Executive for all out of pocket expenses reasonably incurred by him in compliance with this Section 11. For his/her part, Executive agrees to submit a reimbursement for such out of pocket expenses within thirty (30) days after they have been incurred.

12. Executive's Representations and Warranties. The Executive represents and warrants that:

(a) He/she has been paid all wages owed to him by the Company, including all accrued, unused vacation and/or paid time off, as of the date of execution of this Agreement;

(b) As of the date of execution of this Agreement, he/she has not sustained any injuries for which he/she might be entitled to compensation pursuant to California's Workers Compensation law;

(c) The Executive has not initiated any adversarial proceedings of any kind against the Company or against any other person or entity released herein, nor will he/she do so in the future, except as specifically allowed by this Agreement.

13. Confidential Information; Return of Company Property.

(a) The Executive hereby expressly confirms his/her continuing obligations to the Company pursuant to Section 9(a) of the Employment Agreement, and pursuant to the Employee Invention Assignment and Confidentiality Agreement executed by the Executive, a copy of which is attached as Exhibit B and incorporated herein by reference.

(b) The Executive shall deliver to the Company within five days of the Resignation Date, all originals and copies of correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, or any other documents concerning the Company and its customers', business plans, marketing strategies, products, processes or business of any kind, and all originals and copies of documents that contain proprietary information or trade secrets of the Company that are in the possession or control of the Executive or his/her agents or representatives.

(c) The Executive shall return to the Company within five days of the Resignation Date all equipment of the Company in his/her possession or control. The Executive may however keep his/her Company issued laptop computer and cellular phone. Accuray will remove all Company licensed software and Confidential information before delivering possession.

14. Taxes. To the extent any taxes may be payable by the Executive for the benefits provided to him by this Agreement beyond those withheld by the Company, the Executive agrees to pay them himself/herself and to indemnify and hold the Company and the other entities released herein harmless for any tax claims or penalties, and associated attorneys' fees and costs, resulting from any failure by him to make required payments.

15. In the Event of a Claimed Breach. All controversies, claims and disputes arising out of or relating to this Agreement, including without limitation any alleged violation of its terms, shall be resolved by final and binding arbitration before a single neutral arbitrator in San Jose, California, in accordance with the applicable dispute resolution rules of the Judicial Arbitration and Mediation Service ("**JAMS**"). The arbitration shall be commenced by filing a demand for arbitration with JAMS within 60 (sixty) days after the filing party has given notice of such breach to the other party. The arbitrator shall have authority to award the prevailing party attorneys' fees and expert fees, if any. Notwithstanding the foregoing, it is acknowledged that it will be impossible to measure in money the damages that would be suffered if the parties fail to comply with any of the obligations imposed on them under Sections 13(a) and (b) hereof, and that in the event of any such failure, an aggrieved person will be irreparably damaged and will not have an adequate remedy at law. Any such person shall, therefore, be entitled to injunctive relief, including specific performance, to enforce such obligations, and if any action shall be brought in equity to enforce any of the provisions of Sections 13(a) and (b) of this Agreement, neither of the parties hereto shall raise the defense that there is an adequate remedy at law.

16. Choice of Law. This Agreement shall in all respects be governed and construed in accordance with the laws of the State of California, including all matters of construction, validity and performance, without regard to conflicts of law principles.

17. Notices. All notices, demands or other communications regarding this Agreement shall be in writing and shall be sufficiently given if either personally delivered or sent by facsimile or overnight courier, addressed as follows:

(a) If to the Company:

Accuray Incorporated
Attn: General Counsel
1310 Chesapeake Terrace
Sunnyvale, CA 94089
Phone: 408-716-4600
Fax: 408-716-4747

(b) If to the Executive:

Chris Raanes
50 Bear Gulch Drive
Portola Valley, CA 94028

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18. Severability. Except as otherwise specified below, should any portion of this Agreement be found void or unenforceable for any reason by a court of competent jurisdiction, the parties intend that such provision be limited or modified so as to make it enforceable, and if such provision cannot be modified to be enforceable, the unenforceable portion shall be deemed severed from the remaining portions of this Agreement, which shall otherwise remain in full force and effect. If any portion of this Agreement is so found to be void or unenforceable for any reason in regard to any one or more persons, entities, or subject matters, such portion shall remain in full force and effect with respect to all other persons, entities, and subject matters. This paragraph shall not operate, however, to sever the Executive's obligation to provide the binding release to all entities intended to be released hereunder.

19. Understanding and Authority. The parties understand and agree that all terms of this Agreement are contractual and are not a mere recital, and represent and warrant that they are competent to covenant and agree as herein provided.

20. Integration Clause. This Agreement, the Employment Agreement, and the Employee Invention Assignment and Confidentiality Agreement contain the entire agreement of the parties with regard to the matters referenced herein and supersede any prior agreements as to such matters. This

Agreement may not be changed or modified, in whole or in part, except by an instrument in writing signed by the Executive and the Chief Executive Officer of the Company. The Indemnification Agreement between the Company and the Executive shall not be affected by the existence of this Agreement, including this Section 20 hereof, and shall remain in full force and effect.

21. Execution in Counterparts. This Agreement may be executed in counterparts with the same force and effectiveness as though executed in a single document.

22. Section 409A of the Code.

(a) The payments and benefits under this Agreement are intended to be exempt from the application of Section 409A of the Code. To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Code and Department of Treasury Regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of this Agreement to the contrary, if the Company determines that any such compensation or benefits payable under this Agreement may be subject to Section 409A of the Code and related Department of Treasury guidance, the Company may, with the Executive's prior written consent, adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to (i) exempt the compensation and benefits payable under this Agreement from Section 409A of the Code and/or preserve the intended tax treatment of such compensation and benefits, or (ii) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

(b) Notwithstanding anything to the contrary in this Agreement, no payment or benefits, including without limitation the amount payable under Section 3 hereof, shall be paid to the Executive during the six (6) month period following the Executive's Separation from Service if the Company determines that paying such amount at the time or times indicated in this Agreement would be a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amount is delayed as a result of the previous sentence, then on the first business day following the end of such six (6) month period (or such earlier date upon which such amount can be paid under Section 409A of the Code without resulting in a prohibited distribution, including as a result of the Executive's death), the Company shall pay the Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Executive during such period.

(c) To the extent permitted under Section 409A of the Code, any separate payment or benefit under this Agreement or otherwise shall not be deemed "nonqualified deferred compensation" subject to Section 409A and the six (6) month delay requirement under 409A(a)(2)(B)(i) of the Code to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A of the Code.

(d) To the extent that any reimbursements or corresponding in-kind benefits provided to the Executive under this Agreement, including, without limitation under Section 2 or Section 11 hereof, are deemed to constitute compensation to the Executive, such amounts shall be paid or reimbursed reasonably promptly, but not later than December 31 of the year following the year in which the expense was incurred. The amount of any such payments or expense reimbursements in one year shall not affect the expenses or in-kind benefits eligible for payment or reimbursement in any other taxable year, and the Executive's right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

The parties have carefully read this Agreement in its entirety; fully understand and agree to its terms and provisions; and intend and agree that it is final and binding on all parties.

IN WITNESS WHEREOF, and intending to be legally bound, the parties have executed the foregoing on the dates shown below.

CHRIS A. RAANES	ACCURAY INCORPORATED
/s/ Chris Raanes	/s/ Darren Milliken
Chris Raanes	Darren J. Milliken Senior Vice President, General Counsel
Date: November 21, 2012	Date: November 26, 2012

Exhibit A

Equity Awards — Closing Statement

Closing Statement

Summary of all vested Options & RSUs

Accuray Incorporated
ID: 20-8370041
1310 Chesapeake Terrace
Sunnyvale, CA 94089

Termination Date: **16-November-2012**
Statement Effective Date: **16-November-2012**

Chris Raanes
50 Bear Gulch Drive

Portola Valley, CA United States 94028

Exercisable Options

Number	Grant Date	Plan/ Type	Price ($)	Shares Granted	Shares Exercised	Shares Exercisable	Vesting Stop Date	Total Price ($)	Last Date To Exercise
00000600	27-Aug-03	1998/ISO	0.75000	120,000.00	120,000.00	0.00	16-Nov-12	0.00	
00000706	10-Aug-04	1998/ISO	2.50000	68,750.00	0.00	68,750.00	16-Nov-12	171,875.00	16-Feb-13
00004033	30-Sep-11	2007/NQ	4.01000	150,000.00	0.00	40,625.00	16-Nov-12	162,906.25	16-Feb-13
00002179	29-Aug-08	2007/NQ	8.25000	85,000.00	0.00	85,000.00	16-Nov-12	701,250.00	16-Feb-13
00002623	31-Aug-09	2007/NQ	6.41000	90,000.00	0.00	69,375.00	16-Nov-12	444,693.75	16-Feb-13
00003039	31-Aug-10	2007/NQ	6.58000	40,000.00	0.00	20,833.00	16-Nov-12	137,081.14	16-Feb-13
00000707	10-Aug-04	1998/NQ	2.50000	51,250.00	34,000.00	17,250.00	16-Nov-12	43,125.00	16-Feb-13
00001561	31-Aug-07	2007/NQ	13.83000	60,000.00	0.00	60,000.00	16-Nov-12	829,800.00	16-Feb-13
00000496	02-Dec-02	1998/ISO	0.75000	360,000.00	360,000.00	0.00	16-Nov-12	0.00	
00000792	07-Nov-05	1998/ISO	4.38000	22,448.00	0.00	22,448.00	16-Nov-12	98,322.24	16-Feb-13
00000793	07-Nov-05	1998/NQ	4.38000	37,552.00	0.00	37,552.00	16-Nov-12	164,477.76	16-Feb-13
00000998	23-Aug-06	1998/ISO	9.50000	17,018.00	0.00	17,018.00	16-Nov-12	161,671.00	16-Feb-13
C0000998	23-Aug-06	1998/NQ	9.50000	82,982.00	0.00	82,982.00	16-Nov-12	788,329.00	16-Feb-13
		TOTALS		1,185,000.00	514,000.00	521,833.00		3,703,531.14	

Releasable Restricted Stock Awards

Number	Grant Date	Plan/ Type	Price ($)	Shares Granted	Shares Released	Shares Releasable	Shares Cancelled
00001566	31-Aug-07	2007/RSU	0.00000	10,000.00	10,000.00	0.00	0.00
P0004104	30-Sep-11	2007/PSU	0.00000	56,250.00	0.00	0.00	56,250.00
00004060	30-Sep-11	2007/RSU	0.00000	37,500.00	9,375.00	0.00	28,125.00
00003040	31-Aug-10	2007/RSU	0.00000	13,300.00	6,650.00	0.00	6,650.00
P0004132	30-Sep-11	2007/PSU	0.00000	25,900.00	0.00	0.00	25,900.00
		TOTALS		142,950.00	26,025.00	0.00	116,925.00

PURSUANT TO 17 C.F.R. § 240.24B-2, CONFIDENTIAL INFORMATION (INDICATED BY {*****}) HAS BEEN OMITTED FROM THIS DOCUMENT AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A CONFIDENTIAL TREATMENT APPLICATION FILED WITH THE COMMISSION.

PURCHASE AGREEMENT AND RELEASE

THIS PURCHASE AGREEMENT AND RELEASE (the "Agreement") is effective as of this 21st day of December, 2012 by and among Compact Particle Acceleration Corporation, a Wisconsin corporation ("Buyer"), Accuray Incorporated, a Delaware corporation ("Accuray") and TomoTherapy Incorporated, a Wisconsin corporation ("TomoTherapy," and collectively with Accuray, "Seller"). Buyer and Seller are sometimes collectively referred to herein as the "Parties" and individually as a "Party."

RECITALS

WHEREAS, Buyer desires to purchase from Seller certain shares of Buyer's outstanding equity (the "Equity Securities") and notes representing indebtedness owed from Buyer to Seller ("Debt Securities," and collectively with the Equity Securities, the "Purchased Securities"), as more further described below, upon the terms and conditions hereinafter set forth; and

WHEREAS, Seller desires to sell the Purchased Securities to Buyer, and Buyer desires to purchase the Purchased Securities, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

AGREEMENT

ARTICLE I
PURCHASE AND SALE

1.1 Purchase and Sale. On the Closing Date, Seller shall sell and deliver to the Buyer, and Buyer shall purchase and accept from Seller the following:

(a) 1,900,859 shares of Buyer's Class A Common Stock,

(b) 1,000,000 shares of Buyer's Class B Common Stock,

(c) 1,694,196 shares of Buyer's Series A Preferred Stock,

(d) 2,430,658 shares of Buyer's Series A-1 Preferred Stock,

(e) that certain Amended and Restated Promissory Note (the "Note") dated as of May 9, 2011 in the principal amount of $1,900,000, including all accrued but unpaid interest and fees thereon;

(f) all outstanding fees and expenses related to certain license fees, accounting services, labor billings and other related expenses owed to Seller;

(g) all of Seller's rights in that certain Limited Exclusive Patent License Agreement dated as of February 23, 2007, as amended by Amendment One on April 8, 2008 and Amendment Two on February 10, 2011, and as supplemented by Supplement One on July 2, 2008, Supplement Two on March 6, 2009, Supplement Three on January 11, 2010, Supplement Four on January 28, 2010, Supplement Five on May 19, 2010, Supplement Six on September 30, 2010, Supplement Seven on January 6, 2011 and Supplement Eight on March 4, 2011 (as amended and supplemented, the "License"); and

(h) all of Seller's rights pursuant to those certain Warrants to purchase, in the aggregate, 1,725,820 shares of CPAC's Series B Common Stock.

1.2 Purchase Price. The consideration to be paid by Buyer to Seller for the Purchased Securities shall be {*****} (the "Purchase Price") payable by Buyer to Seller, in cash, at Closing.

1.3 Delivery of Note and Stock Certificates. At the Closing, Seller shall deliver to Buyer the original Note and any and all stock certificates representing the Equity Securities purchased by Buyer. In the alternative, Seller shall deliver an affidavit of lost stock certificate and/or an affidavit of lost promissory note, as applicable, in a form reasonably acceptable to Buyer.

1.4 Closing. The closing of the transactions contemplated hereby ("Closing") shall take place at 10:00 a.m. on the date hereof or such other date and time as may be mutually agreed upon by the parties hereto (the "Closing Date"), at the offices of Michael Best & Friedrich LLP, 1 South Pinckney Street, Suite 700, Madison, Wisconsin 53703, or at such other place as may be mutually agreed upon by the parties hereto, including, without limitation, closing by mail, e-mail or facsimile.

ARTICLE II
TERMINATION

Effective immediately upon the execution of this Agreement, each of Accuray and TomoTherapy terminates any and all rights it has in Buyer, including, but not limited to, all rights pursuant to each of the following:

(a) the License;

(b) that certain Amended and Restated Limited Exclusive Sublicense and Cross-License License Agreement dated as of April 20, 2012;

(c) that certain Second Amended and Restated Shareholder Agreement dated as of April 20, 2012;

(d) that certain Preferred Stock and Warrant Purchase Agreement dated as of April 20, 2012;

(e) that certain Amended and Restated Investors' Rights Agreement dated as of April 20, 2012;

(f) that certain Series B Common Stock Purchase Agreement dated as of April 20, 2012;

(g) that certain Side Letter dated as of April 20, 2012 for the benefit of Accuray;

(h) those certain Warrants to purchase, in the aggregate, 1,725,820 shares of CPAC's Series B Common Stock; and

(i) any other rights Accuray and/or TomoTherapy has in Buyer.

ARTICLE III
SELLER REPRESENTATIONS AND WARRANTIES

In order to induce Buyer to enter into this Agreement, in addition to the Release (as defined below), each of Accuray and TomoTherapy make the following representations and warranties to Buyer, each of which shall be deemed to be independently material and relied upon by Buyer, regardless of any investigation made by, or information known to, Buyer. Accuray and TomoTherapy jointly and severally represent and warrant to Buyer as follows:

3.1 Ownership of Purchased Securities. Each of Accuray and TomoTherapy, as applicable, is the record and beneficial owner of the Purchased Securities to be sold to Buyer as set forth in Section 1.1. Each of Accuray and TomoTherapy, as applicable, owns such Purchased Securities free and clear of all liens, encumbrances, pledges, claims and other security interests. None of the Purchased Securities are subject to any order or contract, including, but not limited to, any marital property agreement, voting trust or proxy relating to the exercise of voting rights or subjecting such Purchased Securities to transfer restrictions.

3.2 Enforceability; Conflicting Obligations. Each of Accuray and TomoTherapy, as applicable, has all necessary power and authority to enter into and consummate the transactions contemplated by this Agreement in accordance with its terms and to sell to Buyer the Purchased Securities. This Agreement is each of Accuray's and TomoTherapy's valid and binding obligation, enforceable against it in accordance with its terms. The execution and delivery of this Agreement do not, and the consummation of the sale of the Purchased Securities contemplated hereby will not, conflict with or violate the provisions of such Seller's articles of incorporation or certificate of incorporation, as applicable, or bylaws, or any contract, order or restriction to which such Seller is a party, or to which such Seller is bound.

3.3 Compliance with Law. All legal action necessary for each of Accuray's and TomoTherapy's execution and performance of this Agreement and consummation of the transactions contemplated hereby have been duly and validly taken.

3.4 Organization and Qualification. Accuray is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, has filed with the Delaware Secretary of State the most recent annual report required to be filed by it, has not filed a certificate of dissolution and has a perpetual period of existence. TomoTherapy is a corporation duly organized and validly existing under the laws of the State of Wisconsin, has filed with the Wisconsin Department of Financial Institutions the most recent annual report required to be filed by it, has not filed articles of dissolution and has a perpetual period of existence.

3.5 Brokerage. Neither Accuray nor TomoTherapy has incurred, nor made commitments for, any brokerage, finders' or similar fee in connection with the transactions contemplated by this Agreement.

ARTICLE IV
BUYER REPRESENTATIONS AND WARRANTIES

In order to induce Seller to enter into this Agreement, Buyer makes the following representations and warranties to Seller, each of which shall be deemed to be independently material and relied upon by Seller, regardless of any investigation made by, or information known to Seller.

4.1 Enforceability; Conflicting Obligations. Buyer has all necessary power and authority to enter into and consummate the transactions contemplated by this Agreement in accordance with its terms and to purchase from Seller the Purchased Securities. This Agreement is Buyer's valid and binding obligation, enforceable against it in accordance with its terms. The execution and delivery of this Agreement do not, and the consummation of the sale of the Purchased Securities contemplated hereby will not, conflict with or violate the provisions of Buyer's articles of incorporation or bylaws, or any contract, order or restriction to which Buyer is a party, or to which Buyer is bound.

4.2 Compliance with Law. All legal action necessary for Buyer's execution and performance of this Agreement and consummation of the transactions contemplated hereby have been duly and validly taken.

4.3 Organization and Qualification. Buyer is a corporation duly organized and validly existing under the laws of the State of Wisconsin, has filed with the Wisconsin Department of Financial Institutions the most recent annual report required to be filed by it, has not filed articles of dissolution and has a perpetual period of existence.

4.4 Brokerage. Buyer has not incurred, nor made commitments for, any brokerage, finders' or similar fee in connection with the transactions contemplated by this Agreement.

ARTICLE V
RELEASE AND CONFIDENTIALITY

5.1 Seller's Release. As a material inducement for Buyer to enter into this Agreement, each of Accuray and TomoTherapy, on behalf of its respective successors and assigns, hereby irrevocably and unconditionally waives, releases and forever discharges Buyer and each of Buyer's shareholders, predecessors, successors, assigns, agents, directors, officers, employees, representatives, attorneys, subsidiaries, and affiliates, and all persons acting by, through, under, or in concert with any of them, from any and all claims or liabilities arising out of or in any way connected with its ownership of the Purchased Securities in Buyer, its previous loans to Buyer specifically including the Debt or the transactions contemplated by this Agreement, including any transactions set forth in any of the Exhibits attached hereto.

5.2 Buyer's Release. As a material inducement for each of Accuray and TomoTherapy to enter into this Agreement, Buyer, on behalf of its respective successors and assigns, hereby irrevocably and unconditionally waives, releases and forever discharges Seller and each of Seller's shareholders, predecessors, successors, assigns, agents, directors, officers, employees, representatives, attorneys, subsidiaries, and affiliates, and all persons acting by, through, under, or in concert with any of them, from any and all claims or liabilities arising out of or in any way connected with Seller's ownership of the Purchased Securities, its purchase of the loans described herein specifically including the Debt or the transactions contemplated by this Agreement, including any transactions set forth in any of the Exhibits attached hereto.

5.3 Confidentiality. Buyer acknowledges that Accuray is required to file this Agreement with the Securities and Exchange Commission ("SEC"). Accuray shall use commercially reasonable efforts to obtain confidential treatment of the Purchase Price in its filings with the SEC and other required disclosures and to otherwise keep the Purchase Price confidential.

ARTICLE VI
CLOSING CONDITIONS

6.1 Conditions to Obligations of Buyer. The obligation of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment (or waiver by Buyer) at or prior to the Closing of the following conditions:

(a) Seller shall have performed and complied in all material respects with the covenants and agreements contained in this Agreement required to be performed and complied with by Seller on or prior to the Closing Date.

(b) Each of the representations and warranties of Seller set forth in Article III shall be true and correct in all material respects as of the date hereof.

(c) All deliveries required to be delivered at or prior to the Closing by Seller shall have been delivered to Buyer, including, without limitation:

(i) That certain Assignment of Rights Under License Agreement No. TL02168-0.0 duly executed by each of TomoTherapy and Lawrence Livermore National Security, LLC (the "Assignment of Rights"), a copy of which is attached hereto as Exhibit A;

(ii) The written resignation of Chris Raanes as a director of the Buyer's Board of Directors; and

(iii) Such other agreements, documents, instruments and writings as are required to be delivered by Seller on or prior to the Closing Date pursuant to this Agreement or as may be reasonably requested by Buyer or its counsel to carry out the intent and purposes of this Agreement.

6.2 Conditions to Obligations of Seller. The obligation of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment (or waiver by Seller) at or prior to the Closing of the following additional conditions:

(a) Buyer shall have performed and complied with in all material respects the covenants and agreements contained in this Agreement required to be performed and complied with by it on or prior to the Closing Date including, without limitation, payment to Seller of the Purchase Price.

(b) Each of the representations and warranties of Buyer set forth in Article IV shall be true and correct in all material respects as of the date hereof.

(c) All deliveries required to be delivered at or prior to the Closing by Buyer shall have been delivered to the Seller including, without limitation:

(i) The Assignment of Rights duly executed by Buyer; and

(ii) Such other agreements, documents, instruments, and writings as are expressly required to be delivered by Buyer on or prior to the Closing Date pursuant to this Agreement or as may reasonably be requested by the Seller to carry out the intent and purposes of this Agreement.

ARTICLE VII
MISCELLANEOUS

7.1 Further Assurances. Each party hereto from time to time hereafter, and upon request, shall execute, acknowledge and deliver such other instruments as reasonably may be required to more effectively transfer and vest in Buyer the Purchased Securities or to otherwise carry out the terms and conditions of this Agreement.

7.2 Benefit and Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their heirs, successors, assignees, and beneficiaries in interest.

7.3 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Wisconsin, regardless of such State's conflicts of laws principles, and without reference to any rules of construction regarding the party responsible for the drafting hereof.

7.4 Expenses. Except as otherwise herein provided, any expenses and costs incurred by Seller in connection with this Agreement or the transactions herein provided for shall be paid by Seller; any expenses and costs incurred by Buyer shall be paid by Buyer.

7.5 Notices. All notices, demands, and communications provided for herein or made hereunder shall be given in writing and shall be deemed given to a party at the earlier of (i) when actually delivered to such party or (ii) when mailed to such party by registered or certified U.S. Mail (return receipt requested) or sent by overnight courier, confirmed by receipt, and addressed to such party at the address designated below for such party (or to such other address for such party as such party may have substituted by notice pursuant to this Section):

(a) If to Buyer:
Compact Particle Acceleration Corporation
Attn: James Schultz, Chairman
6336 Patterson Pass Road, Suite B
Livermore, CA 94550

(b) If to Seller:
Accuray Incorporated
TomoTherapy Incorporated
Attn: General Counsel
1310 Chesapeake Terrace
Sunnyvale, CA 94089

7.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, provided that all such counterparts, in the aggregate, shall contain the signatures of all parties hereto.

7.7 Headings. All Section headings herein are inserted for convenience only and shall not modify or affect the construction or interpretation of any provision of this Agreement.

7.8 Amendment, Modification and Waiver. This Agreement may not be modified, amended or supplemented except by mutual written agreement of each of the Parties hereto. Both Buyer and Seller may waive in writing any term or condition contained in this Agreement and intended to be for its benefit; provided, however, that no waiver by any party, whether by conduct or otherwise, in any one or more instances, shall be deemed or construed as a further or continuing waiver of any such term or condition. Each amendment, modification, supplement or waiver shall be in writing signed by the party or parties to be charged.

7.9 Entire Agreement. This Agreement and the Exhibits attached hereto represents the entire agreement of the Parties with respect to the subject matter hereof and supersede and replace any prior or other contemporaneous understandings and agreements with respect to the subject matter hereof and no provision or document of any kind shall be included in or form a part of such agreement unless signed and delivered to the other party by the party to be charged.

7.10 Third-Party Beneficiaries. No third parties are intended to benefit from this Agreement, and no third-party beneficiary rights shall be implied from anything contained in this Agreement.

[Signatures on next page following]

IN WITNESS WHEREOF, the parties hereto have executed this Stock Purchase Agreement and Release to be executed as of the date first written above.

BUYER:

COMPACT PARTICLE ACCELERATION CORPORATION

By: /s/ James M. Schultz

James M. Schultz, Chairman of the Board

SELLER:

ACCURAY INCORPORATED

By: /s/ Joshua Levine
Name: Joshua Levine
Title: President and CEO

TOMOTHERAPY INCORPORATED

By: /s/ Derek Bertocci
Name: Derek Bertocci
Title: CFO

[Signature Page to Stock Purchase Agreement and Release]

EXHIBIT A

ASSIGNMENT OF RIGHTS UNDER LICENSE AGREEMENT NO. TL02168-0.0

This Assignment of Rights under License Agreement No. TL02168-0.0 (this "Assignment") is effective as of December 21, 2012 (the "Effective Date") by and between TomoTherapy Incorporated, a wholly-owned subsidiary of Accuray Incorporated ("TomoTherapy"), and Compact Particle Acceleration Corporation ("CPAC"), referred to jointly as the "Parties."

RECITALS

WHEREAS, Lawrence Livermore National Security, LLC ("LLNS") has granted to TomoTherapy pursuant to a limited exclusive patent license agreement dated as of February 23, 2007, as amended by Amendment One on April 8, 2008 and Amendment Two on February 10, 2011, and as supplemented by Supplement One on July 2, 2008, Supplement Two on March 6, 2009, Supplement Three on January 11, 2010, Supplement Four on January 28, 2010, Supplement Five on May 19, 2010, Supplement Six on September 30, 2010, Supplement Seven on January 6, 2011, Supplement Eight on March 4, 2011 and Supplement Nine on September 30, 2011 (as amended and supplemented, the "License"), an exclusive license under the Licensed Patents (as defined in the License); and
WHERAS, CPAC and TomoTherapy have entered into that a Limited Exclusive Patent License Agreement dated as of April 25, 2011 (the "Original Sublicense") under which TomoTherapy granted an exclusive sublicense of the Licensed Patents to CPAC;

WHERAS, CPAC and TomoTherapy entered into that Amended and Restated Limited Exclusive Sublicense and Cross-License License Agreement dated as of May 16, 2012 (the "Restated Sublicense"); and

WHEREAS, subject to LLNS's written consent, TomoTerapy desires to assign all of its rights under the License to CPAC.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ASSIGNMENT

Subject to receiving LLNS's written consent to the assignment of rights under the License made hereby, TomoTherapy hereby assigns to CPAC all of its right, title and interest in, to and under the License.

TomoTherapy hereby agrees that, upon the request of CPAC or any of its successors and assigns, and without further consideration to TomoTherapy, they will execute any and all papers that are reasonably requested by CPAC or any of its successors and assigns to carry out the intent and purposes of this Assignment.

In witness whereof, both TomoTherapy and CPAC have executed this Assignment, in duplicate originals, by their respective officers hereunto duly authorized, as of the Effective Date.

TOMOTHERAPY INCORPORATED

By: /s/ Derek Bertocci

Name: Derek Bertocci

Title: CFO

COMPACT PARTICLE ACCELERATION CORPORATION

By: /s/ James M. Schultz

Name: James M. Schultz

Title: Chairman of the Board

CONSENT TO ASSIGNMENT

LLNS hereby consents to the assignment by TomoTherapy to CPAC of all of its right, title and interest in, to and under the License.

LAWRENCE LIVERMORE NATIONAL SECURITY, LLC

By: /s/ Roger Werne

Name: Roger Werne, 1-8-13

Title: Account Director - IPO

Exhibit 31.1

Certifications

I, Joshua H. Levine, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Accuray Incorporated, a Delaware corporation;

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

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

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

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

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

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

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

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

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

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

Date: February 6, 2013

/s/ Joshua Levine
Joshua Levine

President and Chief Executive Officer

Exhibit 31.2

Certifications

I, Derek Bertocci, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Accuray Incorporated, a Delaware corporation;

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

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

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

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

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

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

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

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

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

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

Date: February 6, 2013

/s/ Derek Bertocci
Derek Bertocci

Senior Vice President and Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Accuray Incorporated, a Delaware corporation (the "*Company*") hereby certify, to such officers' knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the three months ended December 31, 2012 (the "*Report*") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: February 6, 2013

/s/ Joshua Levine
Joshua Levine

President and Chief Executive Officer

/s/ Derek Bertocci
Derek Bertocci

Senior Vice President and Chief Financial Officer