As filed with the Securities and Exchange Commission on January 16, 2007

Registration No. 333-138622

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

AMENDMENT NO. 2
TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ACCURAY INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	**3841**	**77-0268932**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

1310 Chesapeake Terrace, Sunnyvale, California 94089
(408) 716-4600
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Euan S. Thomson, Ph.D.
Chief Executive Officer
Accuray Incorporated
1310 Chesapeake Terrace
Sunnyvale, California 94089
(408) 716-4600
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies To:

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Approximate date of commencement of the proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information contained in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Preliminary Prospectus

Subject to Completion, dated January 16, 2007

shares

Common Stock

This is the initial public offering of our common stock. We are offering shares of the common stock offered by this prospectus, and the selling stockholders are offering shares. We will not receive any proceeds from the sale of shares to be offered by the selling stockholders. We expect the initial public offering price to be between $ and $ per share.

No public market currently exists for our common stock. We are applying to have our common stock listed on The NASDAQ Global Market under the symbol "ARAY."

This investment involves risk. See "Risk Factors" beginning on page 10.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per share	Total
Public Offering Price	$	$
Underwriting Discounts and Commissions	$	$
Proceeds, Before Expenses, to Accuray Incorporated	$	$
Proceeds, Before Expenses, to the Selling Stockholders	$	$

The underwriters have a 30-day option to purchase up to an additional shares of common stock from us and the selling stockholders to cover over-allotments, if any.

The underwriters are offering the common stock as set forth under "Underwriting." Delivery of the shares will be made on or about , 2007.

JPMorgan **UBS Investment Bank**

Piper Jaffray

Jefferies & Company

The date of this prospectus is , 2007

OUR VISION

Making radiosurgery an option for CANCER PATIENTS.

ACCURAY™

Our Business Begins with Patients™


• Treatment of tumors throughout the body
• Treatment of inoperable and surgically complex tumors
• Real-time tracking of tumor and patient movement
• Significant patient benefits
• Upgradable modular design
• Established reimbursement codes
ACCURAY

You should rely only on the information contained in this prospectus. Neither we, nor the underwriters, have authorized anyone to provide you with additional information or information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of shares of our common stock.

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 Unless the context requires otherwise, the words "Accuray," "we," "Company," "us" and "our" refer to Accuray Incorporated. For purposes of this prospectus, the term "stockholder" shall refer to the holders of our common stock.

PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere in this prospectus and does not contain all the information you should consider before investing in our common stock. You should carefully read this prospectus in its entirety before investing in our common stock, including the section entitled "Risk Factors," and our consolidated financial statements and related notes and our consolidated pro forma financial statements and related notes included elsewhere in this prospectus.

Our Business

We have developed the first and only commercially available intelligent robotic radiosurgery system, the CyberKnife system, designed to treat solid tumors anywhere in the body as an alternative to traditional surgery. For over 30 years, traditional radiosurgery systems, or systems that deliver precise, high dose radiation directly to a tumor, have been used primarily to destroy brain tumors. Our CyberKnife system represents the next generation of radiosurgery systems, combining continuous image-guidance technology with a compact linear accelerator that has the ability to move in three dimensions according to the treatment plan. Our image-guidance technology continuously acquires images to track a tumor's location and transmits any position corrections to the robotic arm prior to delivery of each dose of radiation. Our compact linear accelerator, or linac, is a compact radiation treatment device that uses microwaves to accelerate electrons to create high-energy X-ray beams to destroy the tumor. This combination, which we refer to as intelligent robotics, extends the benefits of radiosurgery to the treatment of tumors anywhere in the body. The CyberKnife system autonomously tracks, detects and corrects for tumor and patient movement in real-time during the procedure, enabling delivery of precise, high dose radiation typically with sub-millimeter accuracy. Traditional radiosurgery systems have limited mobility and generally require the use of rigid frames attached to a patient's skull to provide a coordinate system to effectively target a tumor, restricting their ability to effectively treat tumors outside of the brain. The CyberKnife system does not have these limitations and therefore has increased flexibility to treat tumors throughout the body from many different directions, while minimizing the delivery of radiation to healthy tissue and vital organs. The CyberKnife procedure requires no anesthesia, can be performed on an outpatient basis and allows for the treatment of patients that otherwise would not have been treated with radiation or who may not have been good candidates for surgery. In addition, the CyberKnife procedure avoids many of the potential risks and complications that are associated with other treatment options and is more cost effective than traditional surgery.

The CyberKnife system received U.S. Food and Drug Administration, or FDA, 510(k) clearance in July 1999 to provide treatment planning and image-guided robotic radiosurgery for tumors in the head and neck. In August 2001, the CyberKnife system received 510(k) clearance to treat tumors anywhere in the body where radiation treatment is indicated. The CyberKnife system has also received a CE mark for sale in Europe and has been approved for various indications in Japan, Korea, Taiwan, China and other countries. We estimate that over 20,000 patients worldwide have been treated with the CyberKnife system since its commercial introduction. Our customers have increasingly used the CyberKnife system for indications outside of the brain, including for tumors on or near the spine and in the lung, liver, prostate and pancreas. Based on customer data, more than 50% of patients treated with the CyberKnife system in the United States during the quarter ended September 30, 2006 were treated for tumors outside of the brain.

We market the CyberKnife system through a direct sales force in the United States and a combination of direct sales personnel and distributors in the rest of the world. As of September 30, 2006, we had 83 CyberKnife systems installed at customer sites and 78 pending installation. Of the 83 systems installed, 52 are in the United States. For the year ended June 30, 2006, our total net revenue was $52.9 million, our net loss was $33.7 million and our net cash provided by operating activities was $25.5 million. For the quarter ended September 30, 2006, our total net revenue was

$32.8 million, our net income was $2.0 million, and our net cash used in operating activities was $2.1 million.

Cancer Market and Traditional Treatment

According to the World Health Organization, or WHO, an estimated 7.6 million people died of cancer in 2005, accounting for 13% of all deaths worldwide. The WHO estimates that there are 24.6 million people living with cancer worldwide, with approximately 10.9 million new cases being diagnosed every year. Cancer is the second leading cause of death in the United States, after heart disease. The American Cancer Society, or ACS, estimates that approximately 1.4 million new cases of cancer will be diagnosed in the United States in 2006 and approximately 564,000 Americans will die as a result of cancer in the same period. The ACS broadly divides cancers into two groups: solid tumor cancers, which are characterized by the growth of malignant tumors within the body in areas such as the brain, lung, liver, breast or prostate, and hematological, or blood-borne, cancers, such as leukemia. The ACS estimates that solid tumor cancers will account for approximately 1.3 million, or 92%, of new cancer cases diagnosed in the United States in 2006.

Traditional methods for the treatment of solid tumor cancers include surgery, radiation therapy and chemotherapy. Surgery is especially appropriate for certain types of cancer, such as breast cancer, where tumors are often well-defined and surgically accessible. However, many types of solid tumors, including those affecting the brain, spine, lungs and various other organs, present significant challenges to traditional surgical approaches because they occur in hard-to-reach areas or lie within or in close proximity to critical organs. In addition, traditional surgery is highly invasive because it requires entering the body by incision, and involves significant risks, including those associated with anesthesia, infection and other complications. Traditional surgery also entails significant costs and recovery times, and in some cases may not be an option due to a patient's physical condition or age.

Radiation therapy, as opposed to radiosurgery, is typically used to treat the area around a tumor site after surgery, though it can also be used to directly target the tumor in certain instances when surgery is not possible. The goal of radiation therapy is to eliminate all cancer cells in an intended treatment region. However, healthy tissue outside of the intended treatment region also receives radiation. Recent advances in radiation therapy have focused on improving the shape and targeting ability of the radiation beams to minimize unnecessary irradiation of healthy tissue. However, the majority of such radiation treatments are still delivered using gantry-based linear accelerator systems that have a limited range of motion, a limited ability to accurately target and conform to tumor shape and are unable to compensate for tumor and patient movement during treatment. Therefore, the treatment plans using these methods generally include not only the tumor, but also the surrounding healthy tissue to ensure that the entire tumor is treated.

Development of Radiosurgery

Radiosurgery systems differ from traditional radiation therapy systems in that they are designed to deliver a very high cumulative dose of radiation, in a single or small number of treatments, specifically targeted at the tumor rather than at a broader region surrounding the tumor area. One of the initial radiosurgery techniques was frame-based radiosurgery for the treatment of brain tumors, which requires the attaching of a rigid frame to the patient's skull to provide a coordinate system to effectively target a tumor. Although frame-based radiosurgery represents an advancement in cancer treatment, it has significant shortcomings. The use of a frame makes the procedure more complicated and painful than traditional radiation therapy. In addition, because it is difficult to precisely reposition the head frame for multiple treatments, these systems are very rarely used when more than one dose of radiation is required.

Manufacturers have also developed frame-based radiosurgery systems to enable the treatment of tumors outside the brain, such as tumors on or near the spine and in the lung, liver, prostate and pancreas. However, frame-based approaches to delivering radiosurgery for tumors in such locations are rarely as accurate as frame-based systems used to treat brain tumors. This lack of accuracy may compromise the efficacy of traditional radiosurgery for tumors outside the brain and may increase the likelihood of delivering significant radiation doses to surrounding healthy tissue.

The CyberKnife System Solution

We have developed and commercialized the CyberKnife system, an intelligent robotic radiosurgery system designed to treat solid tumors throughout the body as an alternative to traditional surgery. The CyberKnife system uses intelligent robotics to precisely deliver high dose radiation to a tumor, typically with sub-millimeter accuracy. Our system tracks, detects and corrects for tumor and patient movement in real-time during treatment, limiting the potential damage to surrounding healthy tissue. Key benefits of the CyberKnife system include:

Treatment of inoperable or surgically complex tumors. The CyberKnife system can be used to treat tumors that cannot be treated with traditional surgical techniques because of their location, number, size, shape or proximity to vital tissues or organs, or because of the age or health of the patient.

Treatment of tumors throughout the body. The CyberKnife system has been cleared by the FDA to provide treatment planning and image-guided radiosurgery for tumors anywhere in the body where radiation treatment is indicated.

Real-time tracking of tumor movement. The CyberKnife system is able to treat tumors that may change position due to tumor and patient movement during treatment with a level of accuracy associated with radiosurgery procedures for brain tumors.

Significant patient benefits. Patients may be treated with the CyberKnife system on an outpatient basis, without anesthesia, and without the risks and complications inherent in traditional surgery. In addition, patients do not require a rigid frame or other substantial pre-treatment preparation, and typically there is no recovery time or hospital stay associated with the CyberKnife procedure.

Facilitates additional revenue generation through increased patient volumes. We believe that the CyberKnife system allows our customers to effectively treat patients that otherwise would not have been treated with radiation or who may not have been good candidates for surgery. Therefore, we believe the treatment of these patients provides additional revenue for our customers. In addition, because the CyberKnife procedure is a non-invasive, outpatient procedure requiring little or no recovery time, hospitals can treat more patients than through traditional surgery.

Upgradeable modular design. Our CyberKnife system has a modular design which facilitates the implementation of upgrades without requiring our customers to purchase an entirely new system. We have a well-established track record of developing and delivering state-of-the-art upgrades to our customers, enabling our customers to take advantage of the continued evolution of our CyberKnife system. We continue to develop and offer new clinical capabilities enhancing ease of use, reducing treatment times, improving accuracy and improving patient access.

Key components and technologies of our CyberKnife system include:

Compact X-band linear accelerator. Our proprietary compact X-band linear accelerator, the component that generates the radiation that destroys the tumor, is smaller and weighs significantly less than standard medical linear accelerators typically used in radiation therapy.

Robotic manipulator. The manipulator arm, with six-degrees-of-freedom range of movement, is designed to move and direct the linear accelerator with an extremely high level of precision and repeatability and allows doses of radiation to be delivered from nearly any direction.

Real-time image-guidance system with continuous target tracking and feedback. Real-time image-guided robotics enables the CyberKnife system to continuously detect and correct for tumor and patient movement throughout the entire treatment without the need for clinician intervention.

Synchrony respiratory tracking system. The CyberKnife system employs a proprietary motion tracking system called Synchrony to target tumors that move with patient respiration, allowing clinicians to significantly reduce treatment margins, or the area receiving radiation, while eliminating the need for gating, the administration of radiation within a particular portion of the patient's breathing cycle by monitoring the patient's respiratory motion, or breath-holding techniques.

Xsight Spine Tracking System. The Xsight Spine Tracking System eliminates the need for invasive surgical implantation of small, inert metal markers, known as fiducials, which provide a noticeable contrast against anatomical structures in computed tomography, or CT, scans and X-ray images, when treating tumors on or near the spine, by using skeletal structures to automatically locate and track tumors during treatment.

RoboCouch patient positioning system. The RoboCouch robotically aligns patients prior to treatments, reducing patient set up times and enabling faster treatments.

Xsight Lung Tracking System. The Xsight Lung Tracking System directly tracks the anatomy of some lung tumors without the need for implanted fiducials and is integrated with the Synchrony respiratory tracking system.

Xchange robotic collimator changer. The Xchange robotic collimator changer automatically exchanges secondary collimators during treatment. A collimator attaches to the linear accelerator, creating a fixed size opening to define the size of the radiation beam. Collimators having different sized openings are used as required by the treatment plan. The use of multiple collimators can enable faster treatments than the use of a single collimator.

In-Room CT System. The In-Room CT System enables diagnostic quality 3D and 4D patient imaging just prior to treatment. Combined with the RoboCouch Patient Positioning System, the In-Room CT System provides a smooth and efficient scan-to-treatment transition without having to enter the treatment room or move the patient.

4D Treatment Optimization and Planning System. Our 4D Treatment Optimization and Planning System optimizes treatment by taking into account the movement of the tumor as well as the movement and deformation, or the change in shape, of the surrounding tissue, thereby minimizing treatment margins and radiation exposure to healthy tissue.

Other features. The CyberKnife system also includes proprietary treatment planning software and remote review capabilities.

Shared Ownership Programs, Product Services and Upgrades

We provide a variety of services to support the successful operation and use of our CyberKnife systems. We expect that these services will enable us to generate a recurring revenue stream that will continue to comprise an important portion of our revenue. We offer shared ownership programs under which we provide a CyberKnife system to a customer while retaining ownership of that system. Under this program we generally receive the greater of a minimum monthly payment or a portion of the

revenue generated from the use of that system. As of September 30, 2006, we had entered into 22 shared ownership programs, of which 10 are installed and 12 are pending installation.

We also offer several multiyear service plans for an annual fee. Currently, our most comprehensive service plan is the Diamond Elite multiyear service plan, which provides for annual renewal for four years, including the one-year warranty period. The multiyear service plan is typically signed by the customer at the same time as the CyberKnife system purchase contract. In addition to providing technical support, this service plan provides our customers the opportunity to acquire up to two unspecified future upgrades per year, when and if they become available. As of September 30, 2006, 59 of our customers had purchased service plans.

Our Strategy

Our goal is to have the CyberKnife system become the standard of care for the treatment of solid tumors anywhere in the body as an alternative to traditional surgery. We believe our technology can significantly enhance the applications of radiosurgery by increasing the number and type of tumors that can be treated effectively. The key elements of our strategy include:

- increase physician adoption and patient awareness to drive utilization;
- continue to expand the radiosurgery market;
- continue to innovate through clinical development and collaboration;
- leverage our installed base to generate additional recurring revenue;
- continue to expand international sales and geographic reach; and
- pursue acquisitions, strategic partnerships and joint ventures.

Risks Associated With Our Business

We may be unable, for many reasons, including those that are beyond our control, to implement our current business strategy. Our business is subject to numerous risks, as more fully described in the section entitled "Risk Factors" beginning on page 10. In particular:

- We are dependent on the success of our CyberKnife system and cannot be certain that it will achieve the broad acceptance necessary for us to develop a sustainable, profitable business.
- The ability of our hospital and physician customers to obtain sufficient third-party payor coverage and reimbursement for CyberKnife procedures may affect our sales volume. There have been, and we expect there will continue to be, legislative and regulatory changes as well as other policy changes, impacting such coverage and reimbursement. For example, for 2007, the Medicare program has substantially reduced the payment rates from 2006 levels for certain hospital outpatient treatments using our technology. Any changes adversely impacting the ability of our customers to receive adequate reimbursement may, in turn, adversely impact our revenue.
- The safety and effectiveness of the CyberKnife system for certain uses is not yet supported by long-term clinical data, and any future data and clinical experience that indicates that the product may not be as safe and effective as we currently believe it to be, could slow the adoption of the system by physicians and significantly reduce our ability to achieve expected revenues.
- We rely on single source suppliers for critical components of the CyberKnife system, which could harm our ability to meet demand for our products in a timely and cost effective manner.
- The CyberKnife system is a major capital equipment item and has a long and variable sales and installation cycle which may result in inconsistent quarterly results.

- It is difficult to predict the future growth rate or size of the market for the CyberKnife system.

- Our accountants have identified material weaknesses and significant deficiencies in our internal controls, which could cause delays or inaccuracies in our financial reporting.

- Our business practices and our products are subject to rigorous regulation by the FDA and numerous other federal, state and foreign governmental authorities, including "fraud and abuse" laws.

- Our failure to comply with such regulations could lead to the imposition of injunctions, suspensions or loss of regulatory approvals, product recalls, termination of distribution or sales relationships, product seizures or civil penalties, criminal prosecutions or exclusion from Medicare and Medicaid programs.

Corporate Information

We were incorporated in California in 1990 and commenced operations in 1992. We plan to reincorporate in Delaware prior to the closing of this offering. Our principal offices are located at 1310 Chesapeake Terrace, Sunnyvale, California 94089, and our telephone number is (408) 716-4600. We maintain a website at http://www.accuray.com. The information contained on our website is not incorporated into and does not constitute a part of this prospectus, and the only information that you should rely on in making your decision whether to invest in our common stock is the information contained in this prospectus.

The Offering

Common stock offered by Accuray	shares
Common stock offered by the selling stockholders	shares
Common stock to be outstanding after this offering	shares
Use of proceeds	We expect to use the net proceeds of this offering for sales and marketing initiatives, research and development activities, increased working capital and general corporate purposes. In addition, we may use a portion of the proceeds to acquire complementary technologies, products or businesses.
Proposed NASDAQ Global Market symbol	ARAY

The number of shares of common stock to be outstanding after this offering is based on 41,917,611 shares outstanding as of December 31, 2006 and excludes:

- 12,164,319 shares of common stock issuable upon the exercise of outstanding options, at a weighted average exercise price of approximately $3.00 per share;
- 864,395 shares of common stock reserved for issuance under our 1998 Equity Incentive Plan; and
- 5,500,000 shares to be available for issuance under our 2007 Equity Incentive Plan and our 2007 Employee Stock Purchase Plan.

Except as otherwise indicated, information in this prospectus reflects or assumes the following:

- the conversion of all outstanding shares of our preferred stock into an aggregate of 25,186,285 shares of common stock immediately prior to the closing of this offering;
- the exercise of a warrant to purchase 525,000 shares of common stock at an exercise price of $1.00 per share immediately prior to the closing of this offering (such warrant may be exercised on a cashless basis);
- no exercise by the underwriters of their over-allotment option; and
- our reincorporation from California to Delaware and the filing of our amended and restated certificate of incorporation and the adoption of our amended and restated bylaws upon the closing of this offering.

Summary Consolidated Financial Data

The following table presents summary consolidated financial data. We derived the summary consolidated statements of operations data for the years ended June 30, 2004, 2005 and 2006 from our audited consolidated financial statements and notes thereto that are included elsewhere in this prospectus. We derived the summary consolidated statements of operations data for the quarters ended September 30, 2005 and 2006 and the summary consolidated balance sheet as of September 30, 2006 from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated finanical statements include, in the opinion of management, all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the financial data set forth in those statements. Our historic results are not necessarily indicative of the results that may be expected in the future. You should read this data together with our consolidated financial statements and related notes included elsewhere in this prospectus and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this prospectus.

	Years Ended June 30,			Three Months Ended September 30,	
	2004	2005	2006	2005	2006
				(unaudited)	
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Total net revenue	$ 19,569	$ 22,377	$ 52,897	$ 3,871	$ 32,771
Total cost of revenue[(1)]	8,496	11,115	27,492	2,027	13,468
Gross profit	11,073	11,262	25,405	1,844	19,303
Operating expenses:					
Selling and marketing[(1)]	10,647	16,361	25,186	4,716	7,530
Research and development[(1)]	7,311	11,655	17,788	4,544	6,182
General and administrative[(1)]	4,672	8,129	15,923	2,782	4,619
Total operating expenses	22,630	36,145	58,897	12,042	18,331
Income (loss) from operations	(11,557)	(24,883)	(33,492)	(10,198)	972
Interest and other income (expense), net	(136)	(238)	56	(6)	207
Income (loss) before provision for income taxes and cumulative effect of change in accounting principle	(11,693)	(25,121)	(33,436)	(10,204)	1,179
Provision for income taxes	3	68	258	6	59
Income (loss) before cumulative effect of change in accounting principle	$ (11,696)	$ (25,189)	$ (33,694)	(10,210)	1,120
Cumulative effect of change in accounting principle, net of tax	—	—	—	—	838
Net income (loss)	$ (11,696)	$ (25,189)	$ (33,694)	$ (10,210)	$ 1,958
Net income (loss) per common share:					
Basic					
Income (loss) before cumulative effect of change in accounting principle	$ (1.00)	$ (1.76)	$ (2.11)	$ (0.65)	$ 0.03
Cumulative effect of change in accounting principle	—	—	—	—	0.02
Basic net income (loss) per share	$ (1.00)	$ (1.76)	$ (2.11)	$ (0.65)	$ 0.05
Diluted					
Income (loss) before cumulative effect of change in accounting principle	$ (1.00)	$ (1.76)	$ (2.11)	$ (0.65)	$ 0.02
Cumulative effect of change in accounting principle	—	—	—	—	0.02
Diluted net income (loss) per share	$ (1.00)	$ (1.76)	$ (2.11)	$ (0.65)	$ 0.04

Weighted average common shares outstanding used in computing net income (loss) per share:					
Basic	11,737	14,283	15,997	15,821	41,445
Diluted	11,737	14,283	15,997	15,821	49,851
Pro forma net income (loss) per share (unaudited)[2]					
Basic			$ (0.81)		$ 0.05
Diluted			$ (0.81)		$ 0.04
Pro forma weighted average common shares outstanding (unaudited)[2]					
Basic			41,709		41,970
Diluted			41,709		49,890

(1) Includes stock-based compensation expense as follows:

	Years Ended June 30,			Three Months Ended September 30,	
	2004	2005	2006	2005	2006
				(unaudited)	
			(in thousands)		
Cost of revenue	$ 190	$ 454	$ 863	$ 153	$ 217
Selling and marketing	826	1,903	2,569	529	649
Research and development	648	1,157	1,574	372	449
General and administrative	785	2,812	3,237	843	897

(2) See note 2 to our consolidated financial statements for a description of the method used in calculating our pro forma net loss per share (unaudited), basic and diluted and pro forma weighted average common shares outstanding, basic and diluted (unaudited).

	Years Ended June 30,			Three Months Ended September 30, 2006
	2004	2005	2006	
				(unaudited)
Selected Operating Data:				
Number of CyberKnife systems installed per year				
United States	7	14	22	3
International	9	10	6	3
Total	16	24	28	6
Net cash provided by (used in) operating activities (in thousands)	$ 4,906	$ 18,015	$ 25,505	$ (2,098)

	As of September 30, 2006		
	Actual	Pro forma[1]	Pro forma as adjusted[2]
	(unaudited)	(unaudited)	(unaudited)
		(in thousands)	
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$ 24,910	$ 25,435	
Deferred cost of revenue	54,049	54,049	
Total assets	143,522	144,047	
Short-term debt	—	—	
Deferred revenue	145,175	145,175	
Working capital (deficit)	2,980	3,505	
Redeemable convertible preferred stock	27,504	—	
Total stockholders' equity (deficiency)	(77,477)	(49,448)	

(1) The pro forma balance sheet data presented above gives effect to (i) the conversion of all outstanding shares of our preferred stock into an aggregate of 25,186,285 shares of common stock immediately prior to the closing of this offering and (ii) the exercise of a warrant to purchase 525,000 shares of common stock immediately prior to the closing of this offering (such warrant may be exercised on a cashless basis).

(2) The pro forma as adjusted balance sheet data reflects (i) the conversion of all outstanding shares of our preferred stock into an aggregate of 25,186,285 shares of common stock immediately prior to the closing of this offering, (ii) the exercise of a warrant to purchase 525,000 shares of common stock immediately prior to the closing of this offering (such warrant may be exercised on a cashless basis) and (iii) the sale of the shares of common stock in this offering at an assumed initial public offering price of $ per share, after deducting underwriting discounts and commissions and estimated offering expenses.

RISK FACTORS

An investment in our common stock involves significant risks. You should carefully consider the risks described below and the other information in this prospectus, including our consolidated financial statements and related notes, before you decide to invest in our common stock. If any of the following risks actually occur, our business, prospects, financial condition and results of operations could be materially harmed, the trading price of our common stock could decline and you could lose all or part of your investment. The risks and uncertainties described below are those that we currently believe may materially affect us. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial may also become important factors that affect us.

Risks Related to Our Business

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

We have incurred net losses in every fiscal year since our inception. As of September 30, 2006, we had an accumulated deficit of $118.7 million. We expect to continue to incur net losses in the future, particularly as we increase our manufacturing, sales and marketing, and administrative activities and as we continue our research and development activities. Our ability to achieve and maintain long-term profitability is largely dependent on our ability to successfully market and sell the CyberKnife system and to control our costs and effectively manage our growth. We are required to defer revenue associated with our legacy multiyear service plans due to specified obligations related to the delivery of upgrades to the CyberKnife system. Therefore, our deferred revenue will be higher in the short term and we may not be able to recognize some portions of our deferred revenue until we have satisfied all obligations for delivery of upgrades. We cannot assure you that we will be able to achieve or maintain profitability. In the event we fail to achieve and maintain profitability, our stock price could decline.

If the CyberKnife system does not achieve widespread market acceptance, we will not be able to generate the revenue necessary to support our business.

Achieving physician, patient, hospital administrator and third-party payor acceptance of the CyberKnife system as a preferred method of tumor treatment will be crucial to our continued success. Physicians will not begin to use or increase the use of the CyberKnife system unless they determine, based on experience, clinical data and other factors, that the CyberKnife system is a safe and effective alternative to current treatment methods. The CyberKnife system was initially used primarily for the treatment of tumors in the brain, and the broader use of the system to treat tumors elsewhere in the body has been a more recent development. As a result, physician and patient acceptance of the CyberKnife system as a comprehensive tool for treatment of solid tumor cancers anywhere in the body has not yet been fully demonstrated, particularly as compared to products, systems or technologies that have longer histories in the marketplace. The CyberKnife system is a major capital purchase and purchase decisions are greatly influenced by hospital administrators who are subject to increasing pressures to reduce costs. These and other factors may affect the rate and level of the CyberKnife system's market acceptance, including:

- the CyberKnife system's price relative to other products or competing treatments;
- effectiveness of our sales and marketing efforts;
- capital equipment budgets of healthcare institutions;
- perception by physicians and other members of the healthcare community of the CyberKnife system's safety, efficacy 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 system;
- willingness of physicians to adopt new techniques and the ability of physicians to acquire the skills necessary to operate the CyberKnife system;
- extent of third-party coverage and reimbursement for procedures using the CyberKnife system;
- development of new products and technologies by our competitors or new treatment alternatives;
- regulatory developments related to manufacturing, marketing and selling the CyberKnife system both within and outside the United States;
- perceived liability risks arising from the use of new products; and
- unfavorable publicity concerning the CyberKnife system or radiation-based treatment alternatives.

If the CyberKnife system is unable to achieve or maintain market acceptance, our business would be harmed and our stock price would decline.

The high unit price of the CyberKnife system, as well as other factors may contribute to substantial fluctuations in our operating results and stock price.

Because of the high unit price of the CyberKnife system, and the relatively small number of units installed each quarter, each installation of a CyberKnife system can represent a significant component of our revenue for a particular quarter. Therefore, if we do not install a CyberKnife system when anticipated, our operating results may vary significantly and our stock price may be materially harmed. These fluctuations and other potential fluctuations mean that you should not rely upon our operating results in any particular period as an indication of future performance. In particular, factors which may contribute to these fluctuations may include:

- timing of when we are able to recognize revenue associated with sales of the CyberKnife system, which varies depending upon the terms of the applicable sales and service contracts;
- timing and level of expenditures associated with new product development activities;
- regulatory requirements in some states for a certificate of need prior to the installation of a radiation device;
- delays in shipment due, for example, to unanticipated construction delays at customer locations where our products are to be installed, cancellations by customers, natural disasters or labor disturbances;
- delays in our manufacturing processes or unexpected manufacturing difficulties;
- timing of the announcement, introduction and delivery of new products or product upgrades by us and by our competitors;
- timing and level of expenditures associated with expansion of sales and marketing activities such as trade shows and our overall operations;
- disruptions in the supply or changes in the costs of raw materials, labor, product components or transportation services; and
- changes in third party coverage and reimbursement, changes in government regulation, or a change in a customer's financial condition or ability to obtain financing.

These factors are difficult to forecast and may contribute to substantial fluctuations in our quarterly revenues and substantial variation from our projections, particularly during the periods in

which our sales volume is low. Any failure to meet investor expectations regarding our operating results may cause our stock price to decline.

We experience a long and variable sales and installation cycle, which may result in inconsistent quarterly results.

The CyberKnife system has a lengthy sales and purchase order cycle because it is a major capital equipment item and requires the approval of senior management at purchasing institutions. The sales process in the United States often begins with a letter of intent between us and the customer. After the letter of intent is signed, we enter into a definitive purchase contract with the customer. Generally following the execution of the contract, the customer begins the building or renovation of a facility to house the CyberKnife system, which together with the subsequent installation of the CyberKnife system, can take approximately 12 months or longer to complete. During this period, the customer must build a radiation-shielded facility to house their CyberKnife system. In order to construct this facility, the customer must typically obtain radiation device installation permits, which are granted by state and local government bodies, each of which may have different criteria for permit issuance. If a permit were denied for installation at a specific hospital or treatment center, our CyberKnife system could not be installed at that location.

Under our revenue recognition policy, we generally do not recognize revenue attributable to a CyberKnife system purchase until after installation has occurred. For international sales through distributors, we typically recognize revenue when the system is delivered to the end user's site. Therefore the long sales cycle together with the timing of CyberKnife system shipments and installations may result in significant fluctuations in our reporting of quarterly revenues. Under our current forms of purchase and service contracts, we receive a majority of the purchase price for the CyberKnife system upon installation of the system. Events beyond our control may delay installation and the satisfaction of contingencies required to receive cash inflows and recognize revenue, such as:

- procurement delay;
- customer funding or financing delay;
- organizational delay caused by customer personnel;
- construction delay;
- delay pending customer receipt of a building or radiation device installation permit; and
- delay caused by weather or natural disaster.

In the event that a customer does not, for any of the reasons above or other reasons, proceed with installation of the system after entering into a purchase contract, we would only recognize the deposit portion of the purchase price as revenue. Therefore, delays in the installation of CyberKnife systems or customer cancellations would adversely affect our cash flows and revenue, which would harm our results of operations and could cause our stock price to decline.

If third-party payors do not continue to provide sufficient coverage and reimbursement to healthcare providers for use of the CyberKnife system, our revenue would be adversely affected.

Our ability to commercialize our products successfully will depend in significant part on the extent to which appropriate coverage and reimbursement for our products and related procedures are obtained from third-party payors, including governmental payors such as Medicare. Third-party payors, and in particular managed care organizations, are increasingly challenging the prices charged for medical products and services and instituting cost containment measures to control or significantly influence the purchase of medical products and services. These cost containment measures, if instituted

in a manner affecting the coverage for or payment of our products, could have a material adverse effect on our operating results.

Uncertainty exists as to the coverage and reimbursement status of new medical products and services and new indications for existing products. The CyberKnife procedure is currently covered and reimbursed by Medicare and other governmental and non-governmental third-party payors. However, we cannot assure you that the CyberKnife procedure will continue to be reimbursed at current rates or that third-party payors will continue to consider our products cost-effective relative to other treatments and provide coverage and reimbursement for our products, in whole or in part. For 2007, the Centers for Medicare and Medicaid Services, or CMS, has issued a final rule that will result in a downward adjustment to the reimbursement rates for treatments using our technology in the hospital outpatient department. For example, for the calendar years 2004 to 2006, the Medicare billing codes for treatments using the CyberKnife system in the hospital outpatient department were assigned a national payment rate of $5,250 for the first treatment and $3,750 for each treatment thereafter, up to a maximum of five treatments. For the 2007 calendar year, under the finalized Medicare payment rules, the national payment rate for procedures billed using these codes will be $3,896 and $2,645, respectively.

In addition, new billing codes for stereotactic radiosurgery have been established by the American Medical Association, effective 2007. The CMS has determined that the new codes would not be used for hospital outpatient claims under the prospective payment system for 2007 and, instead, existing billing codes for our technology would continue to be in effect. It remains unclear how the billing codes will be used for procedures in other settings for Medicare purposes or how they will be used by non-Medicare payors. Payment amounts for 2007 under the Medicare physician fee schedule for freestanding settings may result in a decrease from current payment amounts if these codes are required for billing our technology. Physicians, hospitals and other healthcare providers may be reluctant to purchase the CyberKnife system or may decline to do so entirely if they determine there is not sufficient coverage and reimbursement from third-party payors for the cost of the CyberKnife procedure. In addition, if physicians or hospital administrators believe that our CyberKnife system will add costs to a procedure, but will not add sufficient offsetting economic or clinical benefits, adoption could be impaired. Any reduction or limitation in use of the CyberKnife system could have an adverse impact on our sales.

Our success in international markets also depends upon the eligibility of reimbursement for the CyberKnife procedure through government-sponsored healthcare payment systems and third-party payors. Reimbursement and healthcare payment systems in international markets vary significantly by country and, within some countries, by region. In many international markets, payment systems may control reimbursement for procedures performed using new products as well as procurement of these products. In addition, as economies of emerging markets develop, these countries may implement changes in their healthcare delivery and payment systems. Furthermore, healthcare cost containment efforts similar to those underway in the United States are prevalent in many of the other countries in which we intend to sell our products and these efforts are expected to continue. Market acceptance of our products in a particular country may depend on the availability and level of reimbursement in that country. In the event that our customers are unable to obtain adequate reimbursement for the CyberKnife procedures in international markets in which we are selling, or are seeking to sell, CyberKnife systems, market acceptance of our products would be adversely affected.

Future legislative or regulatory changes to the healthcare system may affect our business.

Even if third-party payors provide adequate coverage and reimbursement for the CyberKnife procedure, adverse changes in third-party payors' general policies toward reimbursement could preclude market acceptance for our products and materially harm our sales and revenue growth, which could cause our stock price to decline. In the United States, there have been, and we expect there will

continue to be, a number of legislative and regulatory changes and proposals to change the healthcare system, and some could involve changes that significantly affect our business. For instance, on December 8, 2003, President George W. Bush signed into law the Medicare Prescription Drug, Improvement and Modernization Act of 2003, which, among other things, established a new prescription drug benefit and changed reimbursement methodologies for drugs and devices used in hospital outpatient departments and in the home. In addition, certain federal regulatory changes occur at least annually. CMS has determined that, beginning in 2007, treatments in hospital outpatient departments using our technology will no longer be assigned a new technology classification and, instead, will be transitioned to a classification that would result in a reduction in Medicare payments to hospitals. Further, new billing codes that went into effect in 2007 may be required by third-party payors and may result in a decrease in payments for services using our technology. A downward adjustment in reimbursement could have a material adverse effect on our operations.

Future legislative or policy initiatives directed at reducing costs could be introduced at either the federal or state level. We cannot predict the impact on our business of any legislation or regulations related to the healthcare system that may be enacted or adopted in the future.

We are required to comply with federal and state "fraud and abuse" laws, and, if we are unable to comply with such laws, we could face substantial penalties and we could be excluded from government healthcare programs, which would adversely affect our business, financial condition and results of operations.

We are directly, or indirectly through our customers, subject to various federal and state laws pertaining to healthcare fraud and abuse. These laws which directly or indirectly affect our ability to operate our business primarily include, but are not limited to, the following:

- the federal Anti-Kickback Statute, which prohibits persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce either the referral of an individual, or furnishing or arranging for a good or service, for which payment may be made under federal healthcare programs such as Medicare and Medicaid; and

- state law equivalents to the Anti-Kickback Statute, which may not be limited to government reimbursed items.

The following arrangements with purchasers and their agents have been identified by the Office of the Inspection General of the Department of Health and Human Services as ones raising potential risk of violation of the federal Anti-Kickback Statute:

- Discount and free good arrangements that are not properly disclosed or accurately reported to federal health care programs;

- Product support services, including billing assistance, reimbursement consultation and other services specifically tied to support of the purchased product, offered in tandem with another service or program (such as reimbursement guarantee) that confers a benefit to the purchaser;

- Educational grants conditioned in whole or in part on the purchase of equipment, or otherwise inappropriately influenced by sales and marketing considerations;

- Research funding arrangements, particularly post-market research activities, that are linked directly or indirectly to the purchase of products, or otherwise inappropriately influenced by sales and marketing considerations; and

- Other offers of remuneration to purchasers that is expressly or impliedly related to a sale or sales volume, such as "prebates" and "upfront payment," other free or reduced-price goods or services, and payments to cover costs of "converting" from a competitor's products, particularly where the selection criteria for such offers vary with the volume or value of business generated.

We have various arrangements with physicians, hospitals and other entities which implicate these laws. For example, physicians own our stock who also provide medical advisory and other consulting and personal services. Similarly, we have a variety of different types of arrangements with our customers. For example, our placement and shared ownership programs entail the provision of our CyberKnife system to our customers under a deferred payment program, where we generally receive the greater of a fixed minimum payment or a portion of the revenues of services. Included in the fee we charge for the placement and shared ownership programs are a variety of services, including physician training, educational and marketing support, general reimbursement guidance and technical support, and, in the case of the placement program, certain services and upgrades are provided without additional charge based on procedure volume. In the past, we have also provided loans to our customers. We also provide research grants to customers to support customer studies related to, among other things, our CyberKnife systems. Certain of these arrangements do not meet Anti-Kickback Statute safe harbor protections, which may result in increased scrutiny by government authorities having responsibility for enforcing these laws.

If our past or present operations are found to be in violation of any of the laws described above or other similar governmental regulations to which we or our customers are subject, we may be subject to the applicable penalty associated with the violation, including significant civil and criminal penalties, damages, fines, imprisonment and exclusion from the Medicare and Medicaid programs. The impact of any such violations may lead to curtailment or restructuring of our operations, which could adversely affect our ability to operate our business and our financial results. The risk of our being found in violation of these laws is increased by the fact that many of these laws are open to a variety of interpretations. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and damage our reputation. If enforcement action were to occur, our reputation and our business and financial condition may be harmed, even if we were to prevail or settle the action. Similarly, if the physicians or other providers or entities with whom we do business are found to be non-compliant with applicable laws, they may be subject to sanctions, which could also have a negative impact on our business. See "Business—Regulatory Matters" for further information regarding federal and state fraud and abuse laws.

Modifications, upgrades and future products related to the CyberKnife system or new indications may require new U.S. Food and Drug Administration, or FDA, premarket approvals or 510(k) clearances, and such modifications, or any defects in design or manufacture may require us to recall or cease marketing the CyberKnife system until approvals or clearances are obtained.

The CyberKnife system is a medical device that is subject to extensive regulation in the United States by local, state and the federal government, including by the FDA. The FDA regulates virtually all aspects of a medical device's design, development, testing manufacturing, labeling, storage, record keeping, reporting, sale, promotion, distribution and shipping. Before a new medical device, or a new use of or claim for an existing product, can be marketed in the United States, it must first receive either premarket approval or 510(k) clearance from the FDA, unless an exemption exists. Either process can be expensive and lengthy. The FDA's 510(k) clearance process usually takes from three to twelve months, but it can last longer. The process of obtaining premarket approval is much more costly and uncertain than the 510(k) clearance process and it generally takes from one to three years, or even longer, from the time the application is filed with the FDA. Despite the time, effort and cost, there can be no assurance that a particular device will be approved or cleared by the FDA through either the premarket approval process or 510(k) clearance process.

Medical devices may be marketed only for the indications for which they are approved or cleared. The FDA also may change its policies, adopt additional regulations, or revise existing regulations, each of which could prevent or delay premarket approval or 510(k) clearance of our device, or could impact

our ability to market our currently cleared device. We are also subject to medical device reporting regulations which require us to report to the FDA if our products cause or contribute to a death or a serious injury, or malfunction in a way that would likely cause or contribute to a death or a serious injury. We also are subject to Quality System and Medical Device Reporting regulations, which regulate the manufacturing and installation and also require us to report to the FDA if our products cause or contribute to a death or serious injury, or malfunction in a way that would likely cause or contribute to a death or serious injury. Our products are also subject to state regulations and various worldwide laws and regulations.

A component of our strategy is to continue to upgrade the CyberKnife system. Upgrades previously released by us required 510(k) clearance before we were able to offer them for sale. We expect our future upgrades will similarly require 510(k) clearance; however, future upgrades may be subject to the substantially more time consuming and uncertain premarket approval process.

The FDA requires device manufacturers to make a determination of whether or not a modification requires an approval or clearance; however, the FDA can review a manufacturer's decision not to submit for additional approvals or clearances. Any modification to an FDA approved or cleared device that would significantly affect its safety or efficacy or that would constitute a major change in its intended use would require a new premarket approval or 510(k) clearance. We cannot assure you that the FDA will agree with our decisions not to seek approvals or clearances for particular device modifications or that we will be successful in obtaining 510(k) clearances for modifications.

We have obtained 510(k) clearances for the CyberKnife system for the treatment of tumors anywhere in the body where radiation is indicated. We have made modifications to the CyberKnife system in the past and may make additional modifications in the future that we believe do not or will not require additional approvals or clearances. If the FDA disagrees and requires us to obtain additional premarket approvals or 510(k) clearances for any modifications to the CyberKnife system and we fail to obtain such approvals or clearances or fail to secure approvals or clearances in a timely manner, we may be required to cease manufacturing and marketing the modified device or to recall such modified device until we obtain FDA approval or clearance and we may be subject to significant regulatory fines or penalties.

In addition, even if the CyberKnife system is not modified, the FDA and similar governmental authorities in other countries in which we market and sell our products have the authority to require the recall of our products in the event of material deficiencies or defects in design or manufacture. A government mandated recall, or a voluntary recall by us, could occur as a result of component failures, manufacturing errors or design defects, including defects in labeling and user manuals. Any recall could divert management's attention, cause us to incur significant expenses, harm our reputation with customers, negatively affect our future sales and business, require redesign of the CyberKnife system, harm our operating results, and result in a decline in our stock price. In these circumstances, we may also be subject to significant enforcement action. If any of these events were to occur, our ability to introduce new or enhanced products in a timely manner would be adversely affected, which in turn would harm our future growth.

Our reliance on single source suppliers for critical components of the CyberKnife system could harm our ability to meet demand for our products in a timely and cost effective manner.

We currently depend on single source suppliers for some of the critical components necessary for the assembly of the CyberKnife system, including the robotic manipulator, imaging plates, treatment table, robotic couch and magnetron, which creates the microwaves for use in the linear accelerator. If any single source suppliers were to cease delivering components to us or fail to provide the components on a timely basis, we might be required to qualify an alternate supplier and we would likely experience a lengthy delay in our manufacturing processes, which would result in delays of shipment to end users.

We cannot assure you that our single source suppliers will be able or willing to meet our future demands.

We generally do not maintain large volumes of inventory. Furthermore, if we are required to change the manufacturer of a critical component of the CyberKnife system, we will be required to verify that the new manufacturer maintains facilities, procedures and operations that comply with our quality requirements. We also will be required to assess the new manufacturer's compliance with all applicable regulations and guidelines, which could further impede our ability to manufacture our products in a timely manner. If the change in manufacturer results in a significant change to the product, a new 510(k) clearance would be necessary, which would likely cause substantial delays. The disruption or termination of the supply of key components for the CyberKnife system could harm our ability to generate revenue, lead to customer dissatisfaction and damage our reputation and cause the price of our common stock to decline.

Our accountants have identified and reported to us material weaknesses for the years ended June 30, 2004, 2005 and 2006, relating to our internal controls over financial reporting. If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements could be impaired, which could adversely affect our operating results, our ability to operate our business and our stock price.

In connection with the audit of our consolidated financial statements for the years ended June 30, 2004, 2005 and 2006, our independent registered public accounting firm identified material weaknesses and significant deficiencies in our internal controls over financial reporting. These weaknesses and deficiencies relate to a lack of segregation of duties and the misapplication of accounting policies, including policies related to revenue recognition and stock-based compensation.

Our independent registered public accounting firm was not, however, engaged to audit, nor has it audited, the effectiveness of our internal controls over financial reporting. Accordingly, our independent registered public accounting firm has not rendered an opinion on our internal controls over financial reporting. Likewise, we have not performed an evaluation of internal controls over financial reporting, as we are not currently required to comply with Section 404 of the Sarbanes-Oxley Act of 2002. If such an evaluation had been performed or when we are required to perform such an evaluation, additional material weaknesses, significant deficiencies and other control deficiencies may have been or may be identified. Ensuring that we have adequate internal financial and accounting controls and procedures in place to help ensure that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be evaluated frequently.

Even after any corrective actions are implemented, the effectiveness of our controls and procedures may be limited by a variety of risks including:

- faulty judgment, omissions or mistakes;
- circumvention of our internal controls and procedures;
- inappropriate management override of internal controls and procedures; and
- risk that enhanced internal controls and procedures may still not be adequate to assure timely and reliable financial information, processing and reporting.

Although we have taken measures to remediate the material weaknesses as well as the other significant deficiencies and control deficiencies, we cannot assure you that we have identified all, or that we will not in the future have additional material weaknesses, significant deficiencies and control deficiencies. Our independent registered public accounting firm has not evaluated any of the measures we have taken, or that we propose to take, to address the material weaknesses and the significant deficiencies and control deficiencies discussed above. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in implementation, could cause us to fail to

meet our periodic reporting obligations or result in material misstatements in our consolidated financial statements. Any such failure could also adversely affect management's assessment of our disclosure controls and procedures, required with the filing of our quarterly and annual reports after our initial public offering, and the results of periodic management evaluations and annual auditor attestation reports regarding the effectiveness of our internal controls over financial reporting that will be required when the Securities and Exchange Commission's, or SEC's, rules under Section 404 of the Sarbanes-Oxley Act of 2002 become applicable to us beginning with our Annual Report on Form 10-K for the year ending June 30, 2008.

The existence of a material weakness could result in errors in our consolidated financial statements that could result in a restatement of our consolidated financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

Our industry is subject to intense competition and rapid technological change, which may result in products or new tumor treatments that are superior to the CyberKnife system. If we are unable to anticipate or keep pace with changes in the marketplace and the direction of technological innovation and customer demands, our products may become less useful or obsolete and our operating results will suffer.

The medical device industry in general and the non-invasive cancer treatment field in particular are subject to intense and increasing competition and rapidly evolving technologies. Because our products often have long development and government approval cycles, we must anticipate changes in the marketplace and the direction of technological innovation and customer demands. To compete successfully, we will need to continue to demonstrate the advantages of our products and technologies over well-established alternative procedures, products and technologies, and convince physicians and other healthcare decision makers of the advantages of our products and technologies. Traditional surgery and other forms of minimally invasive procedures, chemotherapy or other drugs remain alternatives to the CyberKnife system. Also, we compete directly with traditional radiosurgery systems primarily from Elekta AB (publ), or Elekta, BrainLAB AG, the Integra Radionics business of Integra LifeSciences Holdings Corporation, or Radionics, and Varian Medical Systems, Inc., or Varian.

The market for standard linear accelerators is dominated by three companies: Elekta, Siemens AG and Varian. In addition, TomoTherapy Incorporated recently introduced a radiation therapy product. The CyberKnife system is not typically used to perform traditional radiation therapy and therefore does not usually compete directly with standard medical linacs that perform standard radiation therapy. However, some manufacturers of standard linac based radiation therapy systems, including Varian and Elekta, have products that can be used in combination with body and/or head frames and image-guidance systems to perform radiosurgery. In addition, many government, academic and business entities are investing substantial resources in research and development of cancer treatments, including surgical approaches, radiation treatment, drug treatment, gene therapy, which is the treatment of disease by replacing, manipulating, or supplementing nonfunctional genes, and other approaches. Successful developments that result in new approaches for the treatment of cancer could reduce the attractiveness of our products or render them obsolete.

Our future success will depend in large part on our ability to establish and maintain a competitive position in current and future technologies. Rapid technological development may render the CyberKnife system and its technologies obsolete. Many of our competitors have or may have greater corporate, financial, operational, sales and marketing resources, and more experience in research and development than we have. We cannot assure you that our competitors will not succeed in developing or marketing technologies or products that are more effective or commercially attractive than our products or that would render our technologies and products obsolete. We may not have the financial resources, technical expertise, marketing, distribution or support capabilities to compete successfully in

the future. Our success will depend in large part on our ability to maintain a competitive position with our technologies.

Our competitive position also depends on:

- widespread awareness, acceptance and adoption by the radiation oncology and cancer therapy markets of our products;
- the discovery of new technologies that improve the effectiveness and productivity of the CyberKnife system radiosurgery process;
- product coverage and reimbursement from third-party payors, insurance companies and others;
- properly identifying customer needs and delivering new products or product enhancements to address those needs;
- published studies supporting the efficacy and safety and long-term clinical benefit of the CyberKnife system;
- limiting the time required from proof of feasibility to routine production;
- limiting the timing and cost of regulatory approvals;
- our ability to attract and retain qualified personnel;
- the extent of our patent protection or our ability to otherwise develop proprietary products and processes;
- securing sufficient capital resources to expand both our continued research and development, and sales and marketing efforts; and
- obtaining any necessary United States or foreign marketing approvals or clearances.

If the CyberKnife system is not competitive based on these or other factors, our business would be harmed.

We must obtain and maintain regulatory approvals in international markets in which we sell, or seek to sell, our products.

In order for us to market and sell the CyberKnife system internationally, either through direct sales personnel or through distributors, we must obtain and maintain regulatory clearances applicable to the countries and regions in which we are selling, or are seeking to sell, our products. These regulatory approvals and clearances, and the process required to obtain and maintain them, vary substantially among international jurisdictions. In some jurisdictions, we rely on our distributors to manage the regulatory process and we are dependent on their ability to do so effectively. For example, in Japan, our clearances are currently limited to use of the CyberKnife system in the head and neck. In addition, our regulatory approval in Japan was suspended for a period of twelve months during 2003 as a result of a failure of our distributor to coordinate product modifications and obtain necessary regulatory clearances in a timely manner. As a result, the CyberKnife system was recalled in Japan and our former Japanese distributor was told to stop selling the CyberKnife system. In response, we retained a regulatory consultant who was not affiliated with our former Japanese distributor and worked with the Japanese Ministry of Health, Labor and Welfare and applied for, and received, approval to sell an updated version of the CyberKnife system under the name of CyberKnife II in Japan. By working with a new distributor, Chiyoda Technol Corporation, we were able to begin distributing the CyberKnife II system in 2004 with no probationary period. In the event that we are unable to obtain and maintain regulatory clearances for the CyberKnife system, including new clearances for system upgrades and use of the system anywhere in the body, in international markets

we have entered or desire to enter, our international sales could fail to grow or decline. These events would harm our business and could cause our stock price to decline.

It is difficult and costly to protect our intellectual property and our proprietary technologies, and we may not be able to ensure their protection.

Our success depends significantly on our ability to obtain, maintain and protect our proprietary rights to the technologies used in our products. Patents and other proprietary rights provide uncertain protections, and we may be unable to protect our intellectual property. For example, we may be unsuccessful in defending our patents and other proprietary rights against third party challenges.

In addition to patents, we rely on a combination of trade secrets, copyright and trademark laws, nondisclosure agreements and other contractual provisions and technical security measures to protect our intellectual property rights. These measures may not be adequate to safeguard the technology underlying our products. If they do not protect our rights adequately, third parties could use our technology, and our ability to compete in the market would be reduced. Although we have attempted to obtain patent coverage for our technology where available and appropriate, there are aspects of the technology for which patent coverage was never sought or never received. There are also countries in which we sell or intend to sell the CyberKnife system but have no patents or pending patent applications. Our ability to prevent others from making or selling duplicate or similar technologies will be impaired in those countries in which we have no patent protection. Although we have several issued patents in the United States and in foreign countries protecting aspects of the CyberKnife system, our pending United States and foreign patent applications may not issue, may issue only with limited coverage or may issue and be subsequently successfully challenged by others and held invalid or unenforceable.

Similarly, our issued patents and those of our licensors may not provide us with any competitive advantages. Competitors may be able to design around our patents or develop products which provide outcomes comparable or superior to ours. Our patents may be held invalid or unenforceable as a result of legal challenges by third parties, and others may challenge the inventorship or ownership of our patents and pending patent applications. In addition, the laws of some foreign countries may not protect our intellectual property rights to the same extent as do the laws of the United States. In the event a competitor infringes upon our patent or other intellectual property rights, enforcing those rights may be difficult and time consuming. Even if successful, litigation to enforce our intellectual property rights or to defend our patents against challenge could be expensive and time consuming and could divert our management's attention. We may not have sufficient resources to enforce our intellectual property rights or to defend our patents against a challenge.

We also license patent and other proprietary rights to aspects of our technology to third parties in fields where we currently do not operate. Disputes with our licensors may arise regarding the scope and content of these licenses. Further, our ability to expand into additional fields with our technologies may be restricted by our existing licenses or licenses we may grant to third parties in the future.

In October 2006, we received a letter from American Science and Engineering, Inc., or AS&E, expressing concerns that we may be using certain intellectual property we acquired from AS&E in a manner that breaches, or may breach, our contractual obligations under a license agreement with them in certain nonmedical fields. While we do not believe our activities breach or violate the terms of the license agreement, we cannot assure you that AS&E will not commence litigation on the grounds that we are in breach of our obligations under the license agreement.

The policies we use to protect our trade secrets may not be effective in preventing misappropriation of our trade secrets by others. In addition, confidentiality agreements executed by our employees, consultants and advisors may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure.

Litigating a trade secret claim is expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect trade secrets. Moreover, our competitors may independently develop equivalent knowledge methods and know-how. If we are unable to protect our intellectual property rights, we may be unable to prevent competitors from using our own inventions and intellectual property to compete against us, and our business may be harmed.

Because the medical device industry is characterized by competing intellectual property, we may be sued for violating the intellectual property rights of others.

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. 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 stereotactic radiosurgery to treat solid 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 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. 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. 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 the funds 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. 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, or a settlement or ongoing royalties. In these circumstances, we may be unable to sell our products at competitive prices or at all, our business and operating results could be harmed and our stock price may decline.

We could become subject to product liability claims, product recalls, other field actions and warranty claims that could be expensive, divert management's attention and harm our business.

Our business exposes us to potential liability risks that are inherent in the manufacturing, marketing and sale of medical device products. We may be held liable if the CyberKnife system causes

injury or death or is found otherwise unsuitable during usage. Our products incorporate sophisticated components and computer software. Complex software can contain errors, particularly when first introduced. In addition, new products or enhancements may contain undetected errors or performance problems that, despite testing, are discovered only after installation. Because our products are designed to be used to perform complex surgical procedures, defects could result in a number of complications, some of which could be serious and could harm or kill patients. It is also possible that defects in the design, manufacture or labeling of our products might necessitate a product recall or other field corrective action, which may result in warranty claims beyond our expectations and may harm our reputation. A product liability claim, regardless of its merit or eventual outcome, could result in significant legal defense costs. The coverage limits of our insurance policies may not be adequate to cover future claims. If sales of our products increase or we suffer future product liability claims, we may be unable to maintain product liability insurance in the future at satisfactory rates or with adequate amounts. A product liability claim, any product recalls or other field actions or excessive warranty claims, whether arising from defects in design or manufacture or otherwise, could negatively affect our sales or require a change in the design, manufacturing process or the indications for which the CyberKnife system may be used, any of which could harm our reputation and business, result in a decline in revenue and cause our stock price to fall.

In addition, if a product we designed or manufactured is defective, whether due to design or manufacturing defects, improper use of the product or other reasons, we may be required to notify regulatory authorities and/or to recall the product, possibly at our expense. In 2002, we were subject to a product recall in Japan, as a result of a failure of our prior distributor to coordinate product modifications and obtain necessary regulatory approvals in a timely manner. A required notification to a regulatory authority or recall could result in an investigation by regulatory authorities of our products, which could in turn result in required recalls, restrictions on the sale of the products or other civil or criminal penalties. The adverse publicity resulting from any of these actions could cause customers to review and potentially terminate their relationships with us. These investigations or recalls, especially if accompanied by unfavorable publicity or termination of customer contracts, could result in our incurring substantial costs, losing revenues and damaging our reputation, each of which would harm our business.

The safety and efficacy of our products for certain uses is not yet supported by long-term clinical data and may therefore prove to be less safe and effective than initially thought.

Although we believe that the CyberKnife system has advantages over competing products and technologies, we do not have sufficient clinical data demonstrating these advantages for all tumor indications. For example, because our CyberKnife procedures are relatively new, we have limited clinical data relating to the effectiveness of the CyberKnife system as a means of controlling the growth of cancer at a particular body site. In addition, we have only limited five-year patient survival rate data, which is a common long-term measure of clinical effectiveness in cancer treatment. Further, future patient studies or clinical experience may indicate that treatment with the CyberKnife system does not improve patient outcomes. Such results could slow the adoption of our products by physicians, significantly reduce our ability to achieve expected revenues and could prevent us from becoming profitable. In addition, if future results and experience indicate that our products cause unexpected or serious complications or other unforeseen negative effects, the FDA could rescind our clearances, our reputation with physicians, patients and others may suffer and we could be subject to significant legal liability.

The CyberKnife system has been in use for a limited period of time for uses outside the brain and the medical community has not yet developed a large quantity of peer-reviewed literature that supports safe and effective use in those locations in the body.

The CyberKnife system was initially cleared by regulatory authorities for the treatment of tumors in the brain and neck. More recently, the CyberKnife system has been cleared to treat tumors anywhere in the body where radiation is indicated, and our future growth is dependent in large part on continued growth in full body use of the system. Currently, however, there are a limited number of peer-reviewed medical journal publications regarding the safety and efficacy of the CyberKnife system for treatment of tumors outside the brain or spine. If later studies show that the CyberKnife system is less effective or less safe with respect to particular types of solid tumors, use of the CyberKnife system could fail to increase or could decrease and our growth and operating results would therefore be harmed.

International sales of the CyberKnife system account for a significant portion of our revenue, which exposes us to risks inherent in international operations.

We anticipate that a significant portion of our revenue will continue to be derived from sales of the CyberKnife system in foreign markets. This revenue and related operations will therefore continue to be subject to the risks associated with international operations, including:

- economic or political instability;
- shipping delays;
- changes in foreign regulatory laws governing sales of medical devices;
- difficulties in enforcing agreements with and collecting receivables from customers outside the United States;
- longer payment cycles associated with many customers outside the United States;
- adequate reimbursement for the CyberKnife procedure outside the United States;
- failure of local laws to provide the same degree of protection against infringement of our intellectual property;
- protectionist laws and business practices that favor local competitors; and
- contractual provisions governed by foreign laws and various trade restrictions, including U.S. prohibitions and restrictions on exports of certain products and technologies to certain nations.

In addition, future imposition of, or significant increases in, the level of customs duties, export quotas, regulatory restrictions or trade restrictions could materially harm our business. Currently, the majority of our international sales are denominated in U.S. dollars. As a result, an increase in the value of the U.S. dollar relative to foreign currencies could require us to reduce our sales price or make our products less competitive in international markets. If we are unable to address these risks and challenges effectively, our international operations may not be successful and our business would be materially harmed.

We depend on third-party distributors to market and distribute the CyberKnife system in international markets. If our distributors fail to successfully market and distribute the CyberKnife system, our business will be materially harmed.

We depend on a limited number of distributors in our international markets. These international distribution relationships are exclusive by geographic region. We cannot control the efforts and

resources our third-party distributors will devote to marketing the CyberKnife system. Our distributors may not be able to successfully market and sell the CyberKnife system, may not devote sufficient time and resources to support the marketing and selling efforts and may not market the CyberKnife system at prices that will permit the product to develop, achieve or sustain market acceptance. If we or our distributors terminate our existing agreements, finding new distributors could be an expensive and time-consuming process and sales could decrease during and after any transition period. If we are unable to attract additional international distributors, our international revenue may not grow. If our distributors experience difficulties, do not actively market the CyberKnife system or do not otherwise perform under our distribution agreements, our potential for revenue from international markets may be dramatically reduced, and our business could be harmed. In certain cases our distributors are responsible for the service and support of our CyberKnife systems.

We have limited experience and capability in manufacturing and may encounter manufacturing problems or delays that could result in lost revenue.

The CyberKnife system is complex, and requires 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 system. In particular, we have recently begun manufacturing compact linacs as a component of the CyberKnife system. 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 system, including problems with quality control and assurance, component supply shortages, increased costs, shortages of qualified personnel 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.

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. We are also subject to state requirements and licenses applicable to manufacturers of medical devices. Because our manufacturing processes include 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 unannounced inspections. We have been, and anticipate in the future to be, subject to such inspections. Our failure or the failure of a third-party supplier to pass a QSR inspection or to comply with these and other applicable regulatory requirements could result in disruption of our operations and manufacturing delays. 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. 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 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 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 cannot grow or achieve profitability.

We are highly dependent on the members of our senior management, operations and research and development staff. Our future success will depend in part on our ability to retain these key employees and to identify, hire and retain additional personnel. Competition for qualified personnel in the medical device industry, particularly in northern California, 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 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 grow our business successfully.

If we do not effectively manage our growth, our business may be significantly harmed.

The number of our employees increased from 194 as of June 30, 2005 to 386 as of December 31, 2006. In addition, we have significantly expanded our development and operational facilities, including our recent acquisition of a linac manufacturing facility and our new manufacturing site. In order to implement our business strategy, we expect continued growth in our employee and infrastructure requirements, particularly as we expand our manufacturing and sales and marketing capacities. To manage our growth, we must expand our facilities, augment our management, operational and financial systems, hire and train additional qualified personnel, scale-up our manufacturing capacity and expand our marketing and distribution capabilities. Our manufacturing, assembly and installation process is complex and occurs over many months, and we must effectively scale this entire process to satisfy customer expectations and changes in demand. We also expect to increase the number of sales and marketing personnel as we expand our business. Further, to accommodate our growth and compete effectively, we will be required to improve our information systems. We cannot be certain that our personnel, systems, procedures and internal controls will be adequate to support our future operations. If we cannot manage our growth effectively, our business will suffer.

Any failure in our physician training efforts could result in lower than expected product sales and potential liabilities.

A critical component of our sales and marketing efforts is the training of a sufficient number of physicians to properly utilize the CyberKnife system. We rely on physicians to devote adequate time to learn to use our products. If physicians are not properly trained, they may misuse or ineffectively use

our products. This may result in unsatisfactory patient outcomes, patient injury and related liability or negative publicity which could have an adverse effect on our product sales.

We will incur increased costs as a result of being a public company.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the SEC and the NASDAQ Global Market, or NASDAQ, have required changes in corporate governance practices of public companies. In particular, as a public company we will be required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 regarding management assessment of internal controls. We will first become subject to Section 404 in connection with the audit of our consolidated financial statements for the fiscal year ending June 30, 2008, and we expect to incur substantial additional audit fees and costs for that year's audit as well as for future audits. We expect that being a public company in the current regulatory environment will increase our financial and legal compliance costs and will make some activities more time-consuming and costly. In addition, we will incur other costs associated with public company reporting requirements. We also expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

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, short-term and long-term investments and the proceeds from this offering will be sufficient to meet our anticipated cash needs for at least the next 12 months, the timing and amount of our working capital and capital expenditure requirements may vary significantly depending on numerous factors, including:

- market acceptance of our products;
- the need to adapt to changing technologies and technical requirements;
- 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. The sale of additional equity securities or convertible debt securities would result in additional dilution to our stockholders. Additional debt would result in increased expenses and could result in covenants that would restrict our operations. We have not made arrangements to obtain additional financing, and there is no assurance that financing, if required, will be available in amounts or on terms acceptable to use, if at all.

We may attempt to acquire new businesses, products or technologies, and if we are unable to successfully complete these acquisitions or to integrate acquired businesses, products, technologies or employees, we may fail to realize expected benefits or harm our existing business.

Our success will depend, in part, on our ability to expand our product offerings and grow our business in response to changing technologies, customer demands and competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses, products or technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time consuming and costly, and we may not be able to

successfully complete identified acquisitions. Furthermore, even if we successfully complete an acquisition, we may not be able to successfully integrate newly acquired organizations, products or technologies into our operations, and the process of integration could be expensive, time consuming and may strain our resources. In addition, we may be unable to retain employees of acquired companies, or retain the acquired company's customers, suppliers, distributors or other partners who are our competitors or who have close relationships with our competitors. Consequently, we may not achieve anticipated benefits of the acquisitions which could harm our existing business. In addition, future acquisitions could result in potentially dilutive issuances of equity securities or the incurrence of debt, contingent liabilities or expenses, or other charges such as in-process research and development, any of which could harm our business and affect our financial results or cause a reduction in the price of our common stock.

Our operations are vulnerable to interruption or loss due to natural disasters, epidemics, terrorist acts and other events beyond our control, which would adversely affect our business.

Our manufacturing facility is located in a single location in Sunnyvale, California. We do not maintain a backup manufacturing facility, so we depend on our current facility for the continued operation of our business. In addition, we conduct a significant portion of other activities including administration and data processing at facilities located in the State of California which has experienced major earthquakes in the past, as well as other natural disasters. We carry limited earthquake insurance for inventory only. Such coverage may not be adequate or continue to be available at commercially reasonable rates and terms. In the event of a major earthquake or other disaster affecting our facilities, it could significantly disrupt our operations, delay or prevent product manufacture and shipment for the time required to repair, rebuild or replace our manufacturing facilities, which could be lengthy, and result in large expenses to repair or replace the facilities. In addition, concerns about terrorism or an outbreak of epidemic diseases such as avian influenza or severe acute respiratory syndrome, or SARS, especially in our major markets of North America, Europe and Asia could have a negative effect on travel and our business operations, and result in adverse consequences on our revenues and financial performance.

Risks Related to this Offering

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

The trading prices of the stock of newly public companies can experience extreme price and volume fluctuations. These fluctuations often have been unrelated or out of proportion to the operating performance of these companies. We expect our stock price to be similarly volatile. These broad market fluctuations may continue and could harm our stock price. 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.

Factors affecting the trading price of our common stock will include:

- regulatory developments related to manufacturing the CyberKnife system;
- variations in our operating results;
- 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 that elects to follow our common stock;

- market conditions in our industry, the industries of our customers and the economy as a whole;
- 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.

Substantial sales of our common stock by our stockholders could depress our stock price regardless of our operating results.

Sales of substantial amounts of our common stock in the public market after this offering could reduce the prevailing market prices for our common stock. Upon the closing of this offering, based on 41,917,611 shares outstanding as of December 31, 2006, we will have shares of common stock outstanding. Of these, all of the shares sold in this offering will be freely tradable without restriction or further registration. Substantially all of the 41,917,611 shares of our common stock held by existing stockholders are subject to lock-up agreements with the underwriters which prohibit the sale of such shares for 180 days after the date of this prospectus, subject to an extension of no more than 34 additional days. All of these shares will be eligible for resale upon the expiration of the lock-up period and in some cases subject to volume restrictions under Rule 144 and our right of repurchase.

Our directors, executive officers and major stockholders will own approximately % of our outstanding common stock after this offering, which could limit your ability to influence the outcome of key transactions, including changes of control.

After this offering, directors, executive officers, and current holders of 5% or more of our outstanding common stock, will, in the aggregate, own approximately % of our outstanding common stock. As a result, a small number of stockholders will have voting control and would be able to control the election of directors and the approval of significant corporate transactions. This concentration of ownership may also delay, deter or prevent a change of control of our company and will make some transactions more difficult or impossible without the support of these stockholders.

We have implemented anti-takeover provisions that could discourage or prevent a takeover, even if an acquisition would be beneficial in the opinion of our stockholders.

Provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire us, even if doing so would be beneficial in the opinion of our stockholders. These provisions include:

- authorizing the issuance of "blank check" preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- establishing a classified board of directors, which could discourage a takeover attempt;
- prohibiting cumulative voting in the election of directors, which would limit the ability of less than a majority of stockholders to elect director candidates;
- limiting the ability of stockholders to call special meetings of stockholders;
- prohibiting stockholder action by written consent and requiring that all stockholder actions be taken at a meeting of our stockholders; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, Section 203 of the Delaware General Corporation Law may discourage, delay or prevent a change of control of our company. Generally, Section 203 prohibits stockholders who, alone or together with their affiliates and associates, own more than 15% of the subject company from

engaging in certain business combinations for a period of three years following the date that the stockholder became an interested stockholder of such subject company without approval of the board or 66$^{2}/_{3}$% of the independent stockholders. The existence of these provisions could adversely affect the voting power of holders of common stock and limit the price that investors might be willing to pay in the future for shares of our common stock. See "Description of Capital Stock—Anti-Takeover Provisions—Certificate of Incorporation and Bylaws to be in Effect Upon the Completion of This Offering" included elsewhere in this prospectus.

An active trading market for our common stock may not develop.

Prior to this offering, there has been no public market for our common stock. Although our common stock has been approved for quotation on NASDAQ, an active trading market for our shares may never develop or be sustained following this offering. Accordingly, you may not be able to sell your shares quickly or at the market price if trading in our stock is not active. The initial public offering price for our common stock was determined through negotiations between the underwriters and us. The initial public offering price may vary from the market price of our common stock after the closing of this offering. Investors may not be able to sell their common stock at or above the initial public offering price.

We have not paid dividends in the past and do not expect to pay dividends in the future.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all future earnings for the operation and expansion of our business and, therefore, do not anticipate declaring or paying cash dividends in the foreseeable future. The payment of dividends will be at the discretion of our board of directors and will depend on our results of operations, capital requirements, financial condition, prospects, contractual arrangements, any limitations on payments of dividends present in our current and future debt agreements, and other factors our board of directors may deem relevant. We are subject to several covenants under our debt arrangements that place restrictions on our ability to pay dividends. If we do not pay dividends, a return on your investment will only occur if our stock price appreciates.

We have broad discretion to use the offering proceeds, and our investment of these proceeds may not yield a favorable, or any, return.

The net majority of the proceeds of this offering are not allocated for specific uses. Additionally, we may decide to use proceeds that are currently anticipated for a specific use for a different purpose. Thus, our management has broad discretion over how these proceeds are used and could spend the proceeds in ways with which you may not agree. We cannot assure you that the proceeds will be invested in a way that yields a favorable, or any, return for us.

New investors in our common stock will experience immediate and substantial dilution.

The initial public offering price will be substantially higher than the book value per share of our common stock. If you purchase common stock in this offering, you will incur dilution of $ in net tangible book value per share of common stock, based on an assumed initial public offering price of $ per share. In addition, the number of shares available for issuance under our stock option and employee stock purchase plans may increase annually without further stockholder approval. Investors will incur additional dilution upon the exercise of stock options and warrants. See "Dilution."

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Forward-looking statements should not be read as guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to:

- our ability to otherwise maintain FDA compliance, such as with QSR;
- market acceptance of the CyberKnife system in the United States and abroad;
- the impact of competition and technological change;
- general economic and business conditions, both nationally and in our markets;
- the timing of and change in necessary existing and future regulatory clearances that affect our business;
- our relationships with our distributors;
- our ability to maintain relationships with our key suppliers;
- coverage and reimbursement policies of governmental and private third-party payors, including the Medicare and Medicaid programs; and
- other risk factors included under "Risk Factors" in this prospectus.

In addition, in this prospectus, the words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect," "predict," "potential" and similar expressions, as they relate to Accuray, our business and our management, are intended to identify forward-looking statements. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

Forward-looking statements speak only as of the date the statements are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the shares of common stock offered by us will be approximately $, or approximately $ if the underwriters' over-allotment option is exercised in full, based on an assumed initial public offering price of $ per share and after deducting underwriting discounts and commissions and estimated offering expenses. We will not receive any proceeds from the sale of shares to be offered by the selling stockholders.

The principal purposes of this offering are to obtain additional capital and to create a public market for our common stock. Of the net proceeds we will receive from this offering, we expect to use approximately:

- $50.0 million over the next two years for sales and marketing activities to support the ongoing commercialization of the CyberKnife system, including, but not limited to, expansion of our sales force, additional participation in trade shows and symposia, and expanding our international sales and service presence;
- $40.0 million over the next two years for research and development activities, including support of hardware and software product development and clinical study initiatives; and
- increased working capital and general corporate purposes.

We may also use a portion of the net proceeds for the acquisition of, or investment in, companies, technologies, products or assets that complement our business. We have no present understandings, commitments or agreements to enter into any material acquisitions or investments. Pending these uses, we intend to invest the net proceeds of this offering in short-term, investment-grade interest-bearing securities or guaranteed obligations of the U.S. government.

DIVIDEND POLICY

We have never declared or paid and do not anticipate declaring or paying any cash dividends on our common stock in the near future. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors and will depend on then existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

CAPITALIZATION

The following table shows:

- our capitalization as of September 30, 2006;
- our capitalization as of September 30, 2006, on a pro forma basis, giving effect to the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 25,186,285 shares of common stock and the exercise of a warrant to purchase 525,000 shares of common stock at an exercise price of $1.00 per share (such warrant may be exercised on a cashless basis), immediately prior to the closing of this offering as if such conversions and exercise had occurred on September 30, 2006; and
- our capitalization as of September 30, 2006, on a pro forma as adjusted basis, giving effect to the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 25,186,285 shares of common stock and the exercise of a warrant to purchase 525,000 shares of common stock at an exercise price of $1.00 per share (such warrant may be exercised on a cashless basis), immediately prior to the closing of this offering as if such conversions and exercise had occurred on September 30, 2006, and the sale by us of shares of common stock in this offering, at an initial public offering price of $ per share, after deducting underwriting discounts and commissions and estimated offering expenses.

	As of September 30, 2006		
	Actual	Pro forma	Pro forma as adjusted
	(unaudited)	(unaudited)	(unaudited)
	(in thousands, except share data)		
Redeemable convertible preferred stock, no par value, 30,000,000 shares authorized, 17,419,331 shares issued and outstanding, $41,440 liquidation preference, actual; preferred stock, par value $0.001 per share, 5,000,000 shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	$ 27,504	$ —	$
Stockholders' equity (deficiency):			
Common stock, no par value, 70,000,000 shares authorized; 16,269,239 shares issued and outstanding, actual; 100,000,000 shares authorized, par value $0.001 per share, 41,980,524 shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted	13,322	42	
Additional paid-in capital	28,090	69,399	
Notes receivable from stockholders	(206)	(206)	
Accumulated deficit	(118,683)	(118,683)	
Stockholders' equity (deficiency)	(77,477)	(49,448)	
Total capitalization	$ (49,973)	$ (49,448)	$

The outstanding share information set forth above is as of September 30, 2006, and excludes:

- 11,697,454 shares of common stock issuable upon the exercise of outstanding options, at a weighted average exercise price of approximately $2.62 per share;
- 1,332,974 shares of common stock reserved for issuance under our 1998 Equity Incentive Plan; and
- 5,500,000 shares to be available for issuance under our 2007 Equity Incentive Plan and our 2007 Employee Stock Purchase Plan.

DILUTION

If you invest in our common stock, your interest will be diluted immediately to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after this offering. As of September 30, 2006, our pro forma net tangible book value deficiency is approximately $55.3 million, or $1.32 per share of common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by shares of common stock outstanding after giving effect to (1) the conversion of all outstanding shares of our preferred stock into an aggregate of 25,186,285 shares of common stock and (2) the exercise of a warrant to purchase 525,000 shares of common stock at an exercise price of $1.00 per share (such warrant may be exercised on a cashless basis), immediately prior to the closing of this offering.

Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by buyers of shares of our common stock in this offering and the pro forma net tangible book value per share of our common stock immediately following this offering.

After giving effect to the receipt of the net proceeds from our sale of shares of common stock in this offering at an assumed initial public offering price of $ per share and after expenses, our pro forma net tangible book value as of September 30, 2006, would have been approximately $ million, or $ per share of common stock. This represents an immediate increase in pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors purchasing shares at the initial public offering price. The following table illustrates the per share dilution:

Assumed initial public offering price		$
Pro forma net tangible book value as of September 30, 2006	$ (1.32)	
Increase in pro forma net tangible book value attributable to new investors as of September 30, 2006		
Pro forma net tangible book value as of September 30, 2006, as adjusted to give effect to this offering		
Dilution to new investors		$

The following table shows, on the pro forma basis described above, the difference between existing stockholders and new investors in this offering with respect to the number of shares of common stock purchased from us, the total consideration paid and the average price paid per share, before deducting underwriting discounts and commissions and estimated offering expenses.

	Shares purchased		Total consideration		
	Number	Percent	Amount	Percent	Average price per share
	(in thousands)				
Existing stockholders		%	$	%	$
New investors					
Total		100.0%	$	100.0%	$

The outstanding share information set forth above is as of September 30, 2006, and excludes:

- 11,697,454 shares of common stock issuable upon the exercise of outstanding options, at a weighted average exercise price of approximately $2.62 per share;
- 1,332,974 shares of common stock reserved for issuance under our 1998 Equity Incentive Plan; and
- 5,500,000 shares to be available for issuance under our 2007 Equity Incentive Plan and our 2007 Employee Stock Purchase Plan.

To the extent that any outstanding options are exercised, new investors will experience further dilution.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with, and are qualified by reference to, our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus. The consolidated statements of operations for the years ended June 30, 2004, 2005 and 2006, and the consolidated balance sheet data at June 30, 2005 and 2006, are derived from, and are qualified by reference to, the consolidated financial statements that have been audited by our independent registered public accounting firm, which are included elsewhere in this prospectus. The consolidated statements of operations data for the years ended June 30, 2002 and 2003 and the consolidated balance sheet data at June 30, 2002, 2003 and 2004 are derived from our audited consolidated financial statements not included in this prospectus. We derived the summary consolidated statements of operations data for the quarters ended September 30, 2005 and 2006 and the summary consolidated balance sheet as of September 30, 2006 from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated finanical statements include, in the opinion of management, all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the financial data set forth in those statements. The historical results presented below are not necessarily indicative of future results.

	Years Ended June 30,					Three Months Ended September 30,	
	2002	2003	2004	2005	2006	2005	2006
						(unaudited)	
	(in thousands, except per share data)						
Consolidated Statements of Operations Data:							
Total net revenue	$ 19,354	$ 2,710	$ 19,569	$ 22,377	$ 52,897	$ 3,871	$ 32,771
Total cost of revenue[(1)]	11,721	3,027	8,496	11,115	27,492	2,027	13,468
Gross profit	7,633	(317)	11,073	11,262	25,405	1,844	19,303
Operating expenses:							
Selling and marketing[(1)]	5,053	6,710	10,647	16,361	25,186	4,716	7,530
Research and development[(1)]	5,223	5,844	7,311	11,655	17,788	4,544	6,182
General and administrative[(1)]	2,755	3,015	4,672	8,129	15,923	2,782	4,619
Total operating expenses	13,031	15,569	22,630	36,145	58,897	12,042	18,331
Income (loss) from operations	(5,398)	(15,886)	(11,557)	(24,883)	(33,492)	(10,198)	972
Interest and other income (expense), net	(399)	46	(136)	(238)	56	(6)	207
Income (loss) before provision for income taxes and cumulative effect of change in accounting principle	(5,797)	(15,840)	(11,693)	(25,121)	(33,436)	(10,204)	1,179
Provision for income taxes	—	—	3	68	258	6	59
Income (loss) before cumulative effect of change in accounting principle	(5,797)	(15,840)	(11,696)	(25,189)	(33,694)	(10,210)	1,120
Cumulative effect of change in accounting principle, net of tax	—	—	—	—	—	—	838
Net income (loss)	(5,797)	(15,840)	(11,696)	(25,189)	(33,694)	(10,210)	1,958
Deemed dividend[(2)]	(6,961)	(339)	—	—	—	—	—
Net income (loss) attributable to common stockholders	$ (12,758)	$ (16,179)	$ (11,696)	$ (25,189)	$ (33,694)	$ (10,210)	$ 1.958

Net income (loss) per common share:							
Basic							
Income (loss) before cumulative effect of change in accounting principle	$ (1.21)	$ (1.53)	$ (1.00)	$ (1.76)	$ (2.11)	$ (0.65)	$ 0.03
Cumulative effect of change in accounting principle	—	—	—	—	—	—	0.02
Basic net income (loss) per share	$ (1.21)	$ (1.53)	$ (1.00)	$ (1.76)	$ (2.11)	$ (0.65)	$ 0.05
Diluted							
Income (loss) before cumulative effect of change in accounting principle	$ (1.21)	$ (1.53)	$ (1.00)	$ (1.76)	$ (2.11)	$ (0.65)	$ 0.02
Cumulative effect of change in accounting principle	—	—	—	—	—	—	0.02
Diluted net income (loss) per share	$ (1.21)	$ (1.53)	$ (1.00)	$ (1.76)	$ (2.11)	$ (0.65)	$ 0.04
Weighted average common shares outstanding used in computing net loss per share:							
Basic	10,563	10,608	11,737	14,283	15,997	15,821	41,445
Diluted	10,563	10,608	11,737	14,283	15,997	15,821	49,851
Pro forma net income (loss) per share, (unaudited)[2]:							
Basic							
Income (loss) before cumulative effect of change in accounting principle					$ (0.81)		$ 0.03
Cumulative effect of change in accounting principle					—		0.02
Basic net income (loss) per share					$ (0.81)		$ 0.05
Diluted							
Income (loss) before cumulative effect of change in accounting principle					$ (0.81)		$ 0.02
Cumulative effect of change in accounting principle					—		0.02
Diluted net income (loss) per share					$ (0.81)		$ 0.04
Pro forma weighted average common shares outstanding (unaudited)[2]							
Basic					41,709		41,970
Diluted					41,709		49,890

(1) Includes stock-based compensation expense as follows:

	Years Ended June 30,					Three Months Ended September 30,	
	2002	2003	2004	2005	2006	2005	2006
						(unaudited)	
				(in thousands)			
Cost of revenue	$ 132	$ 71	$ 190	$ 454	$ 863	$ 153	$ 217
Selling and marketing	96	453	826	1,903	2,569	529	649
Research and development	200	319	648	1,157	1,574	372	449
General and administrative	400	451	785	2,812	3,237	843	897

(2) In accordance with EITF Issue No. 98-5, "Accounting for Convertible Securities With Beneficial Conversion Features or Contingently Adjustable Conversion Features" and EITF Issue No. 00-27, "Application of EITF Issue No. 98-5 to Certain Convertible Instruments," we recognized deemed dividends as related to the contingent beneficial conversion features of our preferred stock.

(3) See note 2 to our consolidated financial statements for a description of the method used in calculating our pro forma net loss per share (unaudited), basic and diluted and pro forma weighted average common shares outstanding (unaudited).

	Years Ended June 30,			Three Months Ended September 30, 2006
	2004	2005	2006	
				(unaudited)
Selected Operating Data:				
Number of CyberKnife systems installed per year				
United States	7	14	22	3
International	9	10	6	3
Total	16	24	28	6
Net cash provided by (used in) operating activities (in thousands)	$ 4,906	$ 18,015	$ 25,505	$ (2,098)

	As of June 30,					As of September 30,
	2002	2003	2004	2005	2006	2006
						(unaudited)
			(in thousands)			
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$ 2,063	$ 6,676	$ 9,722	$ 17,024	$ 27,856	$ 24,910
Deferred cost of revenue	—	10,987	22,443	36,476	56,588	54,049
Total assets	11,925	32,347	52,443	86,860	138,623	143,522
Short-term debt	—	277	817	2,893	—	—
Long-term debt, net of current portion	—	1,151	—	—	—	—
Deferred revenue	1,287	25,703	47,953	89,975	149,664	145,175
Working capital (deficit)	1,428	489	(163)	2,181	(3,783)	2,980
Redeemable convertible preferred stock	22,332	27,504	27,504	27,504	27,504	27,504
Stockholders' equity (deficiency)	(23,632)	(33,048)	(38,861)	(56,172)	(80,855)	(77,477)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our consolidated financial condition and results of operations in conjunction with the financial statements and the notes thereto included elsewhere in this prospectus. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in "Risk Factors."

Overview

We have developed the first and only commercially available intelligent robotic radiosurgery system, the CyberKnife system, designed to treat solid tumors anywhere in the body as an alternative to traditional surgery. The CyberKnife system combines continuous image-guidance technology with a compact linear accelerator that has the ability to move in three dimensions according to the treatment plan. Our image-guidance technology continuously acquires images to track a tumor's location and transmits any position corrections to the robotic arm prior to delivery of each dose of radiation. Our compact linear accelerator, or linac, is a compact radiation treatment device that uses microwaves to accelerate electrons to create high-energy X-ray beams to destroy the tumor. This combination, which we refer to as intelligent robotics, extends the benefits of radiosurgery to the treatment of tumors anywhere in the body. The CyberKnife system autonomously tracks, detects and corrects for tumor and patient movement in real-time during the procedure, enabling delivery of precise, high dose radiation typically with sub-millimeter accuracy. The CyberKnife procedure requires no anesthesia, can be performed on an outpatient basis and allows for the treatment of patients that otherwise would not have been treated with radiation or who may not have been good candidates for surgery. In addition, the CyberKnife procedure avoids many of the potential risks and complications that are associated with other treatment options and is more cost effective than traditional surgery.

In July 1999, we obtained 510(k) clearance from the FDA to market the CyberKnife system for the treatment of tumors and certain other conditions in the head, neck and upper spine. In August 2001, we received FDA clearance for the treatment of tumors anywhere in the body where radiation treatment is indicated. In September 2002, we received a CE mark for the sale of the CyberKnife system in Europe. The CyberKnife system has also been approved for various indications in Japan, Korea, Taiwan, China and other countries. We estimate that over 20,000 patients worldwide have been treated with the CyberKnife system since its commercial introduction.

In the United States, we sell to customers, including hospitals and stand-alone treatment facilities, directly through our sales organization, which as of December 31, 2006 included 23 sales personnel. Outside the United States, we sell to customers in over 30 countries directly and through distributors. We have sales and service offices in Paris, France and Hong Kong, China.

Our CyberKnife systems are either sold to our customers or placed with our customers pursuant to our shared ownership programs. As of September 30, 2006, we had 83 CyberKnife systems installed at customer sites, including 73 sold and 10 pursuant to shared ownership programs and 78 pending installation, including 66 sold and 12 pursuant to shared ownership programs. Of the 73 systems sold and installed, 42 are in the United States, 24 are in Asia and 7 are in Europe. Of the 66 sold and pending installation, 35 are in the United States, 25 are in Asia and 6 are in Europe. Under the shared ownership program, we retain title to the CyberKnife system while the customer has use of the system. Our shared ownership contracts generally require a minimum monthly payment from the customer, and we may earn additional revenue through the use of the system at the site. Generally, minimum monthly payments are equivalent to the revenue generated from treating three to four patients per month, and any revenue received from additional patients is shared between us and the customer. As of

September 30, 2006, we had 22 shared ownership programs, of which 10 are installed and 12 are pending installation. We expect to continue to offer shared ownership programs to new customers and believe the number of installed units pursuant to and revenue from our shared ownership programs to increase in future periods, but to decrease as a percentage of total revenue as we recognize revenue from CyberKnife systems sold to customers. Our legacy shared ownership program was known as the placement program.

We manufacture and assemble our CyberKnife systems at our manufacturing facility in Sunnyvale, California. We purchase major components, including the robotic manipulator, treatment table or robotic couch, magnetron, which creates the microwaves for use in the linear accelerator, imaging cameras and computers, from outside suppliers, some of which are single source. Our reliance on single source suppliers could harm our ability to meet demand for our products in a timely and cost effective manner. However, in most cases, if a supplier were unable to deliver these components, we believe that we would be able to find other sources for these components subject to any regulatory qualifications, if required. We manufacture certain other electronic and electrical subsystems, including the linear accelerator. We then assemble and integrate these components with our proprietary software and perform testing prior to shipment to customer sites.

We generate revenue by selling the CyberKnife system and by providing ongoing services and upgrades to customers following installation of the CyberKnife system. The current list price for the CyberKnife system is approximately $4.1 million, which includes installation, initial training and a one-year warranty. We also offer optional hardware and software, technical enhancements and upgrades to the CyberKnife system, as part of our multiyear service plans. Currently, our most comprehensive service plan is our Diamond Elite multiyear service plan, or Diamond plan. Under our Diamond plan, customers are eligible to receive up to two upgrades per year, when and if available. The Diamond plan has a list price of $460,000 per year, and provides for annual renewal for four years including the one-year warranty period. The customer may cancel the service plan at any time. As of September 30, 2006, 59 of our customers had purchased service plans. Prior to introducing our Diamond plan, we offered legacy service plans, some of which continue to have future upgrade obligations. In these cases, we will recognize revenue, including Cyberknife product revenue, only when all upgrade obligations are satisfied.

The CyberKnife procedure is currently covered and reimbursed by Medicare and other governmental and non-governmental third-party payors. Medicare coverage currently exists in the hospital outpatient setting and in the free-standing clinic setting. For 2007, the Centers for Medicare and Medicaid Services, or CMS, the federal agency responsible for administering the Medicare program, has issued a final rule that will result in a downward adjustment to the reimbursement rates for treatments using our technology in the hospital outpatient setting. For the 2007 calendar year, under the finalized Medicare payment rules, the national payment rates for procedures billed using Medicare billing codes for treatments using the CyberKnife system are $3,896 for the first treatment and $2,645 for each treatment thereafter, up to a maximum of five treatments, which is an approximately 25 to 29 percent reduction as compared to 2006 payment rates. The implementation of this reimbursement reduction did not have a material impact on our consolidated financial position or results of operations for the quarter ended September 30, 2006. We believe that the implementation of this reimbursement reduction could impact purchasing decisions by physicians, hospitals and other healthcare providers and may reduce revenue generated through our shared ownership programs.

Our total net revenue was $19.6 million, $22.4 million and $52.9 million during the years ended June 30, 2004, 2005 and 2006, respectively, and $32.8 million during the quarter ended September 30, 2006. Our net income (loss) was $(11.7) million, $(25.2) million and $(33.7) million during the years ended June 30, 2004, 2005 and 2006, respectively, and $2.0 million during the quarter ended September 30, 2006. Our net cash provided by (used in) operating activities was $4.9 million, $18.0 million and $25.5 million during the years ended June 30, 2004, 2005 and 2006, respectively, and

$(2.1) million during the quarter ended September 30, 2006. As of September 30, 2006, our backlog was approximately $330.2 million.

Our future success will depend in large part on our ability to establish and maintain a competitive position in the market. To compete successfully, we will need to continue to demonstrate the advantages of our products and technologies over alternative procedures, products and technologies, and convince physicians and other healthcare decision makers of the advantages of our products and technologies. Our business and sales and installation cycle does not immediately create recognizable revenue. As such, we must invest in sales and marketing activities 12 to 18 months prior to realizing the revenue from those activities. Our ability to achieve and maintain long-term profitability is largely dependent on our ability to successfully market and sell the CyberKnife system and to control our costs and effectively manage our growth.

Material Weaknesses in Internal Controls

In connection with the audit of our consolidated financial statements for the years ended June 30, 2004, 2005 and 2006, our independent registered public accounting firm identified material weaknesses and significant deficiencies in our internal controls over financial reporting. These weaknesses and deficiencies relate to a lack of segregation of duties and the misapplication of accounting policies, including policies related to revenue recognition and stock-based compensation.

Our efforts to remediate these material weaknesses in our internal controls over financial reporting consist of the following corrective actions: (i) hiring and training additional, qualified finance and accounting personnel; and (ii) strengthening our processes and procedures related to complex revenue recognition and equity transactions. However, even after these corrective actions are implemented, the effectiveness of our controls and procedures may be limited by a variety of risks.

Although we have taken measures to remediate the material weaknesses as well as the other significant deficiencies and control deficiencies, we cannot assure you that we have identified all, or that we will not in the future have additional material weaknesses, significant deficiencies and control deficiencies.

Financial Operations

Sales and Installation Cycle

The CyberKnife system has a relatively long sales and installation cycle because it is a major capital item and requires the approval of senior management at purchasing institutions. The typical sales and installation cycle is 12 to 18 months in duration and involves multiple steps, which may include pre-selling activity, execution of a letter of intent, or LOI, execution of contracts for the purchase or acquisition of the CyberKnife system and multiyear service plans, and installation of the CyberKnife system. Prior to installation, a purchasing institution must typically obtain a radiation device installation permit, and in some cases, a certificate of need, both of which must be granted by state and local government bodies. In addition, the purchasing institution must build a radiation shielded facility or upgrade an existing facility to house the CyberKnife system. On average it takes three months from the signing of an LOI to the execution of a contract. We typically receive a $450,000 deposit at the time the CyberKnife system purchase contract is executed, and the remaining balance for the purchase of the CyberKnife system upon installation. The customer also typically signs a service plan contract at the time of signing a CyberKnife system purchase contract.

Upon installation, we recognize the CyberKnife system purchase price minus the fair value of one year of service. We recognize the fair value of the first year of service as revenue pro rata over the twelve months following installation. In addition, if the customer has purchased our Diamond plan and

assuming annual renewals, we would receive the $460,000 payment at the beginning of the second, third and fourth years of the multiyear service plan and recognize the revenue pro rata over each year.

Legacy Service Plans

Prior to introducing our Diamond plan, we offered a Platinum Elite multiyear service plan, or Platinum plan. These legacy service plans are structured so that we have an obligation to deliver two upgrades per year over the course of the multiyear service plan. If we fail to deliver the upgrades, our customers are entitled to receive refunds of up to $200,000. We no longer offer these legacy service plans to new customers.

The Platinum plan obligates us to deliver two upgrades per year during the term of the contract. We have not yet established fair value for those future obligations; hence, generally accepted accounting principles in the United States, or GAAP, requires that we cannot begin to recognize any of the revenue derived from the sale of the CyberKnife system or the associated service plans until those obligations have been fulfilled. Therefore, the payments made by our customers who have our legacy Platinum plan are categorized as deferred revenue and will be recognized as revenue when we fulfill all obligations to deliver upgrades. Once we fulfill all upgrade obligations with respect to a specific Platinum plan, we will ratably recognize the revenue from the purchase of the CyberKnife system and the Platinum plan over the remaining life of the contract.

Warranty

All customers purchasing a CyberKnife system receive a one-year warranty. In the event that a customer does not purchase a multiyear service plan, we recognize the CyberKnife system purchase price minus the fair value of one year of support upon installation. We recognize the value of one year of support pro rata over the twelve months following installation. If the customer does purchase a multiyear service plan, the revenue recognition is as described above.

Shared Ownership Programs Revenue

As of September 30, 2006, our shared ownership programs involved U.S. sites only. Revenue from our shared ownership programs that is based on a minimum monthly payment is recognized monthly. Revenue in excess of the monthly minimum is recognized upon our receipt of a usage report from our customer. We recognized revenue from shared ownership programs of $4.8 million, $8.1 million and $8.1 million for the years ended June 30, 2004, 2005, and 2006, respectively. We recognized revenue from shared ownership programs of $2.2 million for the quarter ended September 30, 2006. In limited cases, we received nonrefundable upfront payments from shared ownership program customers which are treated as deferred revenue and recognized over the term of the contract.

The CyberKnife system shared ownership units are recorded within property, plant and equipment and are depreciated over their estimated life of ten years. Depreciation and warranty expense attributable to shared ownership units are recorded within product costs of revenue as they are incurred.

Japan Customized Service Revenue

In May and December 2003, we entered into separate contractual arrangements to deliver customized services to our distributor in Japan for 22 CyberKnife systems previously sold. These customized services consist of two upgrade levels and are being delivered over an extended period concurrent with the distributor's efforts to coordinate delivery with their end user customers. Once the obligations under the upgrade programs for these 22 systems are complete, we do not plan to offer this customized service program and will instead be offering our standard multiyear service plans.

International Sales Revenue

For international sales, we recognize revenue once we have met all of our obligations associated with the purchase agreement, other than for undelivered service elements for which we have vendor specific objective evidence, or VSOE, of fair value. In most cases, this occurs after the distributor has shipped the unit to the end user, assuming all other obligations have been satisfied. Payments are sometimes secured through letters of credit. In situations where we are directly responsible for installation, we recognize revenue once we have installed the CyberKnife system and have confirmed performance against specification.

In November 2005, we introduced the Ruby multiyear service plan, or Ruby plan, for international customers. Under the Ruby plan, customers are eligible to receive software only upgrades when and if available. We expect to recognize revenue for Ruby plans in a manner similar to revenue recognition under our Diamond plans.

In situations with legacy plans where we have future obligations related to software upgrades that are subject to potential refunds, we defer revenue from the sale and service of the CyberKnife system until the final upgrade has been delivered and accepted. After we have delivered all upgrades associated with a service plan and thus eliminated any contractual right to a refund, we ratably recognize the revenue from the sale of the CyberKnife system and the plan over the remaining life of the contract or until we have VSOE of the fair value of remaining undelivered elements. Net revenue from international customers was $6.7 million, $8.1 million and $12.1 million for the years ended June 30, 2004, 2005 and 2006, respectively, and $11.3 million for the quarter ended September 30, 2006.

Backlog

We define backlog as the sum of the following two components: deferred revenue and future payments that our customers are contractually committed to make, but which we have not yet received. Backlog includes contractual commitments from CyberKnife system purchase agreements, service plans and minimum payment requirements associated with our shared ownership programs.

As of September 30, 2006, our backlog was approximately $330.2 million, which includes $145.2 million of deferred revenue and $185.0 million of contractually committed future payments from customers. Of the total backlog, $204.8 million represents CyberKnife system sales, and $125.4 million represents revenue through service plans and shared ownership programs. We anticipate that this backlog will be recognized over the next five years as installations occur, upgrades are delivered and services are provided. Although backlog includes contractual commitments from our customers, we may be unable to convert all of this backlog into recognized revenue due to factors outside our control.

Results of Operations

Overview

Our results of operations are divided into the following components:

Net revenue. Our net revenue consists primarily of product revenue (revenue derived from the sale of CyberKnife systems), shared ownership programs revenue (revenue generated from shared ownership programs), services revenue (revenue generated from sales of upgrades, customized services and multiyear service plans) and other revenue (revenue from the sale of linacs for other uses).

Cost of revenue. Cost of revenue consists primarily of material, labor and overhead costs. In future periods we expect cost of revenue to decrease as a percentage of total net revenue due to improved absorption of manufacturing overhead costs associated with increased production volumes, improved efficiencies for supplies and materials and improved labor and manufacturing efficiencies.

Selling and marketing expenses. Selling and marketing expenses consist primarily of costs for personnel and costs associated with participation in medical conferences, physician symposia, and promotional activities. In future periods, we expect selling and marketing expenses to grow in absolute terms as we increase headcount and further increase participation in trade shows and symposia and invest in other marketing and promotional activities, but to continue to decrease as a percentage of total net revenue as we leverage our existing infrastructure and realize economies of scale.

Research and development expenses. Research and development expenses consist primarily of activities associated with our product development, regulatory, and clinical organizations. In future periods, we expect research and development expenses to grow in absolute terms as we increase headcount and development activities, but to decrease as a percentage of total net revenue as we leverage our existing infrastructure and realize economies of scale.

General and administrative expenses. General and administrative expenses consist primarily of compensation and related costs for finance and human resources, and expenses related to accounting, legal and other consulting fees. In future periods, we expect general and administrative expenses to grow in absolute terms as we become subject to the reporting requirements of a public company and incur additional costs related to the overall growth of our business, but to decrease as a percentage of total net revenue as we leverage our existing infrastructure and realize economies of scale.

Interest and other income. Interest and other income consists primarily of interest earned on our cash and cash equivalents.

Interest and other expense. Interest and other expense consists primarily of interest expense related to advance payments received in relation to our shared ownership program.

Deferred Revenue—Legacy Multiyear Service Plans

We are required to defer all of the revenue associated with our legacy multiyear service plans, including our Platinum and Gold service plans, until we have satisfied all of the specified obligations related to the delivery of upgrades to the CyberKnife system during the life of the service plan. This includes deferring the cash received for the purchase of the CyberKnife system and multiyear service plans until we have delivered all upgrades for which the customer is eligible to receive. Once we have satisfied obligations for delivery of upgrades under the plans, we recognize revenue pro rata over the remaining life of the service plan. We have not offered these legacy multiyear service plans to new customers since we introduced our Diamond plan in October 2005, but continue to service 45 legacy plans as of September 30, 2006. Therefore, our deferred revenue has been higher in certain periods where we have installed more units with legacy contracts, and it will be higher in the short term until we can satisfy the contractual obligations and recognize the revenue associated with those installed units. This has led to significant fluctuations in total net revenue in historical periods. Consequently, our operating expenses as a percentage of total net revenue are relatively higher, when compared to companies at a similar stage of commercialization, in the periods where we have had a higher mix of deferred revenue and thus lower total net revenue. In future periods, we expect operating expenses as a percentage of total net revenue to decline.

Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2006

Net revenue. Total net revenue increased from $3.9 million for the quarter ended September 30, 2005 to $32.8 million for the quarter ended September 30, 2006. Product revenue increased from $468,000 for the quarter ended September 30, 2005 to $26.8 million for the quarter ended

September 30, 2006, primarily attributable to an increase in the number of CyberKnife system units shipped and installed and a change in the mix of service plans. In the quarter ended September 30, 2005, eight CyberKnife system units were installed, including seven units sold and one unit attributable to our shared ownership programs, compared to six units installed and sold in the quarter ended September 30, 2006. In accordance with our revenue recognition policy and reflecting the terms of our service plans, we recognized revenue from the sale of none and eight CyberKnife systems in the quarters ended September 30, 2005 and 2006, respectively. Shared ownership revenue increased from $1.7 million for the quarter ended September 30, 2005 to $2.2 million for the quarter ended September 30, 2006, primarily due to an increase in the number of shared ownership sites and an increase in patient treatment volume at the existing sites. Service revenue increased from $1.0 million for the quarter ended September 30, 2005 to $3.0 million for the quarter ended September 30, 2006, primarily attributable to an increase in the number of customer sites under a service plan. Revenue from upgrades and sales of linacs, classified as "Other revenue" in our consolidated statements of operations, increased from $722,000 for the quarter ended September 30, 2005 to $809,000 for the quarter ended September 30, 2006.

Cost of revenue. Total cost of revenue increased from $2.0 million for the quarter ended September 30, 2005 to $13.5 million for the quarter ended September 30, 2006. The increase was primarily attributable to an increase in the number of CyberKnife systems installed and recognized as revenue during the first quarter of fiscal 2007 compared to the first quarter of fiscal 2006, as well as an increase of $64,000 in stock-based compensation expense. As a percentage of total net revenue, total cost of revenue was 52.4% and 41.1% for the quarters ended September 30, 2005 and 2006, respectively. The decrease in total cost of revenue as a percentage of total net revenue was a result of improved absorption of manufacturing overhead costs associated with increased production volumes of CyberKnife systems and the significant increase in product revenue, which typically has a lower cost of revenue than other revenue streams.

Selling and marketing expenses. Selling and marketing expenses increased from $4.7 million for the quarter ended September 30, 2005 to $7.5 million for the quarter ended September 30, 2006. The increase was primarily attributable to an increase of $1.1 million in salary and related costs largely due to increased headcount, an increase of $441,000 in marketing and promotional activities, an increase of $601,000 in travel and related expenses, and an increase of $628,000 in consulting expenses. As a percentage of total net revenue, selling and marketing expenses decreased from 121.8% for the quarter ended September 30, 2005 to 23.0% for the quarter ended September 30, 2006.

Research and development expenses. Research and development expenses increased from $4.5 million for the quarter ended September 30, 2005 to $6.2 million for the quarter ended September 30, 2006. The increase was primarily attributable to an increase of $1.1 million in salary and related costs largely due to increased headcount, an increase of $657,000 in purchases of non-inventory materials and an increase of $130,000 in travel and related expenses. Offsetting these increases was a decrease in consulting services of $1.0 million. As a percentage of total net revenue, research and development expenses decreased from 117.4% for the quarter ended September 30, 2005 to 18.9% for the quarter ended September 30, 2006.

General and administrative expenses. General and administrative expenses increased from $2.8 million for the quarter ended September 30, 2005 to $4.6 million for the quarter ended September 30, 2006. The increase was primarily attributable to an increase of $1.0 million in salary and related costs largely due to increased headcount, an increase of $402,000 in legal and accounting fees, and an increase of $237,000 in other consulting fees. As a percentage of total net revenue, general and administrative expenses decreased from 71.9% for the quarter ended September 30, 2005 to 14.1% for the quarter ended September 30, 2006.

Interest and other income. Interest and other income increased from $114,000 for the quarter ended September 30, 2005 to $269,000 for the quarter ended September 30, 2006. The increase was primarily due to larger cash balances kept in interest bearing accounts.

Interest and other expense. Interest and other expense decreased from $120,000 for the quarter ended September 30, 2005 to $62,000 for the quarter ended September 30, 2006. The decrease was primarily attributable to a decrease in interest expense on advanced payments received from third party financing arrangements in connection with our shared ownership programs.

Cumulative effect of change in accounting principle. For the quarter ended September 30, 2006, we recorded a cumulative effect of a change in accounting principle of $838,000 related to our adoption effective July 1, 2006, of Statement of Financial Accounting Standards No. 123R, *Share-Based Payment, an amendment of FASB Statements Nos. 123 and 95*, or SFAS 123R, related to our accounting for stock-based compensation. We had previously accounted for our stock-based compensation expense in accordance with Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, or SFAS 123, which permitted us to either estimate forfeitures in determining our stock-based compensation expense or to adjust the expense at the time forfeitures occurred. SFAS 123R requires that we estimate forfeitures. Since we had previously adjusted our stock-based compensation expense at the time forfeitures occurred, we have included in our consolidated statement of operations for the quarter ended September 30, 2006 a cumulative effect of a change in accounting principle for the adjustment to reflect forfeitures related to compensation expense recorded in prior periods.

Year Ended June 30, 2005 Compared to Year Ended June 30, 2006

Net revenue. Total net revenue increased from $22.4 million for the year ended June 30, 2005 to $52.9 million for the year ended June 30, 2006. Product revenue increased from $9.6 million for the year ended June 30, 2005 to $36.1 million for the year ended June 30, 2006, primarily attributable to an increase from fiscal 2005 to 2006 in the number of CyberKnife system units shipped and installed and a change in the mix of service plans. In the year ended June 30, 2005, 24 CyberKnife system units were installed, including 21 units sold and 3 units attributable to our shared ownership programs. In the year ended June 30, 2006, 28 were installed, including 25 that were sold, and 3 that were attributable to our shared ownership programs. Pursuant to our service plans, we recognized revenue from the sale of 2 and 11 CyberKnife systems in fiscal 2005 and 2006, respectively. Service revenue increased from $3.1 million for the year ended June 30, 2005 to $4.8 million for the year ended June 30, 2006, primarily attributable to an increase in the number of customer sites under a service plan. Other revenue increased from $1.6 million for the year ended June 30, 2005 to $3.8 million for the year ended June 30, 2006.

Cost of revenue. Total cost of revenue increased from $11.1 million for the year ended June 30, 2005 to $27.5 million for the year ended June 30, 2006. The increase was primarily attributable to an increase in CyberKnife systems installed and recognized as revenue during fiscal 2006 compared to fiscal 2005, as well as an increase of $409,000 in stock-based compensation expense. As a percentage of total net revenue, total cost of revenue was 49.7% and 52.0% for the year ended June 30, 2005 and 2006, respectively. The increase in total cost of revenue as a percentage of total net revenue was a result of costs associated with introducing our latest generation CyberKnife system.

Selling and marketing expenses. Selling and marketing expenses increased from $16.4 million for the year ended June 30, 2005 to $25.2 million for the year ended June 30, 2006. The increase was primarily attributable to an increase of $3.0 million in salary and related costs largely due to increased headcount, an increase of $1.4 million in travel and related expenses attributable to selling and marketing activities, an increase of $1.1 million in consulting expenses, an increase of $1.0 million in marketing and promotional activities, an increase of $820,000 in sales commission expenses resulting from increased sales volume and an increase of $666,000 in stock-based compensation expense. As a

percentage of total net revenue, selling and marketing expenses decreased from 73.1% for the year ended June 30, 2005 to 47.6% for the year ended June 30, 2006.

Research and development expenses. Research and development expenses increased from $11.7 million for the year ended June 30, 2005 to $17.8 million for the year ended June 30, 2006. The increase was primarily attributable to an increase of $3.4 million in salary and related costs largely due to increased headcount, an increase of $1.5 million in consulting services, an increase of $515,000 in purchases of non-inventory materials and an increase of $417,000 in stock-based compensation expense. As a percentage of total net revenues, research and development expenses decreased from 52.1% for the year ended June 30, 2005 to 33.6% for the year ended June 30, 2006.

General and administrative expenses. General and administrative expenses increased from $8.1 million for the year ended June 30, 2005 to $15.9 million for the year ended June 30, 2006. The increase was primarily attributable to an increase in legal and accounting costs of $3.4 million, an increase in salary and related costs of $2.1 million, an increase of $565,000 in other consulting fees and an increase of $425,000 in stock-based compensation expense. As a percentage of total net revenue, general and administrative expenses decreased from 36.3% for the year ended June 30, 2005 to 30.1% for the year ended June 30, 2006.

Interest and other income. Interest and other income increased from $156,000 for the year ended June 30, 2005 to $438,000 for the year ended June 30, 2006. The increase was due to larger cash balances kept in interest bearing accounts.

Interest and other expense. Interest and other expense decreased from $394,000 for the year ended June 30, 2005 to $382,000 for the year ended June 30, 2006. The decrease was primarily attributable to a decrease in interest expense on advanced payments received from third party financing arrangements in connection with our shared ownership programs.

Provision for income taxes. The provision for income taxes increased from $68,000 for the year ended June 30, 2005 to $258,000 for the year ended June 30, 2006 due to an increase in foreign operations, as well as federal alternative minimum tax and additional state taxes.

As of June 30, 2006, we had federal and state net operating loss carryforwards of $40.6 million and $16.6 million, respectively. These federal and state net operating loss carryforwards are available to offset against future taxable income, if any, in varying amounts and will begin to expire in varying amounts beginning in 2009 and 2007 for federal and state purposes, respectively. The amounts of and benefits from net operating loss carryforwards may be subject to a substantial annual limitation due to changes in ownership under the Internal Revenue Code of 1986. The annual limitation may result in the expiration of our net operating losses before they can be used. In addition, among other matters, realization of the entire deferred tax asset is dependent on our ability to generate sufficient taxable income prior to the expiration of the carryforwards. While we had taxable income in 2006, based on the available objective evidence and the history of losses, we cannot conclude that the net deferred tax assets will be realized. Accordingly, we have recorded a valuation allowance equal to the amount of our net deferred tax assets.

Year Ended June 30, 2004 Compared to Year Ended June 30, 2005

Net revenue. Total net revenue increased from $19.6 million for the year ended June 30, 2004 to $22.4 million for the year ended June 30, 2005. The increase was primarily attributable to increases in shared ownership revenue and service revenue, offset by a decrease in product revenue. The decrease in product revenue from $12.6 million for the year ended June 30, 2004 to $9.6 million for the year ended June 30, 2005 was primarily due to a change in the mix of service plans in fiscal 2005 versus fiscal 2004. In the year ended June 30, 2004, 16 CyberKnife systems were installed, including 15 units sold and 1 unit attributable to our shared ownership programs. In the year ended June 30, 2005, 24 CyberKnife systems were installed, including 21 units sold and 3 units attributable to our shared

ownership programs. Pursuant to our service plans, we recognized revenue from the sale of 5 and 2 CyberKnife systems in fiscal 2004 and 2005, respectively. Shared ownership revenue increased from $4.8 million for the year ended June 30, 2004 to $8.1 million for the year ended June 30, 2005, primarily due to an increase in the number of shared ownership sites and an increase in patient treatment volume at the existing sites. Service revenue increased from $2.0 million for the year ended June 30, 2004 to $3.1 million for the year ended June 30, 2005, due to an increase in the number of customer sites under a service program. Other revenue increased from $125,000 for the year ended June 30, 2004 to $1.6 million for the year ended June 30, 2005 due to an increase in the number of shipped upgrade units.

Cost of revenue. Total cost of revenue increased from $8.5 million for the year ended June 30, 2004 to $11.1 million for the year ended June 30, 2005. The increase was primarily attributable to an increase in cost of shared ownership revenue from $1.1 million for the year ended June 30, 2004 to $1.6 million for the year ended June 30, 2005, and an increase in cost of service revenue from $1.3 million for the year ended June 30, 2004 to $2.0 million for the year ended June 30, 2005. The increase in cost of shared ownership revenue is primarily due to an increase in the number of shared ownership sites, and the increase in cost of service revenue is primarily due to an increase in number of customer sites under a service plan. As a percentage of total net revenue, total cost of revenue was 43.4% and 49.7% for the years ended June 30, 2004 and 2005, respectively. The increase in total cost of revenue as a percentage of total net revenue in fiscal 2005 was due primarily to the decrease in product revenue, which typically results in higher gross margins than our other sources of revenue.

Selling and marketing expenses. Selling and marketing expenses increased from $10.6 million for the year ended June 30, 2004 to $16.4 million for the year ended June 30, 2005. The increase was primarily attributable to an increase of $2.5 million in salary and related costs, largely due to increased headcount, an increase of $1.1 million in stock-based compensation expense, an increase of $964,000 in travel, an increase of $778,000 in marketing and promotional activities and an increase of $375,000 in sales commission expenses resulting from increased sales volume. As a percentage of total net revenue, selling and marketing expenses were 54.4% and 73.1% for the years ended June 30, 2004 and 2005, respectively.

Research and development expenses. Research and development expenses increased from $7.3 million for the year ended June 30, 2004 to $11.7 million for the year ended June 30, 2005. The increase was primarily attributable to an increase in salary and related costs of $1.8 million, an increase in consulting services of $1.7 million, and an increase of $509,000 in stock-based compensation expense. As a percentage of total net revenue, research and development expenses increased from 37.4% for the year ended June 30, 2004 to 52.1% for the year ended June 30, 2005.

General and administrative expenses. General and administrative expenses increased from $4.7 million for the year ended June 30, 2004 to $8.1 million for the year ended June 30, 2005. The increase was primarily attributable to an increase of $2.0 million in stock-based compensation expense, an increase of $1.1 million in salary and related costs and an increase of $345,000 in consulting expenses. As a percentage of total net revenue, general and administrative expenses were 23.9% for the year ended June 30, 2004 and 36.3% for the year ended June 30, 2005.

Interest and other income. Interest and other income increased from $13,000 for the year ended June 30, 2004 to $156,000 for the year ended June 30, 2005. This increase was due to larger cash balances kept in interest bearing accounts.

Interest and other expense. Interest and other expense increased from $149,000 for the year ended June 30, 2004 to $394,000 for the year ended June 30, 2005. Interest and other expense for the year ended June 30, 2005 was comprised primarily of $190,000 in interest expense related to advanced payments received in relation to the shared ownership program and $93,000 of interest expense related

to a note payable to American Science and Engineering, Inc., or AS&E, associated with the acquisition of the High Energy Systems, or HES, business.

Provision for income taxes. The provision for income taxes increased from $3,000 for the year ended June 30, 2004 to $68,000 for the year ended June 30, 2005 due to an increase in foreign operations and additional state taxes.

Stock-Based Compensation Expense

Effective July 1, 2006, we adopted SFAS 123R using the modified prospective method under which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123R for all share-based payments granted or modified after the effective date and (b) based on the previous requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date. SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under previous literature. This requirement may reduce future net operating cash flows and increase net financing cash flows.

SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary in subsequent periods if actual forfeitures differ from initial estimates. Stock-based compensation expense was recorded net of estimated forfeitures for the quarter ended September 30, 2006 such that expense was recorded only for those stock-based awards that are expected to vest. For the quarter ended September 30, 2006, we recorded a cumulative effect of a change in accounting principle of $838,000 related to the adoption of SFAS 123R since we had previously adjusted stock-based compensation expense at the time forfeitures occurred in accordance with SFAS 123. The cumulative effect of this change in accounting principle reflects forfeitures related to periods prior to July 1, 2006.

Stock-based compensation expense is reflected on our income statement for the years ended June 30, 2004, 2005 and 2006 in accordance with SFAS 123 and SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure*, or SFAS 148. In accordance with the requirements of SFAS 123, we have recorded deferred stock-based compensation for the estimated fair value of options awarded on the date of grant. This deferred stock-based compensation is being amortized to expense over the period during which the options become exercisable, generally four years. During the years ended June 30, 2004, 2005 and 2006, we reversed $1.1 million, $1.2 million and $1.7 million, respectively, of deferred stock-based compensation expense related to cancellations of unvested options of certain employees who had been granted stock options and subsequently terminated their employment with us. During the years ended June 30, 2004, 2005 and 2006, we amortized $2.3 million, $5.5 million and $7.9 million, of stock-based compensation expense, respectively, for stock options granted to employees.

The stock-based compensation expense related to non-employees fluctuates as the underlying assumptions fluctuate. During the years ended June 30, 2004, 2005 and 2006, we recognized $137,000, $164,000 and $186,000 of stock-based compensation expense, respectively, for stock options granted to non-employees. For certain stock option grants, we made modifications to the option terms. These modifications included extension of the vesting period and acceleration of vesting. During the years ended June 30, 2004, 2005 and 2006, we recognized $0, $631,000 and $112,000 of stock-based compensation expense, respectively, for modifications of stock options granted.

As of September 30, 2006, there was approximately $22,300,000 net of forfeitures, of unrecognized compensation cost related to unvested stock options which is expected to be recognized over a weighted average period of 1.28 years.

High Energy Systems Acquisition

In January 2005, we acquired AS&E's HES business for $8.4 million. This acquisition included the intellectual property associated with our X-band linac and included the hiring of key employees from

AS&E. HES had been the sole source manufacturer of the linac used in the CyberKnife system. We believe that the HES acquisition stabilizes the sourcing of a component critical to the CyberKnife system and provides opportunities for focused cost reduction efforts to improve overall product margins. In addition to making and developing our own compact linacs, we supply linacs to AS&E for non-destructive testing and national security uses and to a medical device manufacturer for medical applications.

Liquidity and Capital Resources

We have used cash from operations and the sale of our equity securities to fund our working capital needs and our capital expenditure requirements. Since our inception and through September 30, 2006, we have obtained financing of $40.8 million primarily through private placements of debt and equity securities, and the exercise of warrants and options. At September 30, 2006, we had $24.9 million in cash and cash equivalents. We believe that we have sufficient cash resources and anticipated cash flows, without the proceeds of this offering, to continue in operation for at least the next 12 months.

Three Months Ended September 30, 2006 and 2005

Cash Flows From Operating Activities. Net cash used in operating activities was $2.1 million for the quarter ended September 30, 2006. Our net income of $2.0 million during the first quarter of fiscal 2007 was offset by an increase in accounts receivable of $4.6 million, an increase in inventory of $3.9 million and a decrease in deferred revenue, net of deferred cost of revenue, of $2.0 million. The increase in accounts receivable was a result of increased shipments of products. The increase in inventory was due to a build up of inventory in response to increased volumes of orders from our customers. The decrease in deferred revenue, net of deferred cost of revenue, was primarily a result of the timing differences between invoicing customers under service contracts and the recognition of revenue over the contractual service period. Significant working capital changes that offset negative cash flows in the first quarter of fiscal 2007 included an increase in customer advances of $5.8 million due to increased payments made by customers in advance of product shipments and an increase in accounts payable of $1.3 million. Non-cash charges in the first quarter of fiscal 2007 included $2.2 million related to stock-based compensation charges and $1.3 million of depreciation and amortization expense on purchases of property and equipment.

Net cash provided by operating activities was $6.8 million for the quarter ended September 30, 2005. Our net loss of $10.2 million was offset by a $13.9 million increase in deferred revenue, net of deferred cost of revenue, non-cash charges of $1.9 million related to stock-based compensation charges and $728,000 of depreciation and amortization expense on purchases of property and equipment. The increase in deferred revenue, net of deferred cost of revenue, was primarily a result of the timing differences between invoicing customers under service contracts and the recognition of revenue over the contractual service period, and the continued installation of units covered by our legacy service plans. Other significant working capital changes that contributed to positive cash flow in the first quarter of fiscal 2006 included an increase in accrued liabilities of $3.6 million primarily due to increases in accrued commissions on product shipments to a distributor and an increase in customer advances of $3.3 million due to increased payments made by customers in advance of product shipments. Significant working capital changes that offset positive cash flows in the first quarter of fiscal 2006 included an increase in accounts receivable of $4.6 million and an increase in inventory of $2.4 million as a result of increased business volume.

Cash Flows From Investing Activities. Net cash used in investing activities was $894,000 for the quarter ended September 30, 2006 compared to $3.4 million for the quarter ended September 30, 2005. The net cash used in investing activities in the first quarter of fiscal 2007 was primarily due to purchases of property and equipment of $894,000. In the first quarter of fiscal 2006, net cash used in investing activities was primarily due to purchases of property and equipment of $3.4 million.

Cash Flows From Financing Activities. Net cash provided by financing activities was $46,000 for the quarter ended September 30, 2006 and $19,000 for the quarter ended September 30, 2005 and was attributable to proceeds from the exercise of common stock options in both periods.

Years Ended June 30, 2006, 2005 and 2004

Cash Flows From Operating Activities. Net cash provided by operating activities was $25.5 million for the year ended June 30, 2006. Our net loss of $33.7 million during fiscal 2006 was offset by a $39.6 million increase in deferred revenue, net of deferred cost of revenue, non-cash charges of $8.2 million related to stock-based compensation charges and $3.8 million of depreciation and amortization expense on purchases of property and equipment. The increase in deferred revenue, net of deferred cost of revenue, was primarily a result of the timing differences between invoicing customers under service contracts and the recognition of revenue over the contractual service period, and the continued installation of units covered by our legacy service plans. Other significant working capital changes that contributed to positive cash flow in fiscal 2006 included an increase in customer advances of $10.9 million due to increased payments made by customers in advance of product shipments and an increase in accrued liabilities of $9.4 million primarily due to increases in accrued commissions on higher revenues and other compensation related accruals due to increased headcount. Significant working capital changes that offset positive cash flows in fiscal 2006 included an increase in accounts receivable of $6.6 million and an increase in inventory of $4.3 million as a result of increased revenues and volumes of orders from our customers.

Net cash provided by operating activities was $18.0 million for the year ended June 30, 2005. Our net loss of $25.2 million during fiscal 2005 was offset by a $28.0 million increase in deferred revenue, net of deferred cost of revenue, non-cash charges of $6.3 million related to stock-based compensation charges and $2.1 million of depreciation and amortization expense on purchases of property and equipment. The increase in deferred revenue, net of deferred cost of revenue, was primarily a result of the continued installation of units covered by our legacy service plans. Other significant working capital changes that contributed to positive cash flow in fiscal 2005 included customer advances of $3.7 million due to increased payments made by customers in advance of product shipment, an increase in accounts payable of $2.1 million and an increase in accrued liabilities of $1.9 million due to increases in the volume of our business. Significant working capital changes that offset positive cash flows in fiscal 2005 included an increase in inventory of $2.3 million as a result of increased volumes of orders from our customers and inventory acquired in the HES acquisition.

Net cash provided by operating activities was $4.9 million for the year ended June 30, 2004. Our net loss of $11.7 million during fiscal 2004 was offset by a $10.8 million increase in deferred revenue, net of deferred cost of revenue, non-cash charges of $2.4 million related to stock-based compensation charges and $1.5 million of depreciation and amortization expense on purchases of property and equipment. The increase in deferred revenue, net of deferred cost of revenue, was primarily a result of the continued installation of units covered by our legacy service plans. Other significant working capital changes that contributed to positive cash flow in fiscal 2004 included customer advances of $1.8 million due to increased payments made by customers in advance of product shipment and an increase in accrued liabilities of $1.4 million and an increase in accounts payable of $1.1 million due to increases in the volume of our business.

Cash Flows From Investing Activities. Net cash used in investing activities was $12.4 million for the year ended June 30, 2006 compared to $12.3 million for the year ended June 30, 2005 and $5.3 million for the year ended June 30, 2004. The net cash used in investing activities in fiscal 2006 was primarily due to purchases of property and equipment of $13.6 million. In fiscal 2005, net cash used in investing activities was primarily due to purchases of property and equipment of $6.2 million and cash paid for the acquisition of HES of $5.6 million. Net cash used in investing activities in fiscal 2004 was due to purchases of property and equipment of $5.6 million.

Cash Flows From Financing Activities. Net cash used in financing activities was $2.2 million for the year ended June 30, 2006. Net cash provided by financing activities was $1.6 million for the year ended June 30, 2005 and $3.4 million for the year ended June 30, 2004. The net cash used in financing activities in fiscal 2006 was due to the payment of a note payable of $3.0 million offset by proceeds from the exercise of common stock options and common stock warrants of $705,000. In fiscal years 2005 and 2004, net cash provided by financing activities was attributable to proceeds from the exercise of common stock options and common stock warrants of $1.7 million and $3.4 million, respectively.

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 the CyberKnife system, shared ownership programs and service plans;
- costs associated with our sales and marketing initiatives and manufacturing activities;
- rate of progress and cost of our research and development activities;
- costs of obtaining and maintaining FDA and other regulatory clearances of the CyberKnife system;
- effects of competing technological and market developments; and
- number and timing of acquisitions and other strategic transactions.

We believe that our current cash and cash equivalents, along with the cash we expect to generate from operations and our net proceeds from this offering, will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least 12 months. If these sources of cash and the net proceeds from this offering are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or debt securities or obtain a credit facility. 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

The following table is a summary of our long-term contractual cash obligations as of June 30, 2006:

	Payments due by period			
		Less than		
	Total	1 year	1 – 3 years	4 – 5 years
	(in thousands)			
Operating leases	$6,715	$1,984	$4,023	$708

Off Balance Sheet Arrangements

We do not have any off balance sheet arrangements.

Inflation

We do not believe that inflation has had a material impact on our business and operating results during the periods presented.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these 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 that are not readily apparent from other sources. Actual results could therefore differ materially from those estimates under different assumptions or conditions.

Our significant accounting policies are more fully described in the notes to our consolidated financial statements included elsewhere in this prospectus. We believe the following are our critical accounting policies including the more significant estimates and assumptions used in preparation of our consolidated financial statements.

Revenue Recognition

Revenue is generated from the sale of our products, our shared ownership programs, and by providing related services, which include installation services, post-contract customer support, or PCS, training and consulting. Our products and upgrades to those products include more than incidental software and accordingly, we account for the sale of our products pursuant to Statement of Position No. 97-2, *Software Revenue Recognition*, or SOP 97-2, as amended.

We recognize product revenues, for sales of the CyberKnife system, replacement parts and accessories, when there is persuasive evidence of an arrangement, the fee is fixed or determinable, collection of the fee is probable and delivery has occurred as prescribed by SOP 97-2. Payments received in advance of product shipment are recorded as customer advances and are recognized as revenue or deferred revenue upon product shipment or installation.

For arrangements with multiple elements, we allocate arrangement consideration to services and PCS, based upon VSOE of fair value of the respective elements. VSOE of fair value for the services element is based upon our standard rates charged for the services when such services are sold separately or based upon the prices established by management having the relevant authority when that service is not yet being sold separately. When contracts contain multiple elements, and VSOE of fair value exists for all undelivered elements, we account for the delivered elements, principally the CyberKnife system unit, based upon the "residual method" as prescribed by SOP No. 98-9, *Modification of SOP No. 97-2 with Respect to Certain Transactions.* If VSOE of fair value does not exist for the undelivered elements, all revenue is deferred until the earlier of: (1) delivery of all elements; or (2) establishment of VSOE of fair value for all undelivered elements.

For PCS arrangements that include specified or committed upgrades for which we have not established VSOE of fair value, all revenue is deferred and accounted for as described above. In fiscal year 2006, we began selling PCS contracts that only provide for upgrades when and if they become available. We have established VSOE of the fair value of PCS in these circumstances.

For arrangements with multiple elements that include the CyberKnife system, installation services, training services and a PCS service agreement, we recognize the CyberKnife system and installation

services revenue following installation and acceptance of the system by application of the residual method as prescribed in SOP No. 98-9 when VSOE of fair value exists for all undelivered elements in the arrangement, including PCS.

Upgrade services revenues relate to the sale of specialized services specifically contracted to provide current technology capabilities for units previously sold through a distributor into the Japan market. There are two upgrade programs, one of which includes training and PCS elements. Both programs include elements where VSOE of fair value has not been established for the PCS. As a result, associated revenues are deferred and recognized ratably over the term of the PCS arrangement, generally four years.

Service revenue for providing PCS, which includes warranty services, extended warranty services, unspecified when and if available product updates, and technical support is deferred and recognized ratably over the service period, generally one year, until no further obligation exists. At the time of sale, we provide for the estimated incremental costs of meeting product warranty if the incremental warranty costs are expected to exceed the related service revenues. Training and consulting service revenues, that are not deemed essential to the functionality of the CyberKnife system, are recognized as such services are performed. Costs associated with providing PCS and maintenance services are recognized when incurred, except when those costs are related to units where revenue recognition has been deferred. In those cases, the costs are deferred until the recognition of the related revenue and are recognized over the period of revenue recognition.

For all sales, we use either a signed agreement or a binding purchase order as evidence of an arrangement. Sales to third party distributors are evidenced by a distribution agreement governing the relationship together with binding purchase orders on a transaction-by-transaction basis. We record revenue from arrangements with distributors based on a sell-through method where revenue is recognized upon shipment of the products to the end user customer once all revenue recognition criteria are met. These criteria require that persuasive evidence of an arrangement exists, the fees are fixed or determinable, collection of the resulting receivable is probable and there is no right of return. Our agreements with customers and distributors do not contain product return rights.

We assess the probability of collection based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. We generally do not request collateral from our customers. If we determine that collection of a fee is not probable, we will defer the fee and recognize revenue upon receipt of cash.

We also enter into shared ownership programs with certain customers. Under the terms of such programs, we retain title to the CyberKnife system, while the customer has use of the system. We generally receive a minimum monthly payment and earn additional revenues from the customer based upon its use of the product. We may provide unspecified upgrades to the products during the term of each program, when and if available. Upfront non-refundable payments from the customer are deferred and recognized as revenue over the contractual period. Revenues from shared ownership programs are recorded as they become earned and receivable, and are included within shared ownership revenue in the statement of operations.

The CyberKnife system shared ownership units are recorded within property, plant and equipment on our balance sheet and are depreciated over their estimated useful life of ten years. Depreciation and warranty expense attributable to the shared ownership units are recorded within product cost of revenue as they are incurred.

Deferred Revenue and Deferred Cost of Revenue

Deferred revenue consists of deferred product revenue, deferred shared ownership revenue, deferred service revenue and deferred other revenue. Deferred product revenue arises from the timing

differences between the shipment of products and satisfaction of all revenue recognition criteria consistent with our revenue recognition policy. Deferred shared ownership revenue results from the receipt of advance payments of monthly minimum lease payments, which will be recognized ratably over the term of the shared ownership program. Deferred service revenue results from the advance payment for services to be delivered over a period of time, usually one year. Service revenue is recognized ratably over the service period. Deferred other revenue results primarily from the Japan upgrade services programs and is due to timing difference between the receipt of cash payments for those upgrades and final delivery to the end user customer. Deferred cost of revenue consists of the direct costs associated with the manufacture of units, direct service costs for which the revenue has been deferred in accordance with our revenue recognition policies and deferred costs associated with Japan upgrade revenues. Deferred revenue and associated deferred cost of revenue that are expected to be realized within one year are classified as current liabilities and current assets, respectively.

Stock-Based Compensation Expense

Effective July 1, 2003, we began to account for stock-based employee compensation arrangements in accordance with SFAS 123 and SFAS 148. Under SFAS 123, stock-based compensation expense is measured on the date of grant based on the fair value of the award. Upon adoption of this standard, we elected to use the retrospective restatement method of transition.

We believe the fair value of the stock options is more reliably measurable than the fair value of the services received. The estimated fair value of the stock options granted is calculated at the date of grant using the Black-Scholes option pricing model, as prescribed by SFAS 123, using fair values of common stock between $2.63 and $7.63 per share and the following weighted-average assumptions during the years ended June 30, 2004, 2005 and 2006:

	Years ended June 30,		
	2004	2005	2006
Risk-free interest rate	3.77%	3.81%	4.42%
Dividend yield	—	—	—
Weighted-average expected life	6.25 years	6.25 years	6.25 years
Expected volatility	99.6%	94.8%	86.7%

In connection with the preparation of our financial statements, we determined the estimated fair value of our common stock in light of the expected completion of our initial public offering. We engaged Cogent Valuation, an unrelated third-party appraisal firm, to assist management in this process through the provision of a valuation analysis that valued our common stock at $7.76 as of March 31, 2006 and another valuation analysis that valued our common stock at $13.43 as of August 23, 2006. We determined the fair value of the options to purchase 2,313,853 shares of common stock granted during fiscal 2006 and the first quarter of fiscal 2007, summarized as follows:

Date of Grant	Number of Options Granted	Exercise Price	Fair Value Estimate Per Share	Intrinsic Value Per Share
November 2005	1,141,443	$4.38	$6.92	$2.54
January 2006	102,013	$6.50	$7.20	$0.70
April 2006	164,427	$6.73	$7.63	$0.90
July 2006 (unaudited)	124,924	$9.00	$12.88	$3.88
August 2006 (unaudited)	781,046	$9.50	$13.43	$3.93

As a result of the determined fair value of options granted, we recorded stock-based compensation relative to these options of $8,243,000 for the year ended June 30, 2006 and $2,212,000 for the quarter ended September 30, 2006.

In accordance with the requirements of SFAS 123, we have recorded deferred stock-based compensation for the estimated fair value of our options on the date of grant. This deferred stock-based compensation is amortized to expense over the period during which the options become exercisable, generally four years. During the years ended June 30, 2004, 2005 and 2006, we reversed $1.1 million, $1.2 million and $1.7 million, respectively, of deferred stock-based compensation related to cancellations of unvested options of certain employees who had been granted stock options and subsequently terminated their employment with us. During the years ended June 30, 2004, 2005 and 2006, we amortized $2.3 million, $5.5 million and $7.9 million of stock-based compensation expense, respectively, for stock options granted to employees.

Stock-based compensation expense related to stock options granted to non-employees is recognized as the stock options are earned in accordance with SFAS 123 and Emerging Issues Task Force No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. We believe that the fair value of the stock options is more reliably measurable than the fair value of the services received. The estimated fair value of the stock options granted is calculated using the Black-Scholes option pricing model, as prescribed by SFAS 123, using fair values of common stock between $2.63 and $7.63 per share and the following weighted-average assumptions during the years ended June 30, 2004, 2005 and 2006:

	2004	2005	2006[1]
Risk-free interest rate	4.45%	4.20%	—
Dividend yield	—	—	—
Weighted-average expected life	10 years	10 years	—
Expected volatility	75.0%	71.0%	—

(1) No options granted to non-employees in 2006.

The stock-based compensation expense related to non-employees fluctuates as the underlying assumptions fluctuate. During the years ended June 30, 2004, 2005 and 2006, we recognized $137,000, $164,000 and $186,000 of stock-based compensation expense, respectively, for stock options granted to non-employees. For certain stock option grants, we made modifications to the option terms. These modifications included extension of the vesting period and acceleration of vesting. During the years ended June 30, 2004, 2005 and 2006, we recognized $0, $631,000 and $112,000 of stock-based compensation expense, respectively, for modifications of stock options granted.

Adoption of FAS 123R (unaudited)

Effective July 1, 2006, we adopted SFAS 123R using the modified prospective method under which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123R for all share-based payments granted or modified after the effective date and (b) based on the previous requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date. SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under previous literature. This requirement may reduce future net operating cash flows and increase net financing cash flows.

SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary in subsequent periods if actual forfeitures differ from initial estimates. Stock-based compensation expense was recorded net of estimated forfeitures for the quarter ended September 30, 2006 such that expense was recorded only for those stock-based awards that are expected to vest. For the quarter ended September 30, 2006, we recorded a cumulative effect of a change in accounting principle of $838,000 related to the adoption of SFAS 123R since it had previously adjusted stock-based compensation

expense at the time forfeitures occurred in accordance with SFAS 123. The cumulative effect of a change in accounting principle is for the adjustment to reflect forfeitures for periods prior to July 1, 2006.

Under SFAS No. 123R, we estimated the fair value of each option award on the date of grant using the Black-Scholes option-pricing model using the assumptions noted in the following table. Expected volatility is based on the historical volatility of a peer group of publicly traded companies. The expected term of options is based upon the vesting term of our options (generally, 25% on the first anniversary of the vesting start date and 36 equal monthly installments thereafter) and on our partial life history. The risk-free rate for the expected term of the option is based on the U.S. Treasury Constant Maturity rate as of September 30, 2006. The assumptions used to value options granted during the quarter ended September 30, 2006 were as follows:

Risk-free interest rate	4.89%
Dividend yield	—
Weighted-average expected life	6.25 years
Expected volatility	80.6%

Quantitative and Qualitative Disclosures About Market Risk

We do not utilize derivative financial instruments, derivative commodity instruments or other market risk sensitive instruments, positions or transactions.

For direct sales outside the United States it is likely we will sell in the local currency. For the year ended June 30, 2006, all of our executed sales contracts were denominated in U.S. dollars, with the exception of four sales contracts denominated in Euros. Future fluctuations in the value of the U.S. dollar may affect the price competitiveness of our products outside the United States. Some of our commissions related to sales of the CyberKnife system are payable in Euros. To the extent that management can predict the timing of payments under these contracts, we may engage in hedging transactions to mitigate such risks.

From time to time, we invest our excess cash primarily in money market funds, U.S. government securities, corporate bonds and commercial paper. Accordingly, we believe that while the instruments we hold are subject to changes in the financial standing of the issuer of such securities, we are not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive instruments.

Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board, or FASB, issued SFAS No. 154, *Accounting Changes and Error Corrections*, or SFAS 154. SFAS 154 replaces Accounting Principles Board, or APB, Opinion No. 20, or APB 20, and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*, and applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle. APB 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of change a cumulative effect of changing to the new accounting principle whereas SFAS 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. SFAS 154 enhances the consistency of financial information between periods. SFAS 154 will be effective in fiscal years beginning after December 15, 2005. Early adoption is permitted. We do not expect that the adoption of SFAS 154 will have a material impact on its results of operations or financial position.

In December 2004, the FASB issued SFAS 123R which addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for either equity

instruments of the company or liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. The statement eliminates the ability to account for share-based compensation transactions using the intrinsic value method and generally requires that such transactions be accounted for using a fair-value-based method and recognized as expense in the consolidated statements of operations. This new standard is effective for us beginning with our fiscal year ending June 30, 2007.

On July 1, 2006, we adopted SFAS 123R using the modified prospective method, under which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123R for all share-based payments granted or modified after the effective date and (b) based on the previous requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date. The amounts disclosed within our financial statements in periods prior to adoption are not necessarily indicative of the amounts that will be expensed upon the adoption of SFAS 123R, because of changes in the application of certain assumptions, including those related to forfeiture rates. Further, future compensation expense calculated under SFAS 123R may also differ from the amounts currently disclosed within our financial statements based on changes in the fair value of our common stock, changes in the number of options granted or the terms of such options, the treatment of tax benefits and changes in interest rates or other factors. Upon adoption of SFAS 123R, we have used the Black-Scholes model to value the compensation expense associated with employee stock options and stock purchases under our employee stock purchase plan.

SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as cash flow from financing activities, rather than as cash flow from operations as required under SFAS 123. This requirement will reduce net cash flows from operations and increase net cash flows from financing activities in periods after adoption to the extent that such excess tax benefits are realized.

In March 2005, the SEC issued Staff Accounting Bulletin, or SAB, No. 107, regarding the Staff's interpretation of SFAS 123R. This interpretation provides the Staff's views regarding interactions between SFAS 123R and certain SEC rules and regulations and provides interpretations of the valuation of share-based payments for public companies. The interpretive guidance is intended to assist companies in applying the provisions of SFAS 123R and investors and users of the financial statements in analyzing the information provided. We will follow the guidance prescribed in SAB 107 in connection with our adoption of SFAS 123R.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, or FIN 48. This interpretation clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 is effective for fiscal years beginning after December 15, 2006. We have not yet determined what impact the adoption of this standard will have on our consolidated financial statements.

BUSINESS

Overview

We have developed the first and only commercially available intelligent robotic radiosurgery system, the CyberKnife system, designed to treat solid tumors anywhere in the body as an alternative to traditional surgery. For over 30 years, traditional radiosurgery systems, or systems that deliver precise, high dose radiation directly to a tumor, have been used primarily to destroy brain tumors. Our CyberKnife system represents the next generation of radiosurgery systems, combining continuous image-guidance technology with a compact linear accelerator that has the ability to move in three dimensions according to the treatment plan. Our image-guidance technology continuously acquires images to track a tumor's location and transmits any position corrections to the robotic arm prior to delivery of each dose of radiation. Our compact linear accelerator, or linac, is a compact radiation treatment device that uses microwaves to accelerate electrons to create high-energy X-ray beams to destroy the tumor. This combination, which we refer to as intelligent robotics, extends the benefits of radiosurgery to the treatment of tumors anywhere in the body. The CyberKnife system autonomously tracks, detects and corrects for tumor and patient movement in real-time during the procedure, enabling delivery of precise, high dose radiation typically with sub-millimeter accuracy. Traditional radiosurgery systems have limited mobility and generally require the use of a rigid frame attached to a patient's skull to provide a coordinate system to effectively target a tumor, which restricts the ability to effectively treat tumors outside of the brain. The CyberKnife system does not have these limitations and therefore has increased flexibility to treat tumors throughout the body from many different directions, while minimizing the delivery of radiation to healthy tissue and vital organs. The CyberKnife procedure requires no anesthesia, can be performed on an outpatient basis and allows for the treatment of patients that otherwise would not have been treated with radiation or who may not have been good candidates for surgery. In addition, the CyberKnife procedure avoids many of the potential risks and complications that are associated with other treatment options and is more cost effective than traditional surgery.

The CyberKnife system received U.S. Food and Drug Administration, or FDA, 510(k) clearance in July 1999 to provide treatment planning and image-guided robotic radiosurgery for tumors in the head and neck. In August 2001, the CyberKnife system received 510(k) clearance to treat tumors anywhere in the body where radiation treatment is indicated. The CyberKnife system has also received a CE mark for sale in Europe and has been approved for various indications in Japan, Korea, Taiwan, China and other countries. In Europe, Korea, Taiwan, and China, the CyberKnife system has received approval to provide treatment planning and image-guided robotic radiosurgery for tumors anywhere in the body where radiation treatment is indicated. In Japan, the CyberKnife system is currently approved to provide treatment for indications in the head and neck. As of September 30, 2006, 83 CyberKnife systems were installed and are in use: 52 in the United States, 10 of which are pursuant to our shared ownership programs, 24 in Asia and 7 in Europe. In addition, as of September 30, 2006, we had 78 CyberKnife systems pending installation, 12 of which will be placed with our customers pursuant to our shared ownership programs. We estimate that over 20,000 patients worldwide have been treated with the CyberKnife system since its commercial introduction. Our customers have increasingly used the CyberKnife system for indications outside of the brain for tumors on or near the spine and in the lung, liver, prostate and pancreas. Based on customer data, more than 50% of patients treated with the CyberKnife system in the United States during the three months ended September 30, 2006 were treated for tumors outside of the brain.

We were incorporated in 1990 and commenced operations in 1992. Initially we funded our operations through individual private investors, as well as from the sale of a prototype system to Stanford University Hospital. After 1992, we sold additional prototype systems which helped fund our operations. These prototype systems were granted an Investigational Device Exemption, or IDE, by the FDA and treatment with the CyberKnife system began in 1994. We also were able to secure regulatory

approval in Japan, and the subsequent sales of systems in Japan helped to fund our continued operations and development. While the CyberKnife system was refined and upgraded, additional funding was obtained through private investors, bridge loans and several rounds of financing.

Cancer Market Overview

According to the World Health Organization, or WHO, an estimated 7.6 million people died of cancer in 2005, accounting for 13% of all deaths worldwide. The WHO estimates that there are 24.6 million people living with cancer worldwide, with approximately 10.9 million new cases being diagnosed every year. Cancer is the second leading cause of death in the United States, after heart disease. The American Cancer Society, or ACS, estimates that approximately 564,000 Americans will die as a result of cancer in 2006. The ACS also estimates that approximately 1.4 million new cases of cancer will be diagnosed in the United States in 2006, with continued increases in the prevalence of cancer forecasted as the U.S. population ages. The National Institutes of Health estimates that the treatment of cancer accounted for more than $74.0 billion in direct medical costs in 2005.

Cancers can be divided broadly into two groups: solid tumor cancers, which are characterized by the growth of malignant tumors within the body in areas such as the brain, lung, liver, breast or prostate, and hematological, or blood-borne, cancers, such as leukemia. The ACS estimates that solid tumor cancers will account for approximately 1.3 million, or approximately 92%, of new cancer cases diagnosed and will account for approximately 500,000 cancer-related deaths in the United States in 2006. In addition, tumors at the original cancer site, called primary tumors, such as in the breast or prostate, even when diagnosed and treated, can lead to the development of tumors in other locations of the body, called secondary tumors. This is referred to as metastatic disease, the movement of cancer cells from one part of the body to another.

Traditional Treatments

Traditional methods for the treatment of solid tumor cancers include surgery, radiation therapy, chemotherapy and other drugs. Surgery and radiation are forms of local control, because the tumor is either directly removed through surgery or irradiated with the objective of destroying the cancer cells comprising the tumor. Chemotherapy is a systemic treatment method which involves the administration of drugs with the objective of killing cancer cells anywhere in the body, including any remaining cancer cells that were not destroyed by local treatment.

Surgical Removal of Tumors

A common treatment approach, if applicable to the patient and tumor type, is the removal of the tumor through surgery, with follow-up radiation therapy to kill any remaining cancer cells in the area surrounding the tumor. Surgery is especially appropriate for certain types of cancer, such as breast cancer, where tumors are often well-defined and surgically accessible. However, many types of solid tumors, including those affecting the brain, the spine, the lungs and various other organs, present significant challenges to a traditional surgical approach. In many instances, these tumors occur in hard to reach areas or lie within or in close proximity to critical organs. Accordingly, it may be difficult or impossible to surgically access or remove the entire tumor or organ affected. For example, many tumors located near the base of the skull are difficult to treat with traditional surgery without substantial risk of injury to the visual pathways or other critical brain regions.

Traditional surgery is highly invasive because it requires entering the body by incision, painful and involves significant operative and post-operative risks, including risks associated with anesthesia, infection and other complications. For example, surgery is very difficult to perform on lung tumors because incisions in the sternum are often required to access the lung and because the lung is in motion due to respiration. Lung surgery also entails significant risks of post-surgical complications,

including severe bleeding and pneumonia. Traditional surgery also entails significant costs and recovery times, particularly for more complex and difficult surgeries. In addition, for elderly or seriously ill patients, surgery is not typically an alternative, even if the tumor were otherwise operable.

Over the past several years, minimally invasive surgical techniques have been developed to destroy tumors including cryotherapy, which is the freezing of cancer cells, radiofrequency ablation, a process which heats and destroys tumors, and injection of ethanol directly into tumors; however, these techniques have significant limitations. Cancer cells may not be fully ablated or destroyed and the energy source used in the procedure may damage adjoining healthy tissue or organs. In addition, these techniques are currently only available for a limited range of cancer indications. As a result, these techniques remain in limited use.

Radiation Therapy

Radiation therapy has been used for several decades to treat the area around a tumor site, typically as an adjunct to surgery after the tumor has been removed, in an attempt to eliminate remaining cancer cells in that area. Radiation therapy is also used to directly target the tumor in certain instances when surgery is not possible. The goal of radiation therapy is to eliminate all cancer cells in an intended treatment region. However, healthy tissue outside of the intended treatment region also receives substantial radiation. In order to minimize the damage to healthy tissue surrounding the tumor area, a large number of fractions, or staged treatments, are administered daily over multiple weeks. Despite staging treatments over a period of time, or fractionation, radiation therapy can still damage healthy tissue in the treated region, particularly since treatment delivery is relatively imprecise. Besides the potential damage to healthy tissue, radiation therapy may have a number of other adverse side effects including nausea and skin reactions. The nature and severity of these side effects can vary significantly depending on the area of the body treated and on the patient.

Improvements in radiation therapy. Recent advances in radiation therapy have focused on improving the shaping and targeting of the radiation beams to minimize irradiation of healthy tissue. These advances include the development of Intensity Modulated Radiation Therapy, or IMRT, which is designed to vary the intensity and shape of the radiation beam delivered to the tumor, and Image-Guided Radiation Therapy, or IGRT, which is designed to improve targeting accuracy. However, the majority of these treatments are delivered using gantry-based linear accelerator systems that rotate the radiation source on a single axis and therefore have a limited range of motion, which restricts treatment delivery options and generally requires manual repositioning of the patient during treatment. In addition, IMRT and IGRT have a limited ability to accurately target tumors, to conform to tumor shape, and to detect and compensate for tumor and patient motion during treatment. This results in having a cumulative radiation dose pattern for IMRT and IGRT treatments which generally includes not only the tumor, but also surrounding healthy tissue.

Development of Radiosurgery

Based on the demonstrated principles of radiation as a method of destroying cancer cells, manufacturers have developed radiosurgery systems that have initially shown to be effective in the treatment of brain tumors and there have been various attempts to develop similarly accurate systems to perform radiosurgery elsewhere in the body. By destroying the tumor with a high dose of radiation, radiosurgery systems have been shown to be effective at local control without the risks, costs and other limitations of traditional surgery. Radiosurgery systems differ from traditional radiation therapy systems in that they are designed to deliver a very high cumulative dose of radiation, in a single or small number of treatments specifically targeted at the tumor rather than at a region surrounding the tumor area. The delivery of more accurate radiation allows higher doses to be delivered, increasing the probability of tumor cell death and better local control. In addition, radiosurgery can be used on patients who cannot, due to advanced age or other health reasons, tolerate traditional surgery.

Frame-based radiosurgery. One of the initial radiosurgery techniques was frame-based radiosurgery for the treatment of brain tumors, which requires attaching a rigid frame to the patient's skull to immobilize the patient's head and to aid in targeting the tumor. This procedure begins by attaching a rigid frame to the patient's head by screwing it into the skull through the skin. Besides immobilizing the patient, the frame forms a fixed coordinate system that is used to target a tumor inside the head. Once the frame is attached, the physician then images the head, typically with a computed tomography, or CT, scan, to identify the tumor location relative to the frame. The physician then uses the acquired images to develop a treatment plan, and the patient receives treatment. The entire process usually lasts between four and eight hours.

Although frame-based radiosurgery represents an advancement in cancer treatment, it has significant shortcomings. The necessity for a rigid frame to be screwed into a patient's skull or affixed to the body restricts the area of the body which can be treated. In addition, frame-based radiosurgery systems do not generally succeed in conforming the radiation dose to the tumor, because beam orientations are limited, and therefore it is difficult to match the shape of the treated volume with the shape of the tumors. Further, because it is difficult to precisely reposition the head frame for multiple treatments, these systems are very rarely used when more than one dose of radiation is required. Frame-based radiosurgery approaches have been used for treatment of tumors in other parts of the body, but suffer from significant drawbacks. In particular, it is not practical to attach a frame rigidly to parts of the body other than the head. Tumors in soft tissue organs such as the lung, liver, pancreas and prostate are not rigidly fixed to any external reference points and can move significantly during treatment due to normal bodily functions. Frame-based approaches to delivering radiosurgery for tumors in such locations are rarely as accurate as frame-based systems used to treat brain tumors. This lack of accuracy for tumors located outside the head may compromise the efficacy of traditional radiosurgery and increase the likelihood of delivering significant radiation doses to otherwise healthy tissue.

The CyberKnife System Solution

We have developed and commercialized the CyberKnife system, an intelligent robotic radiosurgery system designed to treat solid tumors throughout the body where radiation is indicated as an alternative to traditional surgery. The CyberKnife system combines continuous image-guidance technology with a compact linear accelerator mounted on a computer-controlled manipulator arm to precisely deliver high doses of radiation to a tumor from many different directions. Our system tracks, detects and corrects for tumor and patient movement in real-time during treatment and precisely delivers high doses of radiation to a tumor typically with sub-millimeter accuracy. Key benefits of the CyberKnife system include:

Treatment of inoperable or surgically complex tumors. The CyberKnife system can be used to target tumors that cannot be easily treated with traditional surgical techniques because of their location, number, size, shape or proximity to vital tissues or organs, or because of the age or health of the patient. The CyberKnife system's intelligent robotics are designed to enable the delivery of radiation doses that conform closely to the shape of the tumor. This enables the precise targeting of a tumor, while at the same time minimizing damage to surrounding healthy tissue. Treatments performed with the CyberKnife system can also be staged over two to five treatment sessions.

Treatment of tumors throughout the body. The CyberKnife system has been cleared by the FDA to provide treatment planning and image-guided radiosurgery for tumors anywhere in the body where radiation treatment is indicated. Unlike frame-based radiosurgery systems, which are generally limited to treating brain tumors, the CyberKnife system is being used for the treatment of primary and metastatic tumors outside the brain, including tumors on or near the spine and in the lung, liver, prostate and pancreas.

Real-time tracking of tumor movement. We believe the CyberKnife system is the first device that is designed to enable the treatment of tumors that may change position due to tumor and patient movement during treatment with a level of accuracy associated with radiosurgery procedures for brain tumors. In addition, our Synchrony motion tracking system enables highly accurate treatment of tumors that move with respiration.

Significant patient benefits. Patients may be treated with the CyberKnife system on an outpatient basis without anesthesia and without the risks and complications inherent in traditional surgery. The CyberKnife procedure is well tolerated. Patients do not require substantial pre-treatment preparation, and typically there is little to no recovery time or hospital stay associated with the CyberKnife procedure. In addition, the CyberKnife system eliminates the need for an invasive rigid frame to be screwed into the patient's skull or affixed to other parts of the body.

Facilitates additional revenue generation through increased patient volumes. We believe that the CyberKnife system allows our customers to effectively treat patients that otherwise would not have been treated with radiation or who may not have been good candidates for surgery. Therefore, we believe the treatment of these patients generates additional revenue without affecting our customers' traditional radiation therapy practices. In addition, because the CyberKnife treatment is a non-invasive, outpatient procedure requiring little or no recovery time, hospitals can treat more patients than through traditional surgery. In traditional surgery, the time a patient must be at the facility for the procedure and the recovery time tend to be measured in days. With the CyberKnife system, the entire procedure is generally completed within 90 minutes, and the patient often leaves the facility very shortly after treatment. Even if the patient receives four to five treatments, the total time the patient is at the hospital or treatment center is still shorter than with traditional surgery. Furthermore, the additional time the patient must be at the hospital, the more resources the hospital must dedicate to the patient. The reduction in overall time and resources required for the CyberKnife procedure, when compared to traditional surgery, leads to an increase in the volume of procedures performed and lower per procedure costs for the hospital. The combination of incremental revenue generation and lower per procedure cost makes the CyberKnife system an attractive addition to our customers' cancer treatment practice.

Upgradeable modular design. Our CyberKnife system has a modular design which facilitates the implementation of upgrades without requiring our customers to purchase an entirely new system. We have a well-established track record of developing and delivering state-of-the-art upgrades to our customers, enabling our customers to take advantage of the continued evolution of our CyberKnife system. We continue to develop and offer new clinical capabilities enhancing ease of use, reducing treatment times, improving accuracy and improving patient access.

Our Strategy

Our goal is to have the CyberKnife system become the standard of care for the treatment of solid tumors, particularly those that are difficult to treat with traditional surgery. We believe our technology can significantly enhance the applications of radiosurgery by increasing the number and type of tumors which can be treated effectively. Key elements of our strategy include the following:

Increase physician adoption and patient awareness to drive utilization. We are continually working to increase adoption and awareness of our CyberKnife system and demonstrate its advantages over traditional treatment methods. We intend to increase the number of worldwide sales and marketing personnel in order to increase sales and drive utilization of the CyberKnife system. In addition, we will continue to hold and sponsor symposia and educational meetings and to support clinical studies in an effort to demonstrate the clinical benefits of the CyberKnife system. Finally, we will continue to assist our customers in increasing patient awareness in their communities by helping them develop marketing and educational campaigns.

Continue to expand the radiosurgery market. While radiosurgery has traditionally been used to treat brain tumors, the CyberKnife system has received FDA clearance for and is increasingly being used to treat tumors anywhere in the body where radiation is indicated. Based on customer data, more than 50% of patients treated with the CyberKnife system in the United States during the three months ended September 30, 2006 were treated for tumors outside of the brain. We are facilitating studies to further demonstrate the CyberKnife system's efficacy for treating tumors outside of the brain, and we believe these studies will increase overall utilization of the CyberKnife system and continue to expand the number of patients eligible for radiosurgery. In addition, we are continuing to develop new upgrades to enable the CyberKnife system to be even better suited for treating tumors anywhere in the body where radiation is indicated.

Continue to innovate through clinical development and collaboration. The clinical success of the CyberKnife system is due in large part to the collaborative partnerships we have developed over the last decade with clinicians, researchers and patients. We proactively seek out and rely on constructive feedback from CyberKnife system users to learn what is needed to enhance the technology. Due to this collaborative process, we continually refine and upgrade the CyberKnife system, which ultimately improves our competitive position in the radiosurgery market. Our upgrades are designed to improve the ease of use and accuracy of treatment, decrease the treatment times, and improve the utilization for specific types of tumors. For example, in recent years, we introduced Synchrony, a motion tracking system that is designed to track tumors that move with patient respiration and the Xsight Spine Tracking System, a new target tracking technology, which eliminates the need for surgical implantation of small, inert metal markers, known as fiducials, in the treatment of spinal tumors. In 2006, we introduced the Patient Archive and Restore System, the RoboCouch patient positioning system, the Xsight Lung Tracking System and the Xchange robotic collimator changer. We also maintain close relationships with our customers through our shared ownership programs and service plans. This further enables us to understand their needs and allows us to develop new technologies and upgrades that improve and expand clinical applications and drive increased utilization of our CyberKnife system.

Leverage our installed base to generate additional recurring revenue. We have designed the CyberKnife system so that customers may upgrade their previously purchased systems as we introduce new features. We generate additional revenue by selling multiyear service plans that provide eligibility to receive upgrades, when and if available. These contracts are typically signed at the time of CyberKnife system purchase and generate additional revenue throughout the life of the contract. In addition, we sell upgrades to our existing customers who are not covered by service plans or who have exhausted the upgrades deliverable pursuant to their service plans. Finally, we offer shared ownership programs, which enable customers to reduce the upfront investment required for the CyberKnife system in exchange for sharing a significant portion of revenue with us that is derived from each procedure.

Continue to expand international sales and geographic reach. We intend to increase our sales and distribution capabilities outside of the United States to take advantage of the large international opportunity for our products. We currently have regional offices in Paris, France and Hong Kong, China, and our sales and distribution channels cover more than 30 countries. We intend to increase our international revenue by increasing the number of distributors and direct sales and support personnel in targeted new international markets, and by further penetrating our established international markets.

In an effort to streamline our sales efforts in Japan, our former distributor Meditec Corporation, transferred all of its inventory to our existing distributor Chiyoda Technol Corporation in fiscal year 2006. As part of that inventory transfer our former distributor, Meditec paid us a lump sum payment for such inventory. Such payment was over 10% of our total net revenue for the fiscal year ended June 30, 2006. Meditec is a subsidiary of Marubeni Corporation, one of our stockholders.

Pursue acquisitions, strategic partnerships and joint ventures. We intend to actively pursue acquisitions, strategic partnerships and joint ventures that we believe may allow us to complement our growth strategy, increase market share in our current markets and expand into adjacent markets, broaden our technology and intellectual property and strengthen our relationships with our customers.

The CyberKnife System

Our principal product is the CyberKnife system, an intelligent robotic radiosurgery system that enables the treatment of tumors anywhere in the body where radiation is indicated without the need for invasive surgery or rigid frames. The current list price for the CyberKnife system is approximately $4.1 million, which includes initial training, installation and a one-year warranty. We also offer optional hardware and software, technical enhancements and upgrades to the CyberKnife system, as well as service contracts and training to assist customers in realizing the full benefits of the CyberKnife system. As of September 30, 2006, we had 83 units installed at customer sites: 52 in the United States, 10 of which are pursuant to our shared ownership programs, 24 in Asia and 7 in Europe. In addition as of September 30, 2006, we had 78 CyberKnife systems pending installation, 12 of which will be placed pursuant to our shared ownership programs.

The CyberKnife system combines continuous image-guidance technology with a compact linear accelerator mounted on a computer-controlled manipulator arm to precisely deliver high doses of radiation to the tumor from numerous directions during treatment. Our patented image-guidance technology correlates low dose, real-time treatment X-rays with images previously taken with a CT scan of the tumor and surrounding tissue to precisely direct each beam of radiation. This enables delivery of a highly conformal, non-isocentric dose of radiation to the tumor, with minimal radiation delivered to surrounding healthy tissue. With its autonomous ability to track, detect and correct for even the slightest tumor and patient movement throughout the entire treatment, the CyberKnife system gives clinicians an effective, uninterrupted and accurate treatment alternative.

Key components and technologies of the CyberKnife system include the following:

Compact X-band linear accelerator. This compact linac generates the radiation that destroys the tumor. We believe we are the only commercial manufacturer of a compact X-band linac. This technology allows us to manufacture linacs that are smaller and weigh significantly less than standard medical linacs used in radiation therapy while achieving similar performance. Our linac can provide high energy X-ray beams of different diameters and intensities without the use of radioactive material.

Robotic manipulator. The manipulator arm, with six-degrees-of-freedom range of movement, is designed to move and direct the linac with an extremely high level of precision and repeatability. The manipulator arm allows doses of radiation to be delivered from nearly any direction and position, without the limitations of gantry-based systems, creating a non-isocentric composite dose pattern that can precisely conform to the shape of each treated tumor. This flexibility enhances the ability to diversify beam trajectories and beam entrance and exit points, helping to minimize risks of radiation damage to healthy cells near the tumor. Furthermore, the rapid response time of the manipulator arm allows tracking of tumors that move with respiration in real-time.

Real-time image-guidance system with continuous target tracking and feedback. Without the need for clinician intervention or treatment interruption, the CyberKnife system's revolutionary real-time image-guided robotics enables the CyberKnife system to continuously monitor and correct for patient and tumor movements throughout treatment. The CyberKnife system is able to provide the precise delivery of radiation because of the virtually instantaneous and continuous feedback loop between X-ray-based target localization and automatic correction of the radiation beam throughout the entire treatment. This target tracking and feedback technology uses two digital image detectors to capture low energy X-ray images. The image guidance software carries out an automated comparison of the X-ray images

with the patient's CT scan to detect, track and correct for any movement of the tumor or patient before and during the treatment delivery. This allows the CyberKnife system to dynamically target the tumor and adjust the position of the beam to follow the motion of the tumor throughout the treatment, directing the beam to precisely match tumor movement.

X-ray sources. The low-energy X-ray sources generate X-ray images to determine the location of bony landmarks or implanted fiducials throughout the entire treatment.

Image detectors. The image detectors capture high-resolution anatomical images throughout the treatment. These live images are continually compared to previously captured digitally reconstructed radiographs to determine real-time patient positioning. Based on this information, the robotic manipulator instantly corrects for any detected movement. In October 2005, we introduced larger, in-floor X-ray image detectors, which provide greater treatment access.

In addition to the key components listed above, we also offer the following components and features, several of which have been introduced as upgrades since 2004, including:

Synchrony respiratory tracking system. The CyberKnife system employs a proprietary motion tracking system called Synchrony, for targeting tumors that move during respiration. Synchrony software and hardware correlate tumor movement due to respiration with the CyberKnife system treatment beam allowing it to continuously track the tumor as it moves throughout the respiratory cycle. Through this process the CyberKnife system delivers beams synchronized in real-time to tumor position while adapting to changes in breathing patterns, allowing for the delivery of highly conformed radiation beams while reducing areas exposed to radiation and unprecedented clinical accuracy of approximately 1.5 millimeters.

Xsight Spine Tracking System. For most extracranial tumors, the CyberKnife system uses implanted fiducials to track the position of the tumor throughout treatment. However, the Xsight Spine Tracking System eliminates the need for surgical implantation of fiducials in the delivery of radiosurgery treatments on or near the spine. The Xsight Spine Tracking System utilizes skeletal structures to automatically locate and track tumors with sub-millimeter accuracy. We believe no other commercially available technology today offers this capability.

RoboCouch patient positioning system. Fully integrated with the CyberKnife system, the RoboCouch intelligently positions the patient to the planned treatment position with unprecedented accuracy, providing not only greater set up precision, but significantly streamlining the patient set up process. The versatility of the RoboCouch allows for automated patient positioning prior to treatment. Additionally, the RoboCouch offers greater positioning flexibility, a lower patient loading height, and a higher patient weight capacity limit when compared to our AXUM treatment couch.

Xsight Lung Tracking System. The Xsight Lung Tracking System delivers radiosurgical accuracy to some lung tumors without the need for implanted fiducials. The Xsight Lung Tracking System directly tracks the anatomy of the tumor. Integrated with the Synchrony Respiratory Tracking System, treatment margins are significantly minimized by tracking the motion of the tumor as it moves in respiration.

Xchange robotic collimator changer. The Xchange robotic collimator changer automatically exchanges secondary collimators, which determine the radiation beam size, during the treatment. The use of multiple collimators can enable faster treatments than the use of a single collimator.

In-Room CT System. The In-Room CT System enables diagnostic quality 3D and 4D patient imaging just prior to treatment. Combined with the RoboCouch patient positioning system, the In-Room CT System provides a smooth and efficient scan-to-treatment transition without having to re-enter the treatment room or manually move the patient.

4D Treatment Optimization and Planning System. Our 4D Treatment Optimization and Planning System optimizes treatment by taking into account the movement of the tumor as well as the movement and deformation, or change in shape, of the surrounding tissue, thereby minimizing margins and radiation exposure to healthy tissue.

MultiPlan treatment planning system. Our proprietary intuitive planning system called MultiPlan is designed for radiosurgery and includes a standard computer workstation. MultiPlan calculates a treatment plan that produces a pattern of radiation designed to conform to the tumor. The MultiPlan system uses input images from multiple modalities, including computed tomography, or CT, magnetic resonance imaging, or MRI, positron emission tomography, or PET, and 3D angiography. After the physician outlines a tumor and critical adjacent tissues on the computer, a radiation scientist uses the MultiPlan system to plan the number, intensity, position and direction of radiation beams. Using unique and patented software algorithms, the system calculates and displays the resultant treatment plan for evaluation, optimization and approval by the physician.

Patient Archive and Restore System. The Patient Archive and Restore System increases utilization by moving the archive and restore processes from the treatment delivery workstation to an independent archiving system.

InView remote review system. The CyberKnife system employs a remote review workstation to allow referring physicians to participate in the treatment process, called InView. InView allows physicians to combine and contour diagnostic images as well as review potential treatment plans as generated by MultiPlan prior to the CyberKnife procedure. By placing InView in physician offices or clinics, we believe that we can expand the number of patients referred for treatment using the CyberKnife system.

AXUM treatment couch. AXUM is a computer-controlled treatment couch integrated with the image- guidance system that automatically aligns the patient for treatment at the beginning of the procedure. AXUM moves the treatment couch to position the patient so that the tumor is in the center of the imaging field. When the tumor is correctly positioned, treatment begins and the CyberKnife system tracking software guides the radiation beams to the precise tumor location.

CyberKnife System Clinical Workflow

The CyberKnife procedure involves scanning, planning, treatment and follow-up, and may be performed on an outpatient basis.

Scanning. Prior to treatment with the CyberKnife system, the patient undergoes imaging procedures to determine the size, shape and location of the tumor. The process begins with a standard high-resolution CT scan. Preparation for the scan may also include the placement of fiducials, in or around the tumor when treating tumors outside the brain. For certain tumors, such as brain and spinal tumors, where greater differentiation between different types of soft tissue is required, other imaging techniques, such as MRI, angiography, or PET, may also be used to more accurately differentiate the tumor from surrounding healthy tissue. Our software helps integrate CT scans and other imaging data into the pre-treatment planning process.

Planning. Following the scanning, the image data is then digitally transferred to the CyberKnife system's treatment planning workstation, where the treating physician identifies the exact size, shape and location of the tumor to be targeted and the surrounding vital structures to be avoided. A qualified physician and/or radiation scientist or physicist then uses our proprietary software to generate a treatment plan to provide the desired radiation dose to the identified tumor location without exceeding the tolerance of adjacent healthy tissue. As part of the treatment plan, our proprietary planning software automatically determines the number, duration and angles of delivery of the radiation beams.

Treatment. During a CyberKnife procedure, a patient lies on the treatment table, which automatically positions the patient. Anesthesia is not required, as the procedure is painless and non-invasive. The treatment, which generally lasts between 30 and 90 minutes, typically involves the administration of between 100 and 200 radiation beams delivered from different directions, each lasting from 10 to 15 seconds. Prior to the delivery of each beam of radiation, the CyberKnife system has the ability to simultaneously take a pair of X-ray images and compare them to the original CT scan. This image guided approach continuously tracks, detects and corrects for any movement of the patient and tumor throughout the treatment to ensure precise targeting. The patient usually leaves the facility immediately upon completion of the procedure.

Follow-up. Follow-up imaging, generally with either CT or MRI, is usually performed in the weeks and months following the treatment to confirm the destruction and eventual elimination of the treated tumor.

Shared Ownership Programs and Other Services

We provide a variety of services to support the operation and use of our CyberKnife systems. We expect that these services will enable us to generate a recurring revenue stream that will continue to make up an important portion of our revenue.

CyberKnife System Shared Ownership Programs

We offer shared ownership programs under which we provide a CyberKnife system to a customer while retaining ownership of that system. In addition, we provide physician training, educational support, general reimbursement guidance and technical support, as well as possible future upgrades to customers under this program. In return, these customers are generally required to pay us the greater of a minimum payment or a portion of the revenue generated through the use of the CyberKnife system. Generally, this minimum monthly payment is equivalent to the revenue generated from treating three to four patients per month, and any revenue received from additional patients is shared between us and the customer. Customers who participate in our shared ownership programs are responsible for costs associated with facility preparation and professional and administrative personnel required to operate the CyberKnife system. Our legacy shared ownership programs were known as our placement programs.

The shared ownership programs typically have a term of five years, during which the customer has the option to purchase the system at pre-determined prices. As of September 30, 2006, we had entered into 22 shared ownership programs, of which 10 are installed and 12 are pending installation.

Warranty and Support Services

We provide a one-year warranty on the purchase of the CyberKnife system. In addition, for a fee that is fixed at the time of purchase, customers can enroll in one of our multiyear service plans:

Diamond Elite multiyear service plan. Under our Diamond Elite multiyear service plan, or Diamond plan, our customers have the opportunity to acquire up to two unspecified future upgrades per year, when and if they become available. If we offer more than two upgrades a year, customers can exchange their right to receive future upgrades for the current upgrades available. The Diamond plan currently lists in the United States for $460,000 per year, and provides for annual renewals for four years.

Ruby multiyear service plan. Under our Ruby multiyear service plan, or Ruby plan, customers outside the United States have the opportunity to acquire up to two unspecified future software upgrades per year when and if they become available. The Ruby multiyear service plan currently lists for $380,000 per year and provides for annual renewals for four years.

Basic and Emerald multiyear service plans. We also offer a basic multiyear service plan, and our Emerald multiyear service plan, or Emerald plan, following the initial one-year warranty period. Under our Emerald plan, customers receive a higher level of support, including a faster response time and coverage for all replacement parts. The current annual prices of our basic and Emerald service plans are $220,000 and $275,000, respectively.

Legacy multiyear service plans. Prior to November 2005, we offered our Platinum multiyear service plan, or Platinum plan, to customers in the United States and our Gold Elite multiyear service plan, or Gold plan, to customers outside the United States. While these plans are no longer offered, as of September 30, 2006 we were still servicing approximately 29 customers pursuant to Platinum plans and approximately 16 customers through our distributors pursuant to Gold plans. These multiyear service plans typically provide for annual renewals for four years, including the one-year warranty period.

Under our Platinum plan, in addition to technical support, customers have the opportunity to acquire at least two future upgrades per year for a maximum of eight upgrades over the three or four year term of the arrangement, for an annual fee of approximately $425,000. If we do not offer at least two upgrades per year, the customer would be entitled to a refund of $100,000 for each upgrade not offered. To date no refunds have been required or are due pursuant to these multiyear service plans.

Under our Gold plan, customers typically have the opportunity to acquire up to two unspecified future software upgrades per year, for an annual fee of $350,000. If we do not offer an upgrade in any particular year, the customer would be entitled to a refund of $100,000 for each upgrade not offered, except in Japan. Pursuant to the Gold plan customers are required to pay for additional hardware if required for the implementation of new software features.

Installation and service. We perform the installation and service of the CyberKnife system in the United States and in selected countries outside the United States. In addition, we have trained third-party service organizations and trained our distributors in Korea and Italy to perform the CyberKnife system installation and service. We employ service engineers and technical staff with a high degree of expertise, which is required due to the complexity of the CyberKnife system. As of December 31, 2006, we had 68 engineers, technicians and support personnel in our installations, service and support group. We intend to increase the number of our installation and service personnel as our sales increase.

Training. In addition to the training we offer with the initial installation of the CyberKnife system and the training required when an upgrade is installed, we offer various training sessions for our customers or our distributors for an additional fee.

Sales and Marketing

We currently market the CyberKnife system through a direct sales force in the United States and a combination of direct sales personnel and distributors in the rest of the world. Support of our international sales is handled through our European and Asian headquarters in Paris, France and in Hong Kong, China. As of December 31, 2006, we had a total of 101 employees in our worldwide sales and marketing group. We expect to continue to increase the number of sales and marketing personnel as we expand our business.

In the United States we use a combination of sales directors, sales specialists, customer account sales executives, product managers, account managers and training specialists. Sales directors and sales specialists are responsible for selling the CyberKnife system to hospitals and stand-alone treatment facilities. Customer account sales executives sell upgrade products to existing customers. Our product managers help market our current products and work with our engineering group to identify and develop upgrades and enhancements for the CyberKnife system. Our account managers are primarily responsible for supporting the CyberKnife systems with marketing and education after installation is

completed. Our training specialists train radiation oncologists, surgeons, physicists and radiation therapists.

In addition to marketing to hospitals and stand-alone treatment facilities, we market to radiation oncologists, neurosurgeons, general surgeons, oncology specialists and other referring physicians. We will continue to increase our focus on marketing and education efforts to surgical specialists and oncologists responsible for treating tumors throughout the body. Our marketing activities also include efforts to inform and educate cancer patients about the benefits of the CyberKnife system.

According to the American Society for Therapeutic Radiology and Oncology, or ASTRO, as of 2004 there were approximately 2,010 hospitals and stand-alone treatment facilities in the United States providing radiation therapy services. There are a total of 5,756 hospitals in the United States registered with the American Hospital Organization as of 2004. Our sales and marketing strategy is to target the hospitals and treatment facilities currently providing radiation therapy services, however, in the future we believe that the CyberKnife system will be marketed to hospitals that do not have radiation therapy facilities. In addition, we believe that free-standing cancer centers present a future opportunity to market the CyberKnife system within the United States.

As of the date of this prospectus, we are in discussions with another company, called CyberHeart, regarding a potential collaboration and are considering granting to CyberHeart an exclusive license to use our core technology to treat cardiology indications. As part of this agreement, we may provide contract development work for CyberHeart in the areas covered under the license, as well as manufacturing, installation and support services for CyberHeart. Roderick Young, who resigned from our board of directors in January 2007, is a founder, officer and director of CyberHeart.

From time to time, we may provide our linac system for use in non-medical areas. For example, we are in discussions with a third party to develop and provide two prototype units of our next generation x-ray source system for non-destructive testing uses.

Manufacturing and Assembly

We purchase major components of the CyberKnife system, including the robotic manipulator, treatment table or robotic couch, magnetron, which creates the microwaves for use in the linac, imaging cameras and computers, from outside suppliers. We manufacture certain other electronic and electrical subsystems, including the linac, at our Sunnyvale, California facility. We then assemble and integrate these components with our proprietary software for treatment planning and treatment delivery and perform essential testing prior to shipment to customer sites. Approximately 50,000 square feet in our Sunnyvale facilities are presently dedicated to these manufacturing and assembly activities.

In January 2005, we acquired American Science and Engineering's, or AS&E, High Energy Systems, or HES, business for $8.4 million. This acquisition provided us with the sole ownership of the intellectual property associated with our X-band linac, trade secrets and know-how used in the manufacturing process and included the hiring of key technologists previously employed by AS&E. HES had been the sole source manufacturer of the linac used in the CyberKnife system.

Single source suppliers presently provide us with several components, including the magnetron, the treatment couches and the imaging plates. In most cases, if a supplier were unable to deliver these components, we believe that we would be able to find other sources for these components subject to any regulatory qualifications, if required. In the event of a disruption in any of these suppliers' ability to deliver a component, we would need to secure a replacement supplier. Additionally, any disruption or interruption of the supply of key subsystems could result in increased costs and delays in deliveries of CyberKnife systems, which could adversely affect our reputation and results of operations.

Intellectual Property

The proprietary nature of, and protection for, our products, product components, processes and know-how are important to our business. We seek patent protection in the United States and internationally for our product systems and other technology where available and when appropriate. Our policy is to patent or in-license the technology, inventions and improvements that we consider important to the development of our business. In addition, we use license agreements to selectively convey rights to our intellectual property to others. We also rely on trade secrets, know-how and continuing innovation to develop and maintain our competitive position.

As of December 31, 2006, we held 11 U.S. patents, 3 allowed U.S. patent applications, 61 pending U.S. patent applications, and are pursuing additional U.S. patent applications on additional key inventions to enhance our intellectual property rights. The first of our patents will expire in 2010 and currently the last of our patents will expire in 2024. As of December 31, 2006, we also held 21 foreign patents, 14 pending published Patent Cooperation Treaty applications and 30 foreign patent applications which correspond to our issued U.S. patents and pending U.S. patent applications. We cannot be sure that any patents will issue from any of our pending patent applications, nor can we assure you that any of our existing patents or any patents that may be granted to us in the future will be commercially useful in protecting our technology. An additional key component of our intellectual property is our proprietary software used in planning and delivering the CyberKnife system's therapeutic radiation dose. Through the HES acquisition, we acquired certain intellectual property rights for the compact linac used in current versions of the CyberKnife system.

In addition to our patents, we also rely upon trade secrets, know-how, trademarks, copyright protection and continuing technological and licensing opportunities to develop and maintain our competitive position. We require our employees, consultants and outside scientific collaborators to execute confidentiality and invention assignment agreements upon commencing employment or consulting relationships with us.

Patents may provide some degree of protection for our intellectual property. However, patent protection involves complex legal and factual determinations and is therefore uncertain. In addition, the laws governing patentability and the scope of patent coverage continue to evolve, particularly in the areas of technology of interest to us. As a result, we cannot assure you that patents will issue from any of our patent applications. The scope of any of our issued patents may not be sufficiently broad to offer meaningful protection. In addition, our issued patents or patents licensed to us may be successfully challenged, invalidated, circumvented or unenforceable so that our patent rights would not create an effective competitive barrier. Moreover, the laws of some foreign countries may not protect our proprietary rights to the same extent as do the laws of the United States. In view of these factors, our intellectual property positions bear some degree of uncertainty.

We have also entered into licensing agreements with third parties relating to rights and technologies. On January 30, 1991, we entered into a Manufacturing License and Technology Transfer Agreement with Schonberg Radiation Corporation under which Schonberg granted us a perpetual exclusive license to use and manufacture products utilizing some of Schonberg's patent and other intellectual property rights relating to the design, engineering and manufacturing of the compact linacs that may be used in the CyberKnife system for medical applications.

In December 2004 and in connection with the HES acquisition, we entered into a license agreement with AS&E relating to the intellectual property we obtained from the HES acquisition. We granted AS&E an exclusive, worldwide, fully paid license for use of the purchased intellectual property in the national security and non-destructive testing markets, as well as a non-exclusive worldwide, fully paid license of the intellectual property for all uses other than (a) the national security and non-destructive testing markets and (b) medical use or applications. In addition, we received an exclusive, worldwide, fully paid license to any modifications, improvements, enhancements or new developments to the acquired intellectual property by AS&E which are limited to medical uses or applications. We recently began the development of a next-generation linac, using technology developed independently from the intellectual property we obtained from the HES acquisition. We are developing this technology for medical uses and applications and other markets, including national security and non-destructive testing. In October 2006, we received a letter from AS&E expressing concerns that we may be using the intellectual property obtained from the HES acquisition in a manner that breaches, or may intend to breach, our contractual obligations under the license agreement. While we do not believe our activities breach or violate the terms of the license agreement, we cannot assure you that AS&E will not assert that we are breaching our obligations under our license agreement with them.

On July 9, 1997, we entered into a license agreement with The Board of Trustees of the Leland Stanford Junior University for technology and patents to develop, manufacture, use and sell products utilizing feature matching technology to align images used in radiosurgery.

Although we are not currently a party to any legal proceedings relating to our intellectual property, in the future, third parties may file claims asserting that our technologies or products infringe on their intellectual property. We cannot predict whether third parties will assert these claims against us or against the licensors of technology licensed to us, or whether those claims will harm our business. If we are forced to defend against these claims, whether they are with or without any merit, whether they are resolved in favor of or against us or our licensors, we may face costly litigation and diversion of management's attention and resources. As a result of these disputes, we may have to develop costly non-infringing technology, or enter into licensing agreements. These agreements, if necessary, may be unavailable on terms acceptable to us, if at all, which could seriously harm our business or financial condition.

Research and Development

Continued innovation is critical to our future success. Our current product development activities include projects expanding clinical applications in radiosurgery, driving product differentiation, and continually improving the CyberKnife system's capabilities. Some of our product upgrades include AXUM, Express, Synchrony, Xsight Spine Tracking System, InView, MultiPlan and RoboCouch. Research activities strive to enable new product development opportunities by developing new technologies and advancing areas of existing core technology such as a next generation linac.

The modular design of our products supports rapid development for new clinical capabilities and performance enhancements by generally allowing each subsystem to evolve within the overall platform design. Access to regular product upgrades protects customer investment in the CyberKnife system, facilitates the rapid adoption of new features and capabilities among existing installed base customers, and drives increasing value in our multiyear service plans. These upgrades will generally consist of software and hardware enhancements designed to increase the ease of use of our CyberKnife system and improve the speed and accuracy of treatment.

As of September 30, 2006, we had 96 employees in our research and development departments. Research and development expenses for the fiscal years ended June 30, 2004, 2005 and 2006 were $7.3 million, $11.7 million and $17.8 million, respectively, and $6.2 million for the quarter ended

September 30, 2006. We plan to continue to increase our investment in research and development in future periods.

Competition

The medical device industry in general, and the non-invasive cancer treatment field in particular, are subject to intense and increasing competition and rapidly evolving technologies. Because our products often have long development and government approval cycles, we must anticipate changes in the marketplace and the direction of technological innovation and customer demands. To compete successfully, we will need to continue to demonstrate the advantages of our products and technologies over well-established alternative procedures, products and technologies, and convince physicians and other healthcare decision makers of the advantages of our products and technologies. Traditional surgery, minimally invasive procedures, radiation therapy chemotherapy and other drugs are other means to treat cancer. Also, we compete directly with frame-based radiosurgery systems primarily from Elekta AB (publ), or Elekta, BrainLAB AG, and the Integra Radionics business of Integra Life Sciences Holding Corporation.

The market for standard linacs is dominated by three companies: Elekta, Siemens AG, or Siemens, and Varian Medical Systems, Inc., or Varian. In addition, a new entrant, TomoTherapy Incorporated, or TomoTherapy, recently introduced a radiation therapy product. The CyberKnife system does not perform radiotherapy, which uses low doses of radiation over a long period of time with fractionated treatments to kill cancer cells, and generally does not compete directly with standard medical linacs that perform traditional radiotherapy, although some manufacturers of standard accelerator systems, including Varian and Elekta, have products that can be used in combination with body and/or head frame systems and image-guidance systems to perform radiosurgery. In addition, many government, academic and business entities are investing substantial resources in research and development of cancer treatments, including surgical approaches, radiation treatment, drug treatment, gene therapy, which is the treatment of disease by replacing, manipulating, or supplementing nonfunctional genes, and other approaches. Successful developments that result in new approaches for the treatment of cancer could reduce the attractiveness of our products or render them obsolete.

Our future success will depend in large part on our ability to establish and maintain a competitive position in current and future technologies. Rapid technological development may render the CyberKnife system and its technologies obsolete. Many of our competitors have or may have greater corporate, financial, operational, sales and marketing resources, and more experience in research and development than we have. We cannot assure you that our competitors will not succeed in developing or marketing technologies or products that are more effective or commercially attractive than our products or that would render our technologies and products obsolete. We may not have the financial resources, technical expertise, marketing, distribution or support capabilities to compete successfully in the future. Our success will depend in large part on our ability to maintain a competitive position with our technologies.

Our competitive position also depends on:

- widespread awareness, acceptance and adoption by the radiation oncology and cancer therapy markets of our products;
- the discovery of new technologies that improve the effectiveness and productivity of the CyberKnife system radiosurgery process;
- product coverage and reimbursement from third-party payors, insurance companies and others;
- properly identifying customer needs and delivering new upgrades to address those needs;
- published studies supporting the efficacy and safety of the CyberKnife system;

- limiting the time required from proof of feasibility to routine production;
- limiting the timing and cost of regulatory approvals;
- the manufacture and delivery of our products in sufficient volumes on time, and accurately predicting and controlling costs associated with manufacturing, installation, warranty and maintenance of the products;
- our ability to attract and retain qualified personnel;
- the extent of our patent protection or our ability to otherwise develop proprietary products and processes;
- securing sufficient capital resources to expand both our continued research and development, and sales and marketing efforts; and
- obtaining any necessary United States or foreign marketing approvals or clearances.

Reimbursement

In the United States, healthcare providers generally rely on third-party payors, principally private insurers and governmental payors such as Medicare and Medicaid, to cover and reimburse all or part of the cost of a medical procedure performed with a medical device. Our ability to commercialize our products successfully depends in significant part on the extent to which appropriate coverage and reimbursement for our products and related procedures are obtained from third-party payors. We cannot assure you that government or private third-party payors will cover and reimburse the procedures using our technology in whole or in part in the future or that payment rates will be adequate.

Medicare coverage and reimbursement policies are particularly significant to our business. Not only is Medicare the single largest third-party payor, but many other governmental and commercial payors follow its coverage and reimbursement policies. The Medicare coverage and reimbursement policies are developed by the Centers for Medicare and Medicaid Services, or CMS, the federal agency responsible for administering the Medicare program and its contractors. Medicare reimbursement rates for the same or similar procedures vary due to geographic location, nature of the facility in which the procedure is performed (e.g., teaching or community hospital) and other factors.

Medicare coverage for procedures using our technology currently exists in the hospital outpatient setting and in the free-standing clinic setting. For hospital outpatient procedures, where currently the vast majority of procedures using our CyberKnife system are performed, Medicare payments generally are made under a prospective payment system, which is based on the Ambulatory Payment Classifications, or APCs, under which procedures are categorized.

CMS assigns procedures that are comparable clinically and in terms of resources to the same APC. Hospitals are paid the applicable APC payment rate for the outpatient procedure, regardless of the actual cost for such treatment. CMS will frequently categorize a procedure or service in a new technology APC where the procedure does not have sufficient claims data to be placed in an existing APC that is appropriate in terms of clinical characteristics and resource costs. Once CMS has collected sufficient claims data on the procedure being paid under a new technology APC, the agency will assign the procedure to an existing APC group. Procedures generally are reimbursed under new technology APCs for two to three years. Beginning in 2004, both planning and treatment using our CyberKnife system were assigned to new technology APCs. Medicare accomplished this through certain temporary billing codes: Healthcare Common Procedure Coding System, or HCPCS, code G0338 ("Linear-accelerator-based stereotactic radiosurgery planning"), HCPCS code G0339 ("Image-guided robotic linear accelerator-based stereotactic radiosurgery, complete course of therapy in one session, or first session of fractionated treatment") for the first or single treatment, and HCPCS code G0340 ("Image-

guided robotic linear accelerator-based stereotactic radiosurgery, delivery including collimator changes and custom plugging, fractionated treatment, all lesions, per session, second through fifth sessions, maximum five sessions per course of treatment") for any subsequent treatments.

For 2006, CMS determined that planning for stereotactic radiosurgery procedures using our technology should be reported using several Category I Current Procedure Terminology, or CPT, codes. The CPT planning codes are assigned to clinical APCs with payment levels that resulted in a slight increase in payment in 2006 and 2007 as compared to prior years.

For 2004 to 2006, placement of HCPCS codes G0339 and G0340 in the new technology APCs resulted in a national payment rate of $5,250 for the first treatment and $3,750 for each treatment thereafter, up to a maximum of five treatments. For the 2007 calendar year, CMS has determined that procedures performed in the hospital outpatient department using our technology be transitioned from the new technology APCs to two clinical APCs. Under the finalized payment rules, the national payment rate for procedures billed using HCPCS code G0339 will be paid $3,896, and procedures billed under HCPCS code G0340 will be paid $2,645. These changes in APC assignment result in a decrease in payment as compared to previous years and could have a material adverse impact on our sales and utilization of our technology.

Medicare payment to free-standing clinics generally is based on the physician fee schedule. There are no national payment rates for HCPCS codes G0339 and G0340, and Medicare contractors determine the payment rates for their jurisdiction. We understand that some Medicare contractors may require the use of other billing codes for the procedures.

In addition to Medicare reimbursement to hospitals and clinics, physicians receive reimbursement for their professional services in the hospital outpatient setting and the free-standing clinic setting. Payment is based on the physician fee schedule, and payment amounts are updated on an annual basis. Beginning in 2007, CMS changed how it determines payment levels under the physician fee schedule. Specifically, CMS revised the methodology for calculating the physician work component, which reflects physician time and intensity of effort in performing a procedure or service. CMS also changed its methodology for calculating the practice expense component, which reflects the overhead expenses that a physician incurs, such as rent, equipment and salaries. We do not expect that these changes will result in any significant change in reimbursement for physician professional services performed in connection with the CyberKnife procedure. At this time, we cannot predict the full impact of these changes on our operations.

We also cannot assure you that Medicare will continue to cover and reimburse the procedures using the CyberKnife system, or that the amounts reimbursed under applicable codes will be adequate. While private third-party payors frequently follow Medicare coverage, coding and payment determinations, we cannot assure you that these payors will adopt coverage and reimbursement policies similar to those established by Medicare or whether they will cover and reimburse the procedures using CyberKnife systems in whole or in part. In the United States, we believe that a majority of private healthcare payors provide coverage for CyberKnife procedures under negotiated contracts with hospitals and clinics.

Effective January 1, 2007, the American Medical Association, or AMA, has established four new Category I CPT codes relating to stereotactic radiosurgery, which became effective January 1, 2007. Third-party payors may decide to use three of these codes to describe treatment (CPT codes 77372 and 77373) and treatment management (CPT code 77435) using our technology. CMS has announced that these codes would not be used for our technology for Medicare payments for hospital outpatient services under the prospective payment system in 2007. These codes were assigned values for payments under the Medicare physician fee schedule for 2007 and may be required by Medicare contractors for use in other settings. At this time, the extent to which any of these codes would be required by Medicare contractors for services using our technology and performed in free-standing clinics or by

other third-party payors is unclear. It is also unclear at this time whether the new codes will coexist with or replace the existing codes for treatment using our technology (HCPCS codes G0339 and G0340) and how the level of reimbursement would be impacted by the new codes. If the new codes are required by Medicare contractors for 2007, the reimbursement rates under the 2007 Medicare physician fee schedule could result in a material adverse effect on our business.

The current emphasis on cost-containment by third-party payors makes it exceedingly difficult for new medical devices and surgical procedures to obtain adequate coverage and reimbursement. Often, it is necessary to convince these payors that the new devices or procedures will establish an overall cost savings compared to currently reimbursed devices and procedures. We believe that the CyberKnife system may offer an opportunity for payors to reduce the cost of treatment for solid tumors as compared with surgical removal; however, we cannot assure you that payors will agree that these advantages exist or that payors will make reimbursement decisions based upon any such advantages. Hospitals would be less likely to purchase our products if they do not receive sufficient levels of reimbursement. In addition, if physicians or hospital administrators believe that our system will add cost to a procedure but will not add sufficient offsetting economic or clinical benefits, physician adoption could be impaired. Any reduction or limitation in use of our products could cause our sales to suffer.

Reimbursement by third-party payors is often positively influenced by the existence of peer-reviewed publications of long-term safety and efficacy data. We have collected and published data on clinical results for patients that have undergone surgical procedures involving use of the CyberKnife system, although we do not yet have long-term safety and efficacy data for a significant patient population size. We cannot assure you that our products will continue to be covered and reimbursed without publication of additional data, including data supporting long-term safety and efficacy of the CyberKnife system.

We have hired a director of reimbursement and have established a dedicated reimbursement group that seeks to provide education to physicians and facilities in working with payors on coverage and reimbursement issues for procedures involving the use of the CyberKnife system. This group assists our customers in obtaining pre-approval from third-party payors for patients who will be undergoing treatment using the CyberKnife system, and provides our customers with copies of relevant coverage, coding and payment policies, including those of the Medicare program, as well as published literature and clinical data supporting clinical safety and efficacy in the device.

To further support adequate coverage and reimbursement, a group of customers has formally organized into a non-profit organization to pursue adequate reimbursement, coverage and payment of our product worldwide, with a strong emphasis on the United States. This group, the CyberKnife Coalition, has a charter to promote patient access to CyberKnife system technology and treatment, and realize adequate coverage and reimbursement to support that treatment. The Coalition seeks to assure and advocate that procedures using the CyberKnife system continue to be reimbursed at appropriate levels by Medicare and other third-party payors.

Internationally, reimbursement and healthcare payment systems vary substantially from country to country and include single-payor, government managed systems as well as systems in which private payors and government-managed systems exist side-by-side. Our ability to achieve market acceptance or significant sales volume in international markets we enter will be dependent in large part on the availability of reimbursement for procedures performed using our products under health care payment systems in such markets. To date, healthcare providers in Europe have been able to successfully negotiate coverage contracts with their local payors at adequate payment rates.

Regulatory Matters

Domestic Regulation

Our products and software are medical devices subject to regulation by the U.S. Food and Drug Administration, or FDA, as well as other regulatory bodies. FDA regulations govern the following activities that we perform and will continue to perform to ensure that medical products distributed domestically or exported internationally are safe and effective for their intended uses:

- product design and development;
- document and purchasing controls;
- production and process controls;
- acceptance controls;
- product testing;
- product manufacturing;
- product safety;
- product labeling;
- product storage;
- recordkeeping;
- complaint handling;
- pre-market clearance or approval;
- advertising and promotion; and
- product sales and distribution.

FDA pre-market clearance and approval requirements. Unless an exemption applies, each medical device we wish to commercially distribute in the United States will require either prior 510(k) clearance or pre-market approval from the FDA. The FDA classifies medical devices into one of three classes. Devices deemed to pose lower risks are placed in either class I or II, which requires the manufacturer to submit to the FDA a pre-market notification requesting permission to commercially distribute the device. This process is generally known as 510(k) clearance. Some low risk devices are exempted from this requirement. Devices deemed by the FDA to pose the greatest risks, such as life-sustaining, life-supporting or implantable devices, or devices deemed not substantially equivalent to a previously cleared 510(k) device, are placed in class III, requiring pre-market approval. All of our current products are class II devices.

510(k) clearance pathway. When a 510(k) clearance is required, we must submit a pre-market notification demonstrating that our proposed device is substantially equivalent to a previously cleared 510(k) device or a device that was in commercial distribution before May 28, 1976 for which the FDA has not yet called for the submission of pre-market approval applications, or PMA. By regulation, the FDA is required to clear or deny a 510(k) pre-market notification within 90 days of submission of the application. As a practical matter, clearance may take longer. The FDA may require further information, including clinical data, to make a determination regarding substantial equivalence.

In July 1999, we received 510(k) clearance for the CyberKnife system for use in the head and neck regions of the body. In August 2001, we received 510(k) clearance for the CyberKnife system to provide treatment planning and image guided stereotactic radiosurgery and precision radiotherapy for lesions, tumors and conditions anywhere in the body where radiation treatment is indicated. In April 2002, we

received 510(k) clearance for the Synchrony Motion Tracking System as an option to the CyberKnife system, intended to enable dynamic image guided stereotactic radiosurgery and precision radiotherapy of lesions, tumors and conditions that move under influence of respiration.

Pre-market approval (PMA) pathway. A PMA must be submitted to the FDA if the device cannot be cleared through the 510(k) process. A PMA must be supported by extensive data, including but not limited to, technical, preclinical, clinical trials, manufacturing and labeling to demonstrate to the FDA's satisfaction the safety and effectiveness of the device. No device that we have developed has required pre-market approval, nor do we currently expect that any future device or indication will require pre-market approval.

Product modifications. After a device receives 510(k) clearance or a PMA, any modification that could significantly affect its safety or effectiveness, or that would constitute a significant change in its intended use, will require a new clearance or approval. We have modified aspects of our CyberKnife system family of products since receiving regulatory clearance, and we have applied for and obtained additional 510(k) clearances for these modifications when we determined such clearances were required for the modifications. The FDA requires each manufacturer to make this determination initially, but the FDA can review any such decision and can disagree with a manufacturer's determination. If the FDA disagrees with our determination not to seek a new 510(k) clearance or PMA, the FDA may retroactively require us to seek 510(k) clearance or pre-market approval. The FDA could also require us to cease marketing and distribution and/or recall the modified device until 510(k) clearance or pre-market approval is obtained. Also, in these circumstances, we may be subject to significant regulatory fines or penalties. From January 1, 2003 to September 30, 2006, we submitted an additional seven 510(k) clearances notifications for modifications made to the operation of the CyberKnife system. These applications were cleared by the FDA.

Pervasive and continuing regulation. After a device is placed on the market, numerous regulatory requirements apply. These include:

- Quality System Regulation, or QSR, which require manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during product design and throughout the manufacturing process;

- labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved or off-label uses; and

- medical device reporting regulations, which require that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction were to recur.

The FDA has broad post-market and regulatory enforcement powers. We are subject to unannounced inspections by the FDA and the Food and Drug Branch of the California Department of Health Services to determine our compliance with the QSR and other regulations, and these inspections may include the manufacturing facilities of some of our subcontractors. In the past, our prior facility has been inspected, and observations were noted. In May 2004 and April 2006, during routine inspections performed by the FDA, two minor observations were made in each inspection. We have taken corrective action on the minor observations in response to the FDA's observations. There were no observations that involved a material violation of regulatory requirements. We believe that we are in substantial compliance with the QSR.

Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, which may include any of the following sanctions:

- fines, injunctions, consent decrees and civil penalties;

- recall or seizure of our products;
- operating restrictions, partial suspension or total shutdown of production;
- refusing our requests for 510(k) clearance or pre-market approval of new products or new intended uses;
- withdrawing 510(k) clearance or pre-market approvals that are already granted; and
- criminal prosecution.

The FDA also has the authority to require us to repair, replace or refund the cost of any medical device that we have manufactured or distributed. If any of these events were to occur, they could have a material adverse effect on our business.

Radiological health. Because our CyberKnife system contains both laser and X-ray components, and because we assemble these components during manufacturing and service activities, we are also regulated under the Electronic Product Radiation Control Provisions of the Federal Food, Drug, and Cosmetic Act. This law requires laser and X-ray products to comply with regulations and applicable performance standards, and manufacturers of these products to certify in product labeling and reports to the FDA that their products comply with all such standards. The law also requires manufacturers to file new product reports, and to file annual reports and maintain manufacturing, testing and sales records, and report product defects. Various warning labels must be affixed. Assemblers of diagnostic X-ray systems are also required to certify in reports to the FDA, equipment purchasers, and where applicable, to state agencies responsible for radiation protection, that diagnostic and/or therapeutic X-ray systems they assemble meet applicable requirements. Failure to comply with these requirements could result in enforcement action by the FDA, which can include injunctions, civil penalties, and the issuance of warning letters. In the past, we failed to submit required reports to the FDA in a timely fashion. To correct our reporting deficiencies we initiated in 2003, a corrective action plan that included, among other things, filing all past due reports with the FDA, applicable state agencies, and customers. We have also developed and implemented procedures to ensure future reports are made in a timely manner. While we believe all past reporting deficiencies have been corrected, we cannot assure you that FDA will deem our corrective actions sufficient or that FDA will not initiate enforcement action against us.

Fraud and Abuse Laws

We are subject to various federal and state laws pertaining to healthcare fraud and abuse, including anti-kickback laws and physician self-referral laws. Violations of these laws are punishable by significant criminal and civil sanctions, including, in some instances, exclusion from participation in federal and state healthcare programs, including Medicare and Medicaid. Because of the far-reaching nature of these laws, there can be no assurance that we would not be required to alter one or more of our practices to be in compliance with these laws. Evolving interpretations of current laws, or the adoption of new federal or state laws or regulations could adversely affect many of the arrangements we have with customers and physicians. In addition, there can be no assurance that the occurrence of one or more violations of these laws or regulations would not result in a material adverse effect on our financial condition and results of operations.

Anti-kickback laws. Our operations are subject to broad and changing federal and state anti-kickback laws. The Office of the Inspector General of the Department of Health and Human Services, or the OIG, is primarily responsible for enforcing the federal Anti-Kickback Statute and generally for identifying fraud and abuse activities affecting government programs. The federal Anti-Kickback Statute, prohibits persons from knowingly and willfully soliciting, receiving, offering or providing remuneration directly or indirectly to induce either the referral of an individual, or the furnishing, recommending, or arranging of a good or service, for which payment may be made under a

federal health care program such as Medicare and Medicaid. "Remuneration" has been broadly interpreted to include anything of value, including such items as gifts, discounts, the furnishing of supplies or equipment, credit arrangements, waiver of payments, and providing anything of value at less than fair market value.

Penalties for violating the federal Anti-Kickback Statute include criminal fines of up to $25,000 and/or imprisonment for up to five years for each violation, civil fines of up to $50,000 and possible exclusion from participation in federal health care programs such as Medicare and Medicaid. Many states have adopted prohibitions similar to the federal Anti-Kickback Statute, some of which apply to the referral of patients for healthcare services reimbursed by any source, not only by the Medicare and Medicaid programs, and do not include comparable exceptions.

The Office of the Inspector General of the Department of Health and Human Services, or OIG, has issued safe harbor regulations which set forth certain activities and business relationships that are deemed safe from prosecution under the federal Anti-Kickback Statute. There are safe harbors for various types of arrangements, including, without limitation, certain investment interests, leases and personal services and management contracts. The failure of a particular activity to comply in all regards with the safe harbor regulations does not mean that the activity violates the federal Anti-Kickback Statute or that prosecution will be pursued. However, conduct and business arrangements that do not fully satisfy each applicable safe harbor may result in increased scrutiny by government enforcement authorities such as the OIG.

The OIG has identified the following arrangements with purchasers and their agents as ones raising potential risk of violation of the federal Anti-Kickback Statute:

- Discount and free good arrangements that are not properly disclosed or accurately reported to federal health care programs;
- Product support services, including billing assistance, reimbursement consultation and other services specifically tied to support of the purchased product, offered in tandem with another service or program (such as a reimbursement guarantee) that confers a benefit to the purchaser;
- Educational grants conditioned in whole or in part on the purchase of equipment, or otherwise inappropriately influenced by sales and marketing considerations;
- Research funding arrangements, particularly post-marketing research activities, that are linked directly or indirectly to the purchase of products, or otherwise inappropriately influenced by sales and marketing considerations; and
- Other offers of remuneration to purchasers that are expressly or impliedly related to a sale or sales volume, such as "prebates" and "upfront payments," other free or reduced-price goods or services, and payments to cover costs of "converting" from a competitor's products, particularly where the selection criteria for such offers vary with the volume or value of business generated.

We have a variety of financial relationships with physicians who are in a position to generate business for us. For example, physicians own our stock who also provide medical advisory and other consulting and personal services. Similarly, we have a variety of different types of arrangements with our customers. For example, our placement and shared ownership programs entail the provision of our CyberKnife system to our customers under a deferred payment program, where we generally receive the greater of a fixed minimum payment or a portion of the revenues of services. Included in the fee we charge for the placement and shared ownership programs are a variety of services, including physician training, educational and marketing support, general reimbursement guidance and technical support, and, in the case of the placement program, certain services and upgrades are provided without additional charge based on procedure volume. In the past, we have also provided loans to our

customers. We also provide research grants to customers to support customer studies related to, among other things, our CyberKnife systems.

If our past or present operations are found to be in violation of the federal Anti-Kickback Statute or similar government regulations to which we or our customers are subject, we or our officers may be subject to the applicable penalty associated with the violation, including significant civil and criminal penalties, damages, fines, imprisonment, and exclusion from the Medicare and Medicaid programs. The impact of any such violation may lead to curtailment or restructuring of our operations. Any penalties, damages, fines, or curtailment or restructuring of our operations could adversely affect our ability to operate our business and our financial results. The risk of our being found in violation of these laws is increased by the fact that some of these laws are open to a variety of interpretations. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and damage our reputation. If an enforcement action were to occur, our reputation and our business and financial condition could be harmed, even if we were to prevail or settle the action. Similarly, if the physicians or other providers or entities with whom we do business are found to be non-compliant with applicable laws, they may be subject to sanctions, which could also have a negative impact on our business.

Physician self-referral laws. We are also subject to federal and state physician self-referral laws. The federal Ethics in Patient Referral Act of 1989, commonly known as the Stark Law, prohibits, subject to certain exceptions, physician referrals of Medicare and Medicaid patients to an entity providing certain "designated health services" if the physician or an immediate family member has any financial relationship with the entity. The Stark Law also prohibits the entity receiving the referral from billing any good or service furnished pursuant to an unlawful referral.

A person who engages in a scheme to circumvent the Stark Law's referral prohibition may be fined up to $100,000 for each such arrangement or scheme. In addition, any person who presents or causes to be presented a claim to the Medicare or Medicaid programs in violation of the Stark Law is subject to civil monetary penalties of up to $15,000 per bill submission, an assessment of up to three times the amount claimed, and possible exclusion from federal healthcare programs such as Medicare and Medicaid. Various states have corollary laws to the Stark Law, including laws that require physicians to disclose any financial interest they may have with a healthcare provider to their patients when referring patients to that provider. Both the scope and exceptions for such laws vary from state to state.

Federal False Claims Act. The federal False Claims Act prohibits the knowing filing or causing the filing of a false claim or the knowing use of false statements to obtain payment from the federal government. When an entity is determined to have violated the False Claims Act, it must pay three times the actual damages sustained by the government, plus mandatory civil penalties of between $5,500 and $11,000 for each separate false claim. Suits filed under the False Claims Act, known as "qui tam" actions, can be brought by any individual on behalf of the government and such individuals, sometimes known as "relators" or, more commonly, as "whistleblowers", may share in any amounts paid by the entity to the government in fines or settlement. In addition, certain states have enacted laws modeled after the federal False Claims Act. Qui tam actions have increased significantly in recent years, causing greater numbers of healthcare companies to have to defend a false claim action, pay fines or be excluded from Medicare, Medicaid or other federal or state healthcare programs as a result of an investigation arising out of such action. We have retained the services of a reimbursement consultant, for which we pay certain consulting fees, to provide us and facilities that have purchased a CyberKnife system or acquired a CyberKnife system through our shared ownership program with general reimbursement advice. While we believe this will assist our customers in filing proper claims for reimbursement; and such consultants do not submit claims on behalf of our customers, the fact that we

provide these consultant services could expose us to additional scrutiny and possible liability in the event one of our customers is investigated as a result of any of these laws.

HIPAA. The Health Insurance Portability and Accountability Act of 1996, or HIPAA, created two new federal crimes: healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment or exclusion from government sponsored programs. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. A violation of this statute is a felony and may result in fines or imprisonment.

International Regulation

International sales of medical devices are subject to foreign government regulations, which vary substantially from country to country. The time required to obtain clearance or approval by a foreign country may be longer or shorter than that required for FDA clearance or approval, and the requirements may be different.

The primary regulatory environment in Europe is that of the European Union and the three additional member states of the European Economic Area, or EEA, which have adopted similar laws and regulations with respect to medical devices. The European Union has adopted numerous directives and the European Committee for Standardization has promulgated standards regulating the design, manufacture, clinical trials, labeling and adverse event reporting for medical devices. Devices that comply with the requirements of the relevant directive will be entitled to bear CE conformity marking, indicating that the device conforms with the essential requirements of the applicable directives and, accordingly, may be commercially distributed throughout the member states of the European Economic Area.

The method of assessing conformity to applicable standards and directives depends on the type and class of the product, but normally involves a combination of self-assessment by the manufacturer and a third-party assessment by a notified body, an independent and neutral institution appointed by a European Union member state to conduct the conformity assessment. This relevant assessment may consist of an audit of the manufacturer's quality system (currently ISO 13485), provisions of the Medical Devices Directive, and specific testing of the manufacturer's device. In September 2002, our facility was awarded the ISO 13485 certification, which replaces the ISO 9001 and EN 46001 approvals, which has been subsequently maintained through periodic assessments, in accordance with the expiration dates of the standards, and we are currently authorized to affix the CE mark to our products, allowing us to sell our products throughout the European Economic Area.

We are also currently subject to regulations in Japan. A Japanese distributor received the first government approval to market the CyberKnife system from the Ministry of Health and Welfare in November 1996. In December, 2003, we received approval from the Ministry of Health, Labour and Welfare to market the CyberKnife system in Japan and a new distributor, Chiyoda Technol Corporation, was appointed to distribute the CyberKnife system. Current clinical use in Japan is limited to head and neck applications. Although we and our distributor have applied for approval of broader clinical use of the CyberKnife system in Japan, it is not possible to accurately predict the timing of this approval.

We are subject to additional regulations in other foreign countries, including, but not limited to, Canada, Taiwan, China and Korea, in order to sell our products. We intend that either we or our distributors will receive any necessary approvals or clearance prior to marketing our products in those international markets.

State Certificate of Need Laws

In some states, a certificate of need or similar regulatory approval is required prior to the acquisition of high-cost capital items or the provision of new services. These laws generally require appropriate state agency determination of public need and approval prior to the acquisition of such capital items or addition of new services. Certificate of need regulations may preclude our customers from acquiring the CyberKnife system, whether through purchase or our shared ownership programs, and from performing stereotactic radiosurgery procedures using the CyberKnife system. Several of our prospective customers currently are involved in appeals of certificate of need determinations. If these appeals are not resolved in favor of these prospective customers, they may be precluded from purchasing and/or performing services using the CyberKnife system. Certificate of need laws are the subject of continuing legislative activity, and a significant increase in the number of states regulating the acquisition and use of the CyberKnife system through certificate of need or similar programs could adversely affect us.

Employees

As of December 31, 2006, we had 386 employees worldwide, including 97 in research and development, 101 in sales and marketing, 68 in installation and service, 51 in manufacturing, and 69 in administration. None of the employees is represented by a labor union or is covered by a collective bargaining agreement. We have never experienced any employment-related work stoppages and we believe our relationship with our employees is good.

Facilities

We lease approximately 176,000 square feet of product development, manufacturing and administrative space in three buildings in Sunnyvale, California, and approximately 25,000 square feet of development and manufacturing space in Mountain View, California. Our headquarters building, which is approximately 73,000 square feet, is leased to us until February 2008 and an additional office building, which is approximately 53,000 square feet, is leased to us until May 2010. Our manufacturing facility in Sunnyvale is approximately 50,000 square feet and is leased to us until July 2011. The Mountain View facility is leased to us until October 2010. We have the right to renew the term of our headquarters lease for one three-year term upon prior written notice and the fulfillment of certain conditions. We also maintain offices in France and China. We believe our current facilities are adequate to meet our current needs, but additional space, including additional radiation-shielded areas in which systems can be assembled and tested, will be required in the future to accommodate anticipated increases in manufacturing needs.

Legal Proceedings

From time to time we are involved in legal proceedings arising in the ordinary course of our business. We believe that there is no litigation pending that could have a material adverse effect on our results of operations and financial condition.

Directors and Executive Officers

Our directors and executive officers as of the date of this prospectus are as follows:

Name	Age	Position(s)
Euan S. Thomson, Ph.D.	44	President, Chief Executive Officer and Director
Robert E. McNamara	50	Senior Vice President, Chief Financial Officer
Chris A. Raanes	41	Senior Vice President, Chief Operating Officer
Eric P. Lindquist	46	Senior Vice President, Chief Marketing Officer
Wade B. Hampton	51	Senior Vice President, Worldwide Sales
Wayne Wu[(1)(2)(3)]	44	Chairman of the Board of Directors
John R. Adler, Jr., M.D.	52	Director
Ted T.C. Tu.	50	Director
Robert S. Weiss[(1)(2)(3)]	60	Director
Li Yu[(1)(2)(3)]	65	Director

(1) Member of the audit committee

(2) Member of the compensation committee

(3) Member of the nominating and corporate governance committee

Euan S. Thomson, Ph.D. has served as our Chief Executive Officer and a member of our board of directors since March 2002, and as our President since October 2002. From March 1999 to February 2002, Dr. Thomson served during various periods as President, Chief Executive Officer and a member of the board of directors of Photoelectron Corporation, a publicly held medical device company. In July 2003, Photoelectron Corporation filed for bankruptcy. Prior to joining Photoelectron, Dr. Thomson held various positions as a medical physicist within the United Kingdom National Health Service and worked as a consultant for medical device companies, including Varian Oncology Systems and Radionics, Inc. Dr. Thomson holds a B.S. in Physics, an M.S. in Radiation Physics and a Ph.D. in Physics, with an emphasis on stereotactic brain radiotherapy, each from the University of London.

Robert E. McNamara has served as our Senior Vice President, Chief Financial Officer since December 2004. From March 2003 to June 2004, Mr. McNamara served initially as a consultant and then as Chief Executive Officer for InDefense, Inc., a security software company that was acquired by Microsoft, Inc. After the acquisition, Mr. McNamara provided consulting services to the surviving entity until November 2004. From March 2001 to August 2002, Mr. McNamara served as Senior Vice President and Chief Financial Officer of Recourse Technologies, Inc., a security software firm that was acquired by Symantec Corporation. After the acquisition, Mr. McNamara provided consulting services to the surviving entity from September 2002 to February 2003. From August 1999 to February 2001, Mr. McNamara founded and served as CFO for EB Direct, an online employee benefits provider, acquired by InsuranceWize. From August 1997 to July 1998, Mr. McNamara served as Executive Vice President and Chief Financial Officer for Somnus Medical Technologies, Inc., a medical device company. From August 1998 to August 1999, Mr. McNamara provided consulting services to Somnus. From April 1995 to August 1997, Mr. McNamara served as Chief Financial Officer of Target Therapeutics Inc., a medical device company. Mr. McNamara currently sits on the board of directors of Northstar Neuroscience Inc., a medical device company. Mr. McNamara holds a B.S. in Accounting from the University of San Francisco and an M.B.A. from the Wharton School at the University of Pennsylvania.

Chris A. Raanes has served as our Senior Vice President, Chief Operating Officer since October 2002. Between March 2002 and September 2002, Mr. Raanes was attending to personal

matters. From December 1999 to March 2002, Mr. Raanes served as Vice President and General Manager of Digital Imaging for PerkinElmer Optoelectronics, a business unit of PerkinElmer, Inc. From December 1998 to December 1999, Mr. Raanes was the General Manager of Amorphous Silicon, a business unit of PerkinElmer, Inc. From July 1992 to December 1998, Mr. Raanes held a number of positions, including President and General Manager of EG&G Reticon, a subsidiary of a predecessor to PerkinElmer. Mr. Raanes holds a B.S. and an M.S., each in Electrical Engineering, from the Massachusetts Institute of Technology.

Eric P. Lindquist has served as our Senior Vice President, Chief Marketing Officer since November 2004. From March 2004 to November 2004, Mr. Lindquist served as Senior Vice President of Marketing at Omnicell, Inc., a healthcare services company. From March 1997 to March 2004, Mr. Lindquist served in various senior management roles, including President of Brain LAB, Inc. and Director of North American Sales of BrainLAB AG, each a medical technology company. Mr. Lindquist holds a B.S. in Mechanical Engineering from Washington State University, an M.S. in Mechanical Engineering from Stanford University and an M.B.A. from the Haas School of Business at the University of California, Berkeley.

Wade B. Hampton has served as our Senior Vice President, Worldwide Sales since August 2006. From March 2003 to August 2006, Mr. Hampton served in various senior management roles, including Senior Vice President, Americas at Lumenis Ltd., a medical device company. From October 2001 to March 2003, he served as Vice President of International at Natus Medical, Inc., a medical device company. From September 1999 to October 2001 he served as Vice President of International at Coherent, Inc., a medical device company. From January 1997 to September 1999, he served in various positions, including President and Vice President, at Andros Incorporated, a scientific instrumentation company. Mr. Hampton holds a B.A. in Business Administration from the University of Florida.

Wayne Wu has served as a member of our board of directors since April 1998 and the Chairman of our board of directors since May 2004. Since June 2005, Mr. Wu has been the President of Pacific Health Investment, Inc., a life science investments company. From February 1998 through May 2005, he served as manager of Pacific Republic Capital Group, a life science investments fund. Mr. Wu holds a B.S. in Mathematics from the National Central University in Taiwan and an M.A. in Mathematics from the University of Southern California.

John R. Adler, Jr., M.D. is one of our founders and has served as a member of our board of directors since December 1990. From September 1999 through May 2004, Dr. Adler served as Chairman of our board of directors, and from October 1999 to March 2002, as our Chief Executive Officer. From January 1995 until July 1999, he served as the Vice Chairman of our board of directors. Since July 1987, Dr. Adler has been a member of the faculty at Stanford University and a Professor of Neurosurgery and Radiation Oncology at Stanford University since September 1998. Dr. Adler also serves on the editorial boards of Computer-Aided Surgery, The Journal of Medical Robotics and Computer Assisted Surgery, Chinese Journal of Clinical Oncology and Technology in Cancer Research and Treatment. Dr. Adler holds an A.B. in Biochemistry from Harvard College and an M.D. from Harvard Medical School.

Ted T.C. Tu has served as a member of our board of directors since May 2004. Since May 2005, Mr. Tu has served as the president of President International Development Corporation, an investment holding company, and since January 2006, Mr. Tu has been the president of President Life Sciences Co., Ltd. From May 2000 to May 2005, Mr. Tu served as Executive Vice President of President International Development Corporation. Mr. Tu holds a B.A. in Industry and Business Administration from National Taiwan University and an M.B.A. from the University of Houston.

Robert S. Weiss has served as a member of our board of directors since January 2007. Since January 2005, Mr. Weiss has served as the Executive Vice President and Chief Operating Officer of

The Cooper Companies, Inc., or Cooper, a global specialty medical products company. Prior to that, he served as Cooper's Executive Vice President since October 1995 and Chief Financial Officer from September 1989 to January 2005. Mr. Weiss also served as Cooper's Treasurer from September 1989 to March 2002. From March 1984 until October 1995 he served at Cooper in various roles, including Senior Vice President, Vice President and Corporate Controller. Mr. Weiss also serves on the board of directors of Cooper. Mr. Weiss holds a B.S. in Accounting from the University of Scranton.

Li Yu has served as a member of our board of directors since June 2004. Since December 1991, Mr. Yu has served as the Chairman of the board of directors and, since January 1993, as the President and Chief Executive Officer of Preferred Bank, a financial institution. From 1987 until December 1991, Mr. Yu served as President of Greenway International, a privately held real estate investment company. From 1982 to 1987, he served as Chairman of the Board of California Pacific National Bank, which was acquired by an entity subsequently acquired by Bank of America. Mr. Yu holds an M.B.A. from the University of California, Los Angeles.

Board Composition

Our board of directors may establish from time to time by resolution the authorized number of directors. Seven directors are currently authorized. We are in the process of identifying additional independent director candidates for our board of directors. In accordance with our amended and restated certificate of incorporation to be in effect upon the closing of this offering, our board of directors will be divided into three classes with staggered three-year terms. At each annual meeting of stockholders, the successors to directors whose terms then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. Our directors will be divided among the three classes as follows:

- the Class I directors will be , and , and their terms will expire at the annual meeting of stockholders to be held in 2007;
- the Class II directors will be and , and their terms will expire at the annual meeting of stockholders to be held in 2008; and
- the Class III directors will be and , and their terms will expire at the annual meeting of stockholders to be held in 2009.

Our amended and restated certificate of incorporation will provide that the authorized number of directors may be changed only by resolution of the board of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change of control at our company.

Board Committees

Our board of directors has the following committees: an audit committee and a compensation committee. Upon the closing of this offering, our board will also have a nominating and corporate governance committee. The composition and responsibilities of each committee are described below. Members serve on these committees until their resignation or until otherwise determined by our board.

Audit Committee

Our audit committee oversees our corporate accounting and financial reporting process. Among other matters, the audit committee evaluates the independent auditors' qualifications, independence and performance; determines the engagement of the independent auditors; reviews and approves the scope of the annual audit and the audit fee; discusses with management and the independent auditors

the results of the annual audit and the review of our quarterly consolidated financial statements; approves the retention of the independent auditors to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent auditors on the Accuray engagement team as required by law; reviews our critical accounting policies and estimates; oversees our internal audit function and annually reviews the audit committee charter and the committee's performance. The current members of our audit committee are Mr. Weiss, who is the chair of the committee, Mr. Yu and Mr. Wu. All members of our audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and NASDAQ. Our board has determined that Mr. Weiss is an audit committee financial expert as defined under the applicable rules of the SEC and has the requisite financial sophistication as defined under the applicable rules and regulations of NASDAQ. Mr. Weiss, Mr. Yu and Mr. Wu are independent directors as defined under the applicable rules and regulations of the SEC and NASDAQ. The audit committee operates under a written charter that satisfies the applicable standards of the SEC and NASDAQ.

Compensation Committee

Our compensation committee reviews and recommends policies relating to compensation and benefits of our officers and employees. The compensation committee reviews and approves corporate goals and objectives relevant to compensation of our chief executive officer and other executive officers, evaluates the performance of these officers in light of those goals and objectives, and sets the compensation of these officers based on such evaluations. The compensation committee also administers the issuance of stock options and other awards under our stock plans. The compensation committee will review and evaluate, at least annually, the performance of the compensation committee and its members, including compliance of the compensation committee with its charter. The current members of our compensation committee are Mr. Weiss, Mr. Wu and Mr. Yu, with Mr. Yu serving as the chair of the committee. Each of the members of our compensation committee are independent under the applicable rules and regulations of the SEC, NASDAQ and the Internal Revenue Service.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee will be responsible for making recommendations to our board of directors regarding candidates for directorships and the size and composition of our board. In addition, the nominating and corporate governance committee will be responsible for overseeing our corporate governance guidelines and reporting and making recommendations to our board concerning governance matters. The current members of our nominating and corporate governance committee are Mr. Weiss, Mr. Wu and Mr. Yu, with Mr. Wu serving as the chair of the committee. Each of the members of our nominating and corporate governance committee are independent under the applicable rules and regulations of the SEC and NASDAQ.

There are no family relationships among any of our directors or executive officers.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee has at any time during the prior three years been an officer or employee of ours. None of our executive officers currently serves or in the prior three years has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board or compensation committee.

Director Compensation

Following the closing of this offering, each non-management director (including Dr. Adler, but excluding any director who is also an employee) shall receive an annual cash retainer of $30,000 per

year, paid quarterly, except that the lead director shall receive an annual cash retainer of $60,000 per year, paid quarterly. Such directors shall also receive an additional annual cash retainer of $5,000 per year, paid quarterly, for being a member of our compensation committee, except that the chairperson of our compensation committee shall receive an additional annual cash retainer of $10,000 per year, paid quarterly. Non-management directors shall also receive an additional annual cash retainer of $3,000 per year, paid quarterly, for being a member of our nominating and corporate governance committee, except that the chairperson of our nominating and corporate governance committee shall receive an additional annual cash retainer of $5,000 per year, paid quarterly. Non-management directors shall also receive an additional annual cash retainer of $10,000 per year, paid quarterly, for being a member of our audit committee, except that the chairperson of our audit committee shall receive an additional annual cash retainer of $20,000 per year, paid quarterly.

To date, we have granted options to our non-employee directors (excluding Dr. Adler) who are not affiliated with any person, or group of affiliated persons, who beneficially own more than 5% of our voting securities, or Eligible Directors, in accordance with the following guidelines. Upon becoming a board member, each Eligible Director has received an option to purchase 90,000 shares of common stock. These options vest monthly over the first year of service such that 50% of the options are vested upon the first anniversary of the director's commencement of service. The remaining options vest monthly over the following two years. Each Eligible Director has also received an annual option grant to purchase 9,000 shares of common stock for serving on a board committee and an additional option grant to purchase 9,000 shares of common stock for serving as chair of a board committee. Option grants in connection with board committee service may not exceed 18,000 shares of common stock per year, regardless of the number of committees served on or chaired. All options described in the foregoing shall vest fully upon a change of control. Following the closing of this offering, each non-management director shall receive options or other stock awards at the discretion of our board of directors.

All of our directors are reimbursed for the reasonable expenses incurred in connection with attending the meetings of our board of directors.

In March 2004, we entered into a consulting agreement with Dr. Adler. This agreement had a term of two years. Under the consulting agreement, Dr. Adler provided consulting services and marketing support, including support of the CyberKnife Society. Dr. Adler was entitled to receive a minimum payment of $154,000 per year, payable at the end of each three months commencing March 1, 2004. Dr. Adler's compensation under this consulting agreement was not to exceed $175,000 per year. For his support of the CyberKnife Society, Dr. Adler received a retainer fee of $2,000 per month and was granted a stock option to purchase 100,000 shares of common stock, vesting monthly over three years, commencing on October 1, 2003. In April 2006, we entered into a new consulting agreement with Dr. Adler and terminated his prior consulting agreement. Under the existing consulting agreement, Dr. Adler is entitled to receive a maximum compensation of $137,000 per year, payable at the beginning of each quarter beginning on April 1, 2006. Additionally Dr. Adler entered into a consulting agreement with the CyberKnife Society in April 2006. We assumed the contractual obligations of the CyberKnife Society under this agreement, effective as of October 3, 2006. Under this consulting agreement, Dr. Adler provides services to the CyberKnife Society and is entitled to receive a maximum compensation of $76,000 per year, payable at the beginning of each quarter beginning on April 1, 2006. This agreement has a term of one year and will renew for successive one-year periods, unless 30 days' written notice of termination is provided by either party prior to the expiration of each one-year period. We paid Dr. Adler $10,300, $266,700 and $195,300 pursuant to these agreements during the years ended June 30, 2004, 2005 and 2006, respectively. For further information about the CyberKnife Society see "Certain Relationships and Related Transactions—The CyberKnife Society."

Executive Compensation

Summary Compensation Table

The following table presents compensation information for our fiscal year ended June 30, 2006 paid to or accrued for our chief executive officer and each of our four other most highly compensated executive officers who were serving as executive officers as of the end of June 30, 2006, who we refer to as our named executive officers. The compensation includes long-term awards granted in our 2006 fiscal year. The compensation table excludes other compensation in the form of perquisites and other personal benefits that constituted less than 10% of the total annual salary and bonus for the executive officer in the fiscal year ended June 30, 2006.

	Annual compensation[1]			Long-term compensation awards	
Name and principal position(s)	Salary	Bonus	Other annual compensation	Securities underlying options	All other compensation
Euan S. Thomson, Ph.D. Chief Executive Officer and President	$ 340,000	$ 265,200	—	198,000	—
Robert E. McNamara Sr. Vice President, Chief Financial Officer	$ 225,000	$ 99,000	—	150,000	—
Chris A. Raanes Sr. Vice President, Chief Operating Officer	$ 250,000	$ 120,000	—	60,000	—
Eric P. Lindquist Sr. Vice President, Chief Marketing Officer	$ 225,000	$ 99,000	—	35,000	—
John W. Allison, Ph.D.[2] Vice President, Engineering	$ 153,750	$ 21,000	$113,052	—	—
Curtis L. Goode Vice President, U.S. Sales	$ 199,500	$ 110,000	—	—	—

(1) Includes amounts earned but deferred at the election of the executive, such as salary deferrals under our 401(k) Plan.

(2) Dr. Allison left our company in March 2006. The amount included in Other Annual Compensation relates to severance payments made to Dr. Allison.

Option Grants in Fiscal Year 2006

The following table sets forth information regarding options granted to each of our named executive officers during the fiscal year ended June 30, 2006. The exercise prices of the options we granted were the fair market value of our common stock on the date of grant, as determined by our board of directors.

The potential realizable value is calculated based on the ten-year term of the option at the time of grant. The potential realizable values at 5% and 10% appreciation are calculated by:

- multiplying the number of shares of common stock underlying the option by the exercise price per share;
- assuming the aggregate stock value derived from that calculation compounds at the annual 5% or 10% rate shown in the table from June 30, 2006 until the expiration of the options; and
- subtracting from that result the aggregate option exercise price.

Stock price appreciation of 5% and 10% is assumed pursuant to the rules promulgated by the Securities and Exchange Commission and does not represent our prediction of our stock price performance. The options in this table were granted under our 1998 Equity Incentive Plan, have ten year terms and, unless otherwise noted, vest over a period of four years. We have not granted any stock appreciation rights.

The percentage shown below of options granted is based on options to purchase an aggregate of 1,407,883 shares of Common Stock we granted to employees during fiscal year 2006.

	Individual grants				Potential realizable value at assumed annual rates of stock price appreciation for option term	
Name	Number of securities underlying options granted	% of total options granted to employees in fiscal year 2006	Exercise price per share	Expiration date	5%	10%
Euan S. Thomson, Ph.D.	158,000	11.2%	$4.38	11/7/2015	$ 400,652	$996,980
	40,000	2.8%	$6.73	4/5/2016	$ 164,460	$414,065
Robert E. McNamara	150,000	10.7%	$4.38	11/7/2015	$ 380,366	$946,500
Chris A. Raanes	60,000	4.3%	$4.38	11/7/2015	$ 152,146	$378,600
Eric P. Lindquist	35,000	2.5%	$4.38	11/7/2015	$ 88,752	$220,850
John W. Allison, Ph.D[(1)]	—	—	—	—	—	—
Curtis L. Goode	—	—	—	—	—	—

(1) Dr. Allison left the company in March 2006.

Fiscal Year 2006 Option Values

The following table describes for our named executive officers the exercisable and unexercisable options held by them as of June 30, 2006. The "Value of Unexercised In-the-Money Options at June 30, 2006" shown in the table was calculated based on an assumed initial public offering price of $ per share, less the per share exercise price, multiplied by the number of shares issuable upon exercise of the option.

	Number of securities underlying unexercised options at June 30, 2006		Value of unexercised in-the-money options at June 30, 2006	
Name	Exercisable	Unexercisable	Exercisable	Unexercisable
Euan S. Thomson, Ph.D.	1,198,334	579,666		
Robert E. McNamara	187,500	462,500		
Chris A. Raanes	477,501	182,499		
Eric P. Lindquist	138,542	246,458		
John W. Allison, Ph.D.[(1)]	—	—		
Curtis L. Goode	151,042	98,958		

(1) Dr. Allison left the company in March 2006.

Employment, Change of Control and Severance Agreements

Euan S. Thomson, Ph.D.

On November 10, 2006, we entered into an employment letter agreement with Dr. Thomson which amends and restates our prior employment letter agreement with him. Under the agreement, Dr. Thomson will serve as our President and Chief Executive Officer. The agreement provides that he is entitled to receive an annual base salary of $420,000 and is eligible to participate in our executive bonus plan under which he may earn annual incentive bonuses targeted at 60% of his base salary based upon the attainment of performance criteria established and evaluated by our company. Subject to approval by our board and pursuant to our incentive award plan, our company has agreed to grant Dr. Thomson an option to purchase 40,000 shares of our common stock not later than the first regularly scheduled meeting of our board of each calendar year during the period of his employment by our company. Each such option will be granted with an exercise price per share equal to the fair market value of a share of our common stock on the date of grant and will vest in equal monthly installments over a 4-year period from the date of grant.

Under our letter agreement with Dr. Thomson, in the event of a termination of his employment by our company without "cause" or by Dr. Thomson for "good reason," as each term is defined in the agreement, Dr. Thomson will be entitled to receive a severance payment in an amount equal to the sum of 12 months of his annual base salary then in effect, a pro rata portion of his target annual bonus for the year of such termination, plus 100% of his target annual bonus then in effect. In addition, in the event of such a termination of employment, Dr. Thomson's then outstanding stock options will become vested and exercisable immediately prior to the effective time of such termination to the extent they would have become vested during the 12-month period following the date of such termination had he remained employed by our company through such period, and our company will pay for 12 months of COBRA continuation coverage for Dr. Thomson and his eligible dependents if he elects such coverage upon such a termination. In the event of a change in control of our company (as defined in the employment letter) during the term of Dr. Thomson's employment, all of his then outstanding stock options will become fully vested and exercisable immediately prior to the effective time of such change in control. If such a change in control occurs and Dr. Thomson's employment is terminated either (i) by our company without cause or by Dr. Thomson for good reason within twelve months following the change in control or (ii) by Dr. Thomson for any reason within the 30-day period immediately following the change in control, then in lieu of the severance payments and benefits described above, he will be entitled to receive a severance payment in an amount equal to the sum of 18 months of his annual base salary then in effect, a pro rata portion of his target annual bonus for the year of such termination, plus 150% of his target annual bonus then in effect. In addition, our company will pay for 18 months of COBRA continuation coverage for Dr. Thomson and his eligible dependents if he elects such coverage. The foregoing benefits and payments may be subject to a delay of up to 6 months as necessary to avoid the imposition of additional tax under Section 409A of the Code. In addition, if any payments or benefits payable to Dr. Thomson under the employment letter or otherwise would be subject to the excise tax under Section 4999 of the Code, such payments and/or benefits will be reduced to the extent necessary so that no amount will be subject to such excise tax, provided that such reduction will only occur if Dr. Thomson will be in a more favorable after-tax position than if no such reduction was made.

The employment letter also provides for certain restrictive covenants by Dr. Thomson, including a confidentiality covenant that will apply during his employment with our company and thereafter, a non-solicitation covenant for the duration of his employment and one year thereafter, and a non-competition covenant for the duration of his employment.

Robert E. McNamara

On November 10, 2006, we entered into an employment letter agreement with Mr. McNamara which amends and restates our prior employment letter agreement with him. Under the agreement, Mr. McNamara will serve as our Senior Vice President and Chief Financial Officer. The agreement provides that he is entitled to receive an annual base salary of $275,000 and is eligible to participate in our executive bonus plan under which he may earn annual incentive bonuses targeted at 40% of his base salary based upon the attainment of performance criteria established and evaluated by our company.

Under our letter agreement with Mr. McNamara, in the event of a termination of his employment by our company without "cause" or by Mr. McNamara for "good reason," as each term is defined in the agreement, or if a change in control of our company (as defined in the employment letter) occurs and Mr. McNamara terminates his employment for any reason within the 30-day period immediately following such change in control, then Mr. McNamara will be entitled to receive a severance payment in an amount equal to the sum of 12 months of his annual base salary then in effect, a pro rata portion of his target annual bonus for the year of such termination, plus 100% of his target annual bonus then in effect. In addition, our company will pay for 12 months of COBRA continuation coverage for Mr. McNamara and his eligible dependents if he elects such coverage upon such a termination. In the event of a termination of Mr. McNamara's employment by our company without cause or by Mr. McNamara for good reason prior to a change in control, Mr. McNamara's then outstanding stock options to purchase shares of our common stock will become vested and exercisable immediately prior to the effective time of such termination to the extent they would have become vested during the 12-month period following the date of such termination had he remained employed by our company through such period. In the event of a change in control of our company during the term of Mr. McNamara's employment, all of his then outstanding stock options will become fully vested and exercisable immediately prior to the effective time of such change in control. The foregoing benefits and payments may be subject to a delay of up to 6 months as necessary to avoid the imposition of additional tax under Section 409A of the Code. In addition, if any payments or benefits payable to Mr. McNamara under the employment letter or otherwise would be subject to the excise tax under Section 4999 of the Code, such payments and/or benefits will be reduced to the extent necessary so that no amount will be subject to such excise tax, provided that such reduction will only occur if Mr. McNamara will be in a more favorable after-tax position than if no such reduction was made.

The employment letter also provides for certain restrictive covenants by Mr. McNamara, including a confidentiality covenant that will apply during his employment with our company and thereafter, a non-solicitation covenant for the duration of his employment and one year thereafter, and a non-competition covenant for the duration of his employment.

Chris A. Raanes

On November 10, 2006, we entered into an employment letter agreement with Mr. Raanes which amends and restates our prior employment letter agreement with him. Under the agreement, Mr. Raanes will serve as our Senior Vice President and Chief Operating Officer. The agreement provides that he is entitled to receive an annual base salary of $290,000 and is eligible to participate in our executive bonus plan under which he may earn annual incentive bonuses targeted at 40% of his base salary based upon the attainment of performance criteria established and evaluated by our company.

Under our letter agreement with Mr. Raanes, in the event of a termination of his employment by our company without "cause" or by Mr. Raanes for "good reason," as each term is defined in the agreement, Mr. Raanes will be entitled to receive a severance payment in an amount equal to the sum of 8 months of his annual base salary then in effect, a pro rata portion of his target annual bonus for

the year of such termination, plus 66$^{2}/_{3}$% of his target annual bonus then in effect. In addition, our company will pay for 8 months of COBRA continuation coverage for Mr. Raanes and his eligible dependents if he elects such coverage upon such a termination. If a change in control of our company (as defined in the employment letter) occurs during the term of Mr. Raanes' employment and his employment is terminated by our company without cause or by Mr. Raanes for good reason, in each case within the 12-month period following the change in control, then in addition to the foregoing severance payments and benefits, all of Mr. Raanes' then outstanding stock options to purchase shares of our common stock will become fully vested and exercisable immediately prior to the effective time of such termination of employment. The foregoing benefits and payments may be subject to a delay of up to 6 months as necessary to avoid the imposition of additional tax under Section 409A of the Code. In addition, if any payments or benefits payable to Mr. Raanes under the employment letter or otherwise would be subject to the excise tax under Section 4999 of the Code, such payments and/or benefits will be reduced to the extent necessary so that no amount will be subject to such excise tax, provided that such reduction will only occur if Mr. Raanes will be in a more favorable after-tax position than if no such reduction was made.

The employment letter also provides for certain restrictive covenants by Mr. Raanes, including a confidentiality covenant that will apply during his employment with our company and thereafter, a non-solicitation covenant for the duration of his employment and one year thereafter, and a non-competition covenant for the duration of his employment.

Eric P. Lindquist

On November 10, 2006, we entered into an employment letter agreement with Mr. Lindquist which amends and restates our prior employment letter agreement with him. Under the agreement, Mr. Lindquist will serve as our Senior Vice President and Chief Marketing Officer. The agreement provides that he is entitled to receive an annual base salary of $275,000 and is eligible to participate in our executive bonus plan under which he may earn annual incentive bonuses targeted at 40% of his base salary based upon the attainment of performance criteria established and evaluated by our company.

Under our letter agreement with Mr. Lindquist, in the event of a termination of his employment by our company without "cause" or by Mr. Lindquist for "good reason," as each term is defined in the agreement, Mr. Lindquist will be entitled to receive a severance payment in an amount equal to the sum of 8 months of his annual base salary then in effect, a pro rata portion of his target annual bonus for the year of such termination, plus 66$^{2}/_{3}$% of his target annual bonus then in effect. In addition, our company will pay for 8 months of COBRA continuation coverage for Mr. Lindquist and his eligible dependents if he elects such coverage upon such a termination. If a change in control of our company (as defined in the employment letter) occurs during the term of Mr. Lindquist's employment and his employment is terminated by our company without cause or by Mr. Lindquist for good reason, in each case within the 12-month period following the change in control, then in addition to the foregoing severance payments and benefits, all of Mr. Lindquist's then outstanding stock options to purchase shares of our common stock will become fully vested and exercisable immediately prior to the effective time of such termination of employment. The foregoing benefits and payments may be subject to a delay of up to 6 months as necessary to avoid the imposition of additional tax under Section 409A of the Code. In addition, if any payments or benefits payable to Mr. Lindquist under the employment letter or otherwise would be subject to the excise tax under Section 4999 of the Code, such payments and/or benefits will be reduced to the extent necessary so that no amount will be subject to such excise tax, provided that such reduction will only occur if Mr. Lindquist will be in a more favorable after-tax position than if no such reduction was made.

The employment letter also provides for certain restrictive covenants by Mr. Lindquist, including a confidentiality covenant that will apply during his employment with our company and thereafter, a

non-solicitation covenant for the duration of his employment and one year thereafter, and a non-competition covenant for the duration of his employment. In addition, we have agreed to indemnify Mr. Lindquist in the event a suit is filed against him in connection with his non-competition agreement with a former employer.

John W. Allison, Ph.D.

In July 2004, we entered into an offer letter agreement with Dr. Allison, our former Vice President, Engineering. Under the agreement Dr. Allison was entitled to receive an initial base salary of $205,000, subject to increase by our board, and was eligible to participate in our executive bonus arrangements under which Dr. Allison may earn incentive bonuses up to 40% of his base salary based upon achievement of objectives by our company and personal objectives set by our board. In addition, Dr. Allison received an additional one-time bonus of $20,000 paid after six months of full employment by us. Dr. Allison was granted an option to purchase 250,000 shares of common stock at an exercise price of $2.50 per share. Such options vest 25% upon the anniversary of Dr. Allison's commencement of employment with our company, 1/12 of the aggregate number of shares subject to the option vest monthly over the next 16 months, 1/2 of the aggregate number of shares subject to the option vest monthly over the next 24 months and 1/6 of the aggregate number of shares subject to the option vest monthly over the final nine months, such that all options are vested upon the fourth anniversary of Dr. Allison's commencement of employment with our company.

In March 2006, Dr. Allison ended his employment with our company under terms set forth in his separation agreement. Under this agreement, Dr. Allison was entitled to receive severance payments equal to six months of his base salary, two weeks of salary for every year employed and a lump sum payment of $35,000.

Wade B. Hampton

On November 10, 2006, we entered into an employment letter agreement with Mr. Hampton which amends and restates our prior employment letter agreement with him. Under the agreement, Mr. Hampton will serve as our Senior Vice President, Worldwide Sales. The agreement provides that he is entitled to receive an annual base salary of $250,000 and is eligible to participate in our executive bonus plan under which he may earn annual incentive bonuses targeted at 75% of his base salary based upon the attainment of performance criteria established and evaluated by our company. In addition, pursuant to our incentive award plan and the terms of our prior employment letter agreement with him, our company has granted Mr. Hampton an option to purchase 250,000 shares of our common stock with an exercise price per share equal to $10.00. The option will vest over a 4-year period from the date of commencement of Mr. Hampton's employment with our company, with 25% of the shares subject to the option vesting on the first anniversary of such date, and the remaining 75% vesting in equal monthly installments on each monthly anniversary thereafter. Our company has agreed to recommend to our board that our company grant Mr. Hampton an additional option no later than the September 30 following each of the first three anniversaries of Mr. Hampton's commencement of employment with our company to purchase 100,000 shares of our common stock, with each such option to have an exercise price per share equal to the fair market value of a share of our common stock on the date of grant and to vest in equal monthly installments over a 4-year period from the date of grant.

Under our letter agreement with Mr. Hampton, in the event of a termination of his employment by our company without "cause" or by Mr. Hampton for "good reason," as each term is defined in the agreement, Mr. Hampton will be entitled to receive a severance payment in an amount equal to the sum of 6 months of his annual base salary then in effect, a pro rata portion of his target annual bonus for the year of such termination, plus 50% of his target annual bonus then in effect. In addition, our company will pay for six months of COBRA continuation coverage for Mr. Hampton and his eligible dependents if he elects such coverage upon such a termination. If a change in control of our company

(as defined in the employment letter) occurs during the term of Mr. Hampton's employment and his employment is terminated by our company without cause or by Mr. Hampton for good reason, in each case within the 12-month period following the change in control, then in addition to the foregoing severance payments and benefits, all of Mr. Hampton's then outstanding stock options to purchase shares of our common stock will become fully vested and exercisable immediately prior to the effective time of such termination of employment. The foregoing benefits and payments may be subject to a delay of up to six months as necessary to avoid the imposition of additional tax under Section 409A of the Code. In addition, if any payments or benefits payable to Mr. Hampton under the employment letter or otherwise would be subject to the excise tax under Section 4999 of the Code, such payments and/or benefits will be reduced to the extent necessary so that no amount will be subject to such excise tax, provided that such reduction will only occur if Mr. Hampton will be in a more favorable after-tax position than if no such reduction was made.

The employment letter also provides for certain restrictive covenants by Mr. Hampton, including a confidentiality covenant that will apply during his employment with our company and thereafter, a non-solicitation covenant for the duration of his employment and one year thereafter, and a non-competition covenant for the duration of his employment.

Executive Officer Bonuses

In August 2006, our board of directors and our compensation committee approved 2007 bonuses for certain of our executive officers. Our board of directors designated for each executive officer a target bonus amount, expressed as a percentage of his or her base salary (60% for our chief executive officer, 40% for our senior vice presidents). Our executive officers are eligible to receive bonuses if certain individual and corporate performance criteria are achieved during the 2007 fiscal year, and such bonuses are payable in cash. Furthermore, executive officers are entitled to receive a discretionary bonus amount, which may be in addition to or subtracted from such officer's target bonus amount, also expressed as a percentage of his or her base salary (50% for our chief executive officer, 30% for our senior vice presidents). Bonus payments will be based on the compensation committee's evaluation of our achievement of corporate performance goals for 2007, which were determined by the compensation committee. The use of corporate performance goals is intended to establish a link between the executive's pay and our business performance. The individual performance of each of the executive officers during 2007 will be evaluated according to the achievement of individual performance goals, which were approved by the chief executive officer and the relevant vice presidents prior to the approval of the 2007 executive bonuses by our board of directors. The board of directors is responsible for approving any bonus payment to our chief executive officer pursuant to the 2007 executive bonuses and the compensation committee is responsible for approving any bonus payment to any other executive officer pursuant to the 2007 executive bonuses.

1993 Stock Option Plan

Our 1993 Stock Option Plan was adopted by our board in 1993. The maximum number of shares of our common stock that may be issued or awarded under the 1993 Stock Option Plan is 1,744,268 shares. As of December 31, 2006, options to purchase approximately 450,000 shares of our common stock were outstanding under this plan. We do not intend to grant any additional options under the 1993 Stock Option Plan after the completion of this offering. The following is a description of the material features and provisions of the 1993 Stock Option Plan as it relates to these outstanding options.

Stock Options

Under the 1993 Stock Option Plan, we may grant incentive stock options intended to qualify for special tax treatment under Section 422 of the Code and non-qualified stock options. The term of

options granted under the 1993 Stock Option Plan may not exceed 10 years, except that in the case of an incentive stock option granted to an individual who owns more than 10% of our stock, the term of such option may not exceed 5 years. The plan provides that the exercise price of incentive stock options granted under the plan may not be less than the fair market value of our common stock at the time of grant, and the exercise price of non-qualified stock options may not be less than 85% of the fair market value of our common stock at the time of grant. Options granted to an individual who owns more than 10% of our stock at the time of grant must have an exercise price not less than 110% of the fair market value of our common stock at the time of grant. The 1993 Stock Option Plan provides that the vesting and exercisability period of options granted under the plan will be determined by the plan administrator and set forth in the stock option agreement evidencing the option grant. During the lifetime of the optionee, the option is exercisable only by the optionee. Options are not assignable or transferable by the optionee, except by will or by the laws of descent and distribution.

Administration

The 1993 Stock Option Plan is administered by our board or a duly appointed committee of our board. Our board (or its committee) determines all questions of interpretation of the plan and any options granted under this plan, and such determinations are final and binding.

Eligibility

Under the terms of the 1993 Stock Option Plan, incentive stock options may only be granted to our employees (including officers and directors who were also employees) and employees of qualifying parent or subsidiary corporations. Non-qualified stock options may be granted to employees, directors and individuals who render services as consultants, advisors or other independent contractors.

Adjustments/Change of Control

The 1993 Stock Option Plan provides that in the event of a stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification or like change in our capital structure, then equitable adjustments may be made to the number of shares and exercise prices of the remaining outstanding options. In addition, the plan provides that in the case of a transfer of control (as defined in the plan), the plan administrator may, in its sole discretion, provide that any unexercisable and/or unvested portion of the outstanding options will be immediately exercisable and vested as of a date prior to the transfer of control, or arrange with the surviving, continuing, successor or purchaser corporation (or its parent corporation) for such corporation to either assume our rights and obligations under outstanding options or substitute options for such corporation for such outstanding options.

Termination or Amendment

The 1993 Stock Option Plan provides that our board can terminate or amend this plan at any time, although certain amendments may require stockholder approval and an amendment cannot adversely affect any rights under an outstanding grant without the grantee's consent, unless such an amendment is required to enable an option designated as an incentive stock option to qualify as an incentive stock option.

1998 Equity Incentive Plan

Our 1998 Equity Incentive Plan was originally adopted by our board of directors and approved by our stockholders in 1998. Subject to certain adjustments set forth in the plan, the maximum number of shares of our common stock that may be issued or awarded under 1998 Equity Incentive Plan is 14,100,000 shares. As of December 31, 2006, options to purchase 11,714,319 shares of our common stock were outstanding under this plan. We do not intend to grant any additional awards under the

1998 Equity Incentive Plan after the consummation of this offering. The following is a description of the material features and provisions of the 1998 Equity Incentive Plan.

Awards

Under the 1998 Equity Incentive Plan, we may grant incentive stock options intended to qualify for special tax treatment under Section 422 of the Code, non-qualified stock options, stock grants, stock appreciation rights and stock purchase rights. As of December 31, 2006, only stock options have been granted under this plan.

Stock Options and Stock Appreciation Rights

Options granted under the 1998 Equity Incentive Plan will be designated as incentive stock options or non-qualified stock options. Notwithstanding whether an option is designated as an incentive stock option, to the extent that the aggregate fair market value of the shares with respect to which such designated incentive stock option is exercisable for the first time by any optionee during any calendar year exceeds $100,000, such excess options will be treated as non-qualified stock options. Subject to the grantee's continued employment, options and stock appreciation rights generally vest at a rate of at least 20% per year over not more than five years from the date of grant, but the plan administrator has the authority to provide that an option may become fully exercisable, subject to reasonable conditions such as continued employment, at any time or during any period established by the plan administrator. Each option or stock appreciation right will expire after a term determined at the time of grant. However, in the case of an incentive stock option such term shall not exceed 10 years, and in the case of an option granted to a person who owns more than 10% of our stock on the date of grant, such term shall not exceed 5 years. The plan provides that incentive options may not have exercise prices less than the fair market value at the time of grant, and non-qualified stock options may not have exercise prices less than 85% of the fair market value at the time of grant. If the grantee owns more than 10% of our stock, the option may not have an exercise price less than 110% of the fair market value at the time of grant. Stock appreciation rights will be settled in cash or shares (or some combination thereof) having a value, at the time of settlement, equal to the difference between the initial value assigned to the stock appreciation right and the fair market value of our shares at the time of settlement.

The 1998 Equity Incentive Plan provides that if a grantee's employment or consulting relationship with us terminates, other than for disability or death, the grantee may, within 90 days after termination (or such other period of time as determined by the plan administrator), exercise his or her option or stock appreciation right to the extent that the option or stock appreciation right has vested by the date of termination. If a grantee's employment with us terminates due to death or disability, the grantee (or the grantee's estate) may, within 12 months thereafter, exercise his or her option or stock appreciation right to the extent that the option or stock appreciation right has vested by the date of termination of employment or consulting relationship. Other than by will or other transfer on death, options and stock appreciation rights are not transferable.

Stock Grants and Stock Purchase Rights

Stock grants and stock purchase rights may be issued either alone, in addition to, or in tandem with other awards granted under the plan and/or cash awards made outside of the plan. Stock purchase rights confer on the grantee the right to purchase some number of shares of our common stock determined by the plan administrator. The plan provides that the purchase price of the shares subject to stock purchase rights granted under the plan may not be less than 50% of the fair market value of the shares as of the date of the offer. Stock purchase rights cease to be exercisable not later than 30 days after grant. The offer of a stock grant or stock purchase right is accepted by execution of a restricted stock purchase agreement, in a form determined by the plan administrator.

Administration

The 1998 Equity Incentive Plan is currently administered by our compensation committee. The administrator, whether our board or a committee, has the authority to determine the fair market value of the common stock for the purposes of making an award, select the eligible persons to whom awards may be granted, make the awards, determine the number of shares to be covered by each award, offer to buy out for cash or shares a granted option or stock appreciation right and determine the form, terms and conditions of any agreement by which any award is made. The administrator may also determine, among other things, whether an option or stock appreciation right will be paid in cash rather than stock and the restrictions applicable to any stock grants or purchase rights.

Eligibility

Under the terms of the 1998 Equity Incentive Plan, non-qualified stock options, stock appreciation rights, stock grants and stock purchase rights may be granted to employees, non-employee directors and consultants of our company and our qualifying parent or subsidiary corporations. Incentive stock options may be granted only to our employees (including officers and directors who are also employees) and employees of qualifying parent or subsidiary corporations.

Foreign Participants

In order to comply with the laws in other countries in which we and our subsidiaries operate or have persons eligible to participate in the plan, the plan administrator has the power to determine which of our subsidiaries will be covered by the plan, determine which of our directors, employees and consultants outside the United States are eligible to participate in the plan, modify the terms and conditions of any award granted to such eligible individuals to comply with applicable foreign laws, establish subplans and modify any terms and procedures (with certain exceptions), and take any action that it deems advisable with respect to local governmental regulatory exemptions or approvals.

Adjustments

If a stock split, reverse stock split, stock dividend, combination or reclassification of our common stock, or any other increase or decrease in the number of issued shares of our common stock occurs without receipt of consideration by us, then our board can make equitable adjustments to the terms of the 1998 Equity Incentive Plan. In particular, our board can make an equitable adjustment in the number of shares authorized for issuance under this plan but as to which no options or stock appreciation rights have yet been granted or which have been returned to the 1998 Equity Incentive Plan upon cancellation or expiration of an option or stock appreciation right, as well as the price per share covered by each outstanding option or stock appreciation right.

Change of Control

The 1998 Equity Incentive Plan includes change of control provisions which may result in the accelerated vesting of outstanding option grants and stock appreciation rights. In the event of a merger or consolidation of our company with or into another corporation or the sale of all or substantially all of our assets, any outstanding options and stock appreciation rights will be assumed or an equivalent option or stock appreciation right will be substituted by the successor corporation or its parent or subsidiary. In the event that the successor corporation does not agree to assume or substitute outstanding options and stock appreciation rights granted under this plan, our board will provide for the participants to have the right to exercise all such options or stock appreciation rights previously granted, including those which would not otherwise be exercisable. Such options and stock appreciation rights will be considered assumed if, following the merger, each option or stock appreciation right confers the right to purchase, or receive the appreciation in fair market value, for each share of stock

subject to the option or stock appreciation right immediately prior to the merger, the consideration received in the merger by our stockholders. However, if the consideration received in the merger is not solely common stock of the successor corporation or its parent, our board may, with the consent of the successor corporation and the plan participants, provide for the consideration to be received upon exercise of the option or stock appreciation right to be solely common stock of the successor corporation or its parent equal in fair market value to the per share consideration received by our stockholders.

Termination or Amendment

The 1998 Equity Incentive Plan provides that our board can amend, alter, suspend or discontinue this plan at any time, although certain amendments may require stockholder approval and an amendment cannot adversely affect any rights under an outstanding grant without the grantee's consent.

2007 Incentive Award Plan

Our board of directors has adopted, subject to stockholder approval, our 2007 Incentive Award Plan, for the benefit of employees and consultants of our company and our subsidiaries and members of our board. The 2007 Incentive Award Plan will become effective upon the closing of this offering. No determination has been made as to the types or amounts of awards that will be granted to specific individuals pursuant to the plan. The following is a description of the material features and provisions of the 2007 Incentive Award Plan.

Shares Available for Awards

Subject to certain adjustments set forth in the plan, the maximum number of shares of our common stock that may be issued or awarded under the 2007 Incentive Award Plan is 4,500,000 shares. In addition, the number of shares that may be issued or awarded under the plan will be automatically increased on the first day of each of our fiscal years during the term of the plan, commencing on July 1, 2008, by a number of shares equal to the lessor of: (1) 3% of our outstanding capital stock on such date; (2) 1,500,000 shares; or (3) a lesser amount determined by our board of directors. If any shares covered by an award granted under the plan are forfeited, or if an award expires or terminates, the shares covered by the award will again be available for grant under the plan. With respect to the exercise of stock appreciation rights, only the number of shares actually issued upon such exercise will be counted against the shares available under the plan.

Awards

The 2007 Incentive Award Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights, performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, performance bonus awards, and performance-based awards to eligible individuals. Except as otherwise provided by the plan administrator, no award granted under the plan may be assigned, transferred or otherwise disposed of by the grantee, except by will or the laws of descent and distribution.

The maximum number of shares of our common stock which may be subject to awards granted to any one participant during any calendar year is 500,000 and the maximum amount that may be paid to a participant in cash during any calendar year with respect to cash-based awards is $1,000,000. However, these limits will not apply until the earliest of the first material modification of the plan, the issuance of all of the shares reserved for issuance under the plan, the expiration of the plan, or the first meeting of our stockholders at which directors are to be elected that occurs more than three years after the completion of this offering.

Stock Options

Stock options, including both nonqualified stock options and incentive stock options, within the meaning of Section 422 of the Code, may be granted under the 2007 Incentive Award Plan. The option exercise price of all stock options granted pursuant to the plan will not be less than 100% of the fair market value of our stock on the date of grant. No incentive stock option may be granted to a grantee who owns more than 10% of our stock unless the exercise price is at least 110% of the fair market value at the time of grant. Notwithstanding whether an option is designated as an incentive stock option, to the extent that the aggregate fair market value of the shares with respect to which such option is exercisable for the first time by any optionee during any calendar year exceeds $100,000, such excess will be treated as a nonqualified stock option.

Payment of the exercise price of an option may be made in cash or, with the consent of the plan administrator, shares of our stock with a fair market value on the date of delivery equal to the exercise price of the option or exercised portion thereof or other property acceptable to the plan administrator (including the delivery of a notice that the participant has placed a market sell order with a broker with respect to shares then issuable upon exercise of the option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to us in satisfaction of the option exercise price). However, no participant who is a member of our board of directors or an "executive officer" of Accuray within the meaning of Section 13(k) of the Securities Exchange Act of 1934, as amended, or Exchange Act, will be permitted to pay the exercise price of an option in any method which would violate Section 13(k) of the Exchange Act.

Stock options may be exercised as determined by the plan administrator, but in no event after the tenth anniversary of the date of grant. However, in the case of an incentive stock option granted to a person who owns more than 10% of our stock on the date of grant, such term will not exceed 5 years.

Restricted Stock

Eligible employees, consultants and directors may be issued restricted stock in such amounts and on such terms and conditions as determined by the plan administrator. Restricted stock will be evidenced by a written restricted stock agreement. The restricted stock agreement will contain restrictions on transferability and other such restrictions as the plan administrator may determine, including, without limitation, limitations on the right to vote restricted stock or the right to receive dividends on the restricted stock. These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the plan administrator determines at the time of grant of the award or thereafter.

Stock Appreciation Rights

A stock appreciation right, or SAR, is the right to receive payment of an amount equal to the excess of the fair market value of a share of our stock on the date of exercise of the SAR over the fair market value of a share of our stock on the date of grant of the SAR. The plan administrator may issue SARs in such amounts and on such terms and conditions as it may determine, consistent with the terms of the plan. The plan administrator may elect to pay SARs in cash, in our stock or in a combination of cash and our stock.

Other Awards Under the Plan

The 2007 Incentive Award Plan provides that the plan administrator may also grant or issue performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, performance bonus awards and performance-based awards or any combination thereof to eligible employees, consultants and directors. The term of each such grant or issuance will be

set by the plan administrator in its discretion. The plan administrator may establish the exercise price or purchase price, if any, of any such award.

Payments with respect to any such award will be made in cash, in our stock or in a combination of cash and our stock, as determined by the plan administrator. Any such award will be subject to such additional terms and conditions as determined by the plan administrator and will be evidenced by a written award agreement.

Performance shares. Awards of performance shares are denominated in a number of shares of our stock and may be linked to any one or more performance criteria determined appropriate by the plan administrator, in each case on a specified date or dates or over any period or periods determined by the plan administrator.

Performance stock units. Awards of performance stock units are denominated in unit equivalent of shares of our stock and/or units of value, including dollar value of shares of our stock, and may be linked to any one or more performance criteria determined appropriate by the plan administrator, in each case on a specified date or dates or over any period or periods determined by the plan administrator.

Dividend equivalents. Dividend equivalents are rights to receive the equivalent value (in cash or our stock) of dividends paid on our stock. They represent the value of the dividends per share paid by us, calculated with reference to the number of shares that are subject to any award held by the participant.

Stock payments. Stock payments include payments in the form of our stock, options or other rights to purchase our stock made in lieu of all or any portion of the compensation that would otherwise be paid to the participant. The number of shares will be determined by the plan administrator and may be based upon specific performance criteria determined appropriate by the plan administrator, determined on the date such stock payment is made or on any date thereafter.

Deferred stock. Deferred stock may be awarded to participants and may be linked to any performance criteria determined to be appropriate by the plan administrator. Stock underlying a deferred stock award will not be issued until the deferred stock award has vested, pursuant to a vesting schedule or performance criteria set by the plan administrator, and unless otherwise provided by the plan administrator, recipients of deferred stock generally will have no rights as a stockholder with respect to such deferred stock until the time the vesting conditions are satisfied and the stock underlying the deferred stock award has been issued.

Restricted stock units. Restricted stock units may be granted to any participant in such amounts and subject to such terms and conditions as determined by the plan administrator. At the time of grant, the plan administrator will specify the date or dates on which the restricted stock units will become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate. At the time of grant, the plan administrator will specify the maturity date applicable to each grant of restricted stock units which will be no earlier than the vesting date or dates of the award and may be determined at the election of the participant. On the maturity date, we will transfer to the participant one unrestricted, fully transferable share of our stock for each restricted stock unit scheduled to be paid out on such date and not previously forfeited.

Performance bonus awards. Any participant selected by the plan administrator may be granted a cash bonus payable upon the attainment of performance goals that are established by the plan administrator and relate to any one or more performance criteria determined appropriate by the plan administrator on a specified date or dates or over any period or periods determined by the plan administrator. Any such cash bonus paid to a "covered employee" within the meaning of Section 162(m) of the Code may be a performance-based award as described below.

Performance-Based Awards

The plan administrator may grant awards other than options and stock appreciation rights to employees who are or may be "covered employees," as defined in Section 162(m) of the Code, that are intended to be performance-based awards within the meaning of Section 162(m) of the Code in order to preserve the deductibility of these awards for federal income tax purposes. Participants are only entitled to receive payment for a performance-based award for any given performance period to the extent that pre-established performance goals set by the plan administrator for the period are satisfied. With regard to a particular performance period, the plan administrator will have the discretion to select the length of the performance period, the type of performance-based awards to be granted, and the goals that will be used to measure the performance for the period. In determining the actual size of an individual performance-based award for a performance period, the plan administrator may reduce or eliminate (but not increase) the award. Generally, a participant will have to be employed by us or any of our qualifying subsidiaries on the date the performance-based award is paid to be eligible for a performance-based award for any period.

Administration

With respect to stock option grants and other awards granted to our independent directors, the 2007 Incentive Award Plan will be administered by our full board of directors. With respect to all other awards, the plan will be administered by a committee consisting of at least two directors, each of whom qualifies as a non-employee director pursuant to Rule 16b of the Exchange Act, an "outside director" pursuant to Section 162(m) of the Code and an independent director under the rules of the principal securities market on which our shares are traded. Immediately following the completion of this offering, this committee will be our compensation committee. In addition, our board may at any time exercise any rights and duties of the committee under the plan except with respect to matters which under Rule 16b-3 under the Exchange Act or Section 162(m) of the Code are required to be determined in the sole discretion of the committee.

The plan administrator will have the exclusive authority to administer the plan, including, but not limited to, the power to determine award recipients, the types and sizes of awards, the price and timing of awards and the acceleration or waiver of any vesting restriction. Only our employees and employees of our qualifying corporate subsidiaries are eligible to be granted options that are intended to qualify as "incentive stock options" under Section 422 of the Code.

Eligibility

Persons eligible to participate in the 2007 Incentive Award Plan include all members of our board of directors and all employees and consultants of our company and our subsidiaries, as determined by the plan administrator.

Foreign Participants

In order to comply with the laws in other countries in which we and our subsidiaries operate or have persons eligible to participate in the plan, the plan administrator will have the power to determine which of our subsidiaries will be covered by the plan, determine which of our directors, employees and consultants outside the United States are eligible to participate in the plan, modify the terms and conditions of any award granted to such eligible individuals to comply with applicable foreign laws, establish subplans and modify any terms and procedures (with certain exceptions), and take any action that it deems advisable with respect to local governmental regulatory exemptions or approvals.

Adjustments

If there is any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of our assets to stockholders, or any other change affecting the shares of our stock or the share price of our stock, the plan administrator will make proportionate adjustments to any or all of the following in order to reflect such change: (i) the aggregate number and type of shares that may be issued under the plan, (ii) the terms and conditions of any outstanding awards (including, without limitation, any applicable performance targets or criteria with respect thereto), and (iii) the grant or exercise price per share for any outstanding awards under the plan. Any adjustment affecting an award intended as "qualified performance-based compensation" will be made consistent with the requirements of Section 162(m) of the Code. The plan administrator also has the authority under the 2007 Incentive Award Plan to take certain other actions with respect to outstanding awards in the event of a corporate transaction, including provision for the cash-out, termination, assumption or substitution of such awards.

Change of Control

Except as may otherwise be provided in any written agreement between the participant and us, in the event of a change of control of our company in which awards are not converted, assumed, or replaced by the successor, such awards will become fully exercisable and all forfeiture restrictions on such awards will lapse. Upon, or in anticipation of, a change of control, the plan administrator may cause any and all awards outstanding under the 2007 Incentive Award Plan to terminate at a specific time in the future and will give each participant the right to exercise such awards during a period of time as the plan administrator, in its sole and absolute discretion, determines.

Termination or Amendment

With the approval of our board of directors, the plan administrator may terminate, amend, or modify the 2007 Incentive Award Plan at any time. However, stockholder approval will be required for any amendment to the extent necessary and desirable to comply with any applicable law, regulation or stock exchange rule, to increase the number of shares available under the plan, to permit the grant of options with an exercise price below fair market value on the date of grant, or to extend the exercise period for an option beyond ten years from the date of grant. In addition, absent stockholder approval, no option may be amended to reduce the per share exercise price of the shares subject to such option below the per share exercise price as of the date the option was granted and, except to the extent permitted by the plan in connection with certain changes in capital structure, no option may be granted in exchange for, or in connection with, the cancellation or surrender of an option having a higher per share exercise price.

2007 Employee Stock Purchase Plan

Our board of directors has adopted, subject to stockholder approval, our 2007 Employee Stock Purchase Plan. The plan will become effective upon the closing of this offering. The following is a description of the material features and provisions of the plan.

Administration

The 2007 Employee Stock Purchase Plan will be administered by a committee consisting of at least two members of our board of directors, each of whom is a "non-employee director" for purposes of Rule 16b-3 under the Exchange Act. Initially, this committee will be the compensation committee of our board. Subject to the terms and conditions of the plan, the committee has the authority to make all determinations and to take all other actions necessary or advisable for the administration of the plan.

The committee is also authorized to adopt, amend and rescind rules relating to the administration of the plan. Our board of directors may at any time exercise the rights and duties of the committee to administer the plan.

Eligibility

Our employees and the employees of our designated subsidiaries who customarily work more than 20 hours per week and more than five months per calendar year are eligible to participate in the 2007 Employee Stock Purchase Plan. Each eligible employee who is employed by us or any of our designated subsidiaries on the day immediately preceding the effective date of this prospectus will automatically become a participant in the plan with respect to the first purchase period. Each person who, during the course of an purchase period, becomes an eligible employee subsequent to the enrollment date will be eligible to become a participant in the plan on the first day of the first purchase period following the day on which he or she becomes an eligible employee. However, no employee is eligible to participate in the plan if, immediately after the election to participate, such employee would own stock (including stock such employee may purchase under outstanding rights under the plan) representing 5% or more of the total combined voting power or value of all classes of our stock or the stock of any of our parent or subsidiary corporations. In addition, no employee is permitted to participate if the rights of the employee to purchase our common stock under the plan and all similar purchase plans maintained by us or our subsidiaries would accrue at a rate which exceeds $25,000 of the fair market value of such stock (determined at the time the right is granted) for each calendar year.

Shares Reserved

Subject to certain adjustments set forth in the plan, the maximum number of shares of our common stock that may be issued under the 2007 Employee Stock Purchase Plan is 1,000,000 shares. In addition, the number of shares available for issuance under the plan will be automatically increased on the first day of each of our fiscal years during the term of the plan, commencing on July 1, 2008, by a number of shares equal to the least of: (1) 1% of our outstanding capital stock on such date; (2) 1,000,000 shares; or (3) a lesser amount determined by our board of directors.

Enrollment

Except with respect to the first offering period, eligible employees become participants in the 2007 Employee Stock Purchase Plan by executing a subscription agreement and filing it with us 15 days (or such shorter or longer period as may be determined by the plan administrator) prior to the applicable enrollment date. By enrolling in the plan, a participant is deemed to have elected to purchase the maximum number of whole shares of our common stock that can be purchased with the compensation withheld during each purchase period for which the participant is enrolled.

Terms

Offerings; exercise dates. Under the 2007 Employee Stock Purchase Plan, the first purchase period will begin on the effective date of this Registration Statement and will continue until November 30, 2007. After the first purchase period, a new six-month purchase period will begin on each June 1st and December 1st thereafter during the term of the plan, such that there will be two six-month purchase periods each year. Under the plan, purchases will be made once during each purchase period on the last trading day of such purchase period, and the dates of such purchases will be "exercise dates". The plan administrator may change the duration and timing of purchase periods and exercise dates under the plan.

Price and payment. Employees electing to participate in the 2007 Employee Stock Purchase Plan will authorize payroll deductions made on each pay day during each purchase period until the

employee instructs us to stop the deductions or until the employee's employment is terminated. Participants may contribute up to 10% of their compensation through payroll deductions, and the accumulated deductions will be applied to the purchase of shares on each semi-annual exercise date. Compensation for purposes of the plan means an employee's base straight time gross earnings and commissions, but excludes payments for overtime, shift premium, incentive compensation, incentive payments, bonuses, expense reimbursements, fringe benefits and other compensation. The purchase price per share will be equal to 85% of the fair market value of a share of our common stock on the first trading day of the applicable purchase period or, if lower, 85% of the fair market value of a share of our common stock on the last trading day of the applicable purchase period. No employee is permitted to purchase more than 2,500 shares during each purchase period.

The fair market value of a share of our common stock on any date will equal the closing sales price of a share of common stock on NASDAQ for such date, or if no sale occurred on such date, the first trading date immediately prior to such date during which a sale occurred, as reported in *The Wall Street Journal* or such other source as the plan administrator may deem reliable for such purposes.

Termination of participation. Employees may end their participation in an offering at any time during the purchase period, and participation ends automatically on failure to qualify as an eligible employee for any reason. Upon such termination of the employee's participation in the 2007 Employee Stock Purchase Plan, such employee's payroll deductions not already used to purchase stock under the plan will be returned to the employee.

Adjustments

In the event of a stock split, reverse stock split, stock dividend or similar change in our capitalization, the number of shares available for issuance under the plan and the purchase price and number of shares covered by options outstanding under the plan will be appropriately adjusted.

In the event we merge with or into another corporation or sell all or substantially all of our assets, the outstanding rights under the plan will be assumed or an equivalent right substituted by the successor company or its parent or subsidiary. If the successor company or its parent or subsidiary refuses to assume the outstanding rights or substitute an equivalent right, then the purchase period then in progress will be shortened by setting a new exercise date prior to the effective date of the transaction and all outstanding purchase rights will automatically be exercised on the new exercise date. The purchase price will be equal to 85% of the fair market value of a share of our common stock on the first trading day of the applicable purchase period in which an acquisition occurs or, if lower, 85% of the fair market value of a share of our common stock on the date the purchase rights are exercised.

Termination or Amendment

Our board of directors may at any time and for any reason terminate or amend the 2007 Employee Stock Purchase Plan. Generally, no amendment may make any change in any option previously granted which adversely affects the rights of any participant without such participant's consent, provided that an offering period may be terminated by our board of directors if it determines that the termination of the offering period or the plan is in the best interests of our company and our stockholders. To the extent necessary to comply with Section 423 of the Code, we will obtain stockholder approval of any amendment to the plan.

Without stockholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the plan administrator may change the offering periods, limit the frequency and/or number of changes in the amount withheld during an offering period, and establish such other limitations or procedures as it determines consistent with the plan. In addition, in the event our board of directors determines that the ongoing operation of the plan may result in unfavorable financial accounting consequences, our board may, in its discretion and, to the extent

necessary or desirable, modify or amend the plan to reduce or eliminate such accounting consequence. Such modifications or amendments will not require stockholder approval or the consent of any plan participants.

Unless earlier terminated by the plan administrator, the 2007 Employee Stock Purchase Plan will terminate on the tenth anniversary of the date of its initial adoption by our board.

Registration of Shares on Form S-8

We intend to file with the SEC a registration statement on Form S-8 covering the shares of common stock issuable under the 1993 Stock Option Plan, the 1998 Equity Incentive Plan, the 2007 Incentive Award Plan and the 2007 Employee Stock Purchase Plan.

401(k) Plan

We sponsor a defined contribution plan intended to qualify under Section 401 of the Code, or a 401(k) plan. Employees who are at least 18 years of age are generally eligible to participate and may enter the plan on the first day of the month coinciding with or following their date of hire. Participants may make pre-tax contributions to the plan of up to 100% of their eligible compensation, subject to a statutorily prescribed annual limit. Each participant is fully vested in his or her contributions and the investment earnings, if employed on or before December 31, 2005. For those employed on or after January 1, 2006, a four year (25% per year) vesting schedule is applied to matching and discretionary employer contributions. We make matching contributions to the 401(k) plan in an amount equal to 100% of employee salary deferrals. In applying this matching percentage, however, matching contributions in any plan year will not exceed $2,000. Contributions by the participants to the plan, and the income earned on these contributions, are generally not taxable to the participants until withdrawn. Participant contributions are held in trust as required by law. Individual participants may direct the trustee to invest their accounts in authorized investment alternatives.

Limitations of Liability and Indemnification

Our amended and restated certificate of incorporation and amended and restated bylaws, each to be effective upon the completion of this offering, will provide that we will indemnify our directors and officers, and may indemnify our employees and other agents, to the fullest extent permitted by the Delaware General Corporation Law, which prohibits our amended and restated certificate of incorporation from limiting the liability of our directors for the following:

- any breach of the director's duty of loyalty to us or to our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; and
- any transaction from which the director derived an improper personal benefit.

If Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. Our amended and restated certificate of incorporation does not eliminate a director's duty of care and, in appropriate circumstances, equitable remedies, such as injunctive or other forms of non-monetary relief, remain available under Delaware law. This provision also does not affect a director's responsibilities under any other laws, such as the federal securities laws or other state or federal laws. Under our amended and restated bylaws, we will also be empowered to enter into indemnification agreements with our directors, officers, employees and

other agents and to purchase insurance on behalf of any person whom we are required or permitted to indemnify.

In addition to the indemnification required in our amended and restated certificate of incorporation and amended and restated bylaws, we entered into indemnification agreements with each of our current directors, officers, and some employees before the completion of this offering. These agreements provide for the indemnification of our directors, officers, and some employees for all reasonable expenses and liabilities incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were our agents. We believe that these bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, or the Securities Act, may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Distribution Agreements

Japanese Distributor

In June 1993, we entered into a distribution agreement with Marubeni Machinery & Engineering Corporation, a Japanese corporation, or Marubeni, which is an affiliate of Marubeni Corporation, a holder of more than 5% of our outstanding voting stock, to exclusively distribute the CyberKnife system in Japan. The agreement became effective on the date we first received an order from Marubeni, and the terms of the agreement provide that it would continue until seven years after approval from the Japanese Ministry of Health for the CyberKnife system, which approval was granted in November 1996. The agreement was subject to automatic renewal for two year periods, provided certain conditions are met. On December 1, 1995, the Medical Division of Marubeni established itself as Meditec Corporation, a Japanese corporation, or Meditec. With our written consent, Marubeni transferred its rights and responsibilities under the distribution agreement to Meditec, an entity affiliated with Marubeni. Under the agreement, the specific terms for each sale of the CyberKnife system by us to Meditec were generally set forth on a form of purchase order.

In May 2003, we entered into an agreement with Meditec, under which we agreed, among other things, to upgrade previously purchased CyberKnife systems by Meditec. The aggregate purchase price for these upgrades was approximately $16.9 million. Under the agreement Meditec agreed to pay us a deposit of $1.0 million. The agreement provided that if we changed distributors in Japan, we would first fill new orders in Japan from existing inventory held by Meditec, with a payment of at least $1.5 million to be paid to Meditec when a system was installed. In addition, we agreed to refurbish one system for approximately $300,000. In January 2004, we entered into a distribution agreement with a different Japanese distributor and no longer distribute our products through Meditec in Japan. Existing Meditec customers at that time have been transitioned to the new distributor. We received payments of $13.1 million, $2.8 million and $9.8 million during the years ended June 30, 2004, 2005 and 2006, respectively, and $0 for the quarter ended September 30, 2006, relating to products and services provided to Meditec. As of September 30, 2006, Meditec had no outstanding accounts receivable with us.

Meditec is a subsidiary of Marubeni Corporation, one of our stockholders. In December 1999, Marubeni Corporation purchased 666,666 shares of our Series A-1 Preferred Stock, for an aggregate of $1,999,998. In April 2002, Marubeni Venture Capital Fund I, L.P., an affiliate of Marubeni Corporation, purchased 2,000,000 shares of our Series C Preferred Stock, for an aggregate of $2,000,000.

Taiwanese Distributor

In June 2004, we entered into distribution agreements with President Medical Technologies, Co., Ltd. Inc., a Taiwanese corporation, or PMTC, to exclusively distribute the CyberKnife system in Taiwan, Hong Kong and Macao SAR. This agreement became effective on June 1, 2004 and will expire on December 31, 2008. This agreement replaced a prior agreement with PMTC effective as of September 1, 2002, which replaced a prior agreement effective as of March 1, 2000. The term of the current agreement may be extended for additional one year periods if we and PMTC mutually agree. Under the agreement, PMTC must provide us a purchase order or letter of intent nine months in advance of the order's proposed shipment date. Within four to six months prior to the proposed shipment date, PMTC must pay us a non-refundable amount of $450,000. Of the balance, 90% is due upon presentation of documents evidencing shipment and 10% is due upon 180 days following shipment. The agreement may be terminated by either party for a material breach of the agreement which is not cured within 45 days of notice of that breach, or upon a change of control of us. Payments from PMTC were $3.9 million, $21,000 and $632,000 for the years ended June 30, 2004, 2005 and 2006, respectively. The payment from PMTC was $0 for the quarter ended September 30, 2006.

President (BVI) International Investment Holdings Ltd., an affiliate of PMTC, is a holder of more than 5% of our outstanding voting stock. In addition, Mr. Tu, one of our directors, is President of President International Development Corporation, of which President (BVI) International Investment Holdings Ltd. is a wholly owned subsidiary, and is a director of PMTC. In May 2006, President (BVI) International Investment Holdings, Ltd. sold all of its interest in PMTC.

In March 1999, President (BVI) International Investment Holdings, Ltd. purchased 4,500,000 shares of our Series A Preferred Stock for an aggregate of $9,000,000. In April 2001, President (BVI) International Investment Holdings, Ltd. purchased 333,333 shares of our Series B Preferred Stock for an aggregate of $2,499,997. In April 2002, President (BVI) International Investment Holdings, Ltd. purchased 3,000,000 shares of our Series C Preferred Stock for an aggregate of $3,000,000. Additionally in December 2003, President (BVI) International Investment Holdings, Ltd. acquired 1,000,000 shares of our Series C Preferred Stock and 1,992,419 shares of our Common Stock from Pacific Republic Securities. In March 2005, President (BVI) International Investment Holdings, Ltd. acquired 173,810 shares of our common stock from Pacific Republic Securities.

The CyberKnife Society

The CyberKnife Society was incorporated in December 2002 as a non-profit organization, and has operated with administrative assistance and funding from us. The CyberKnife Society was organized for the purpose of bringing together CyberKnife system users and medical professionals affiliated with radiosurgery worldwide to foster scholarly exchange and the sharing of clinical information relating to the CyberKnife system, as well as to educate patients about radiosurgery. The CyberKnife Society offered membership to CyberKnife system users as a means of facilitating communication, as well as coordinating continuing medical education and other educational events regarding the CyberKnife system and radiosurgery. In November 2006, the CyberKnife Society was dissolved as a separate entity with the intention of reorganizing the CyberKnife Society in the near future. In the interim, the CyberKnife Society is operating as a department of our company, and continues to offer the same benefits and services to its membership.

As part of the dissolution of the CyberKnife Society, the Attorney General of California required that the liabilities and obligations of the CyberKnife Society be assumed by another entity. We assumed all such liabilities and obligations, which were comprised mainly of the consulting agreement between the CyberKnife Society and Dr. Adler to enable the CyberKnife Society to continue to operate effectively and to aid in the reorganization of the entity. For further information about this consulting agreement see "Management—Director Compensation."

Investors' Rights Agreement

We and certain holders of our capital stock have entered into an agreement, pursuant to which these stockholders will have registration rights with respect to their shares of common stock following this offering. See "Description of Capital Stock—Registration Rights" for a further description of the terms of this agreement.

Employment, Change of Control and Severance Agreements

We have entered into offer letter agreements which contain certain change of control and severance provisions with our executive officers. See "Management—Employment, Change of Control and Severance Agreements."

Consulting Agreements

We are a party to two consulting agreements with Dr. Adler, a member of our board of directors. See "Management—Director Compensation."

Indemnification of Directors and Officers

Our articles of incorporation and bylaws in effect as of the date of this prospectus provide that we will indemnify each of our directors and officers to the fullest extent permitted by the California General Corporation Law. Our amended and restated certificate of incorporation and amended and restated bylaws to be effective upon the completion of this offering provide that we will indemnify each of our directors and officers to the fullest extent permitted by the Delaware General Corporation Law. Furthermore, we have entered into indemnification agreements with each of our directors and officers. For further information, see "Management—Limitations of Liability and Indemnification." In addition, certain indemnification provisions are contained in Mr. Lindquist's offer letter. For further information, see "Management—Employment, Change of Control and Severance Agreements."

Issuances of Common Stock

We have issued options to our executive officers. See "Management—Executive Compensation."

In June 2004, we granted Franz Cristiani, a former member of our board of directors, options exercisable for 108,000 shares of our common stock, Mr. Young, a former member of our board of directors, options exercisable for 99,000 shares of our common stock, and Mr. Yu options exercisable for 99,000 shares of our common stock, all with an exercise price of $1.75 per share.

In November 2004, we granted Mr. Wu options exercisable for 90,000 shares of our common stock, Mr. Young options exercisable for 9,000 shares of our common stock, and Mr. Yu options exercisable for 9,000 shares of our common stock, each with an exercise price of $3.50 per share.

In June 2005, we granted Mr. Cristiani options exercisable for 18,000 shares of our common stock, Mr. Young options exercisable for 9,000 shares of our common stock, and Mr. Yu options exercisable for 9,000 shares of our common stock, each with an exercise price of $3.50 per share.

In November 2005, we granted Mr. Young options exercisable for 9,000 shares of our common stock and Mr. Yu options exercisable for 9,000 shares of our common stock, each with an exercise price of $4.38 per share.

In August 2006, we granted, each of Messrs. Cristiani, Wu, Young and Yu options exercisable for 18,000 shares of our common stock, each with an exercise price of $9.50 per share.

In March 2004, we issued 2,280,000 shares of our common stock to Pacific Republic Capital, of which Wayne Wu, a member of our board of directors, is an affiliate, upon exercise of a warrant to purchase shares of our common stock for an aggregate exercise price of $3,192,000. In March 2005, we issued 1,000,000 shares of our common stock to Pacific Republic Capital upon exercise of a warrant to purchase shares of our common stock for an aggregate exercise price of $1,400,000.

Other Arrangements

Dr. Adler, a member of our board of directors, is a Professor of Neurosurgery and Radiation Oncology at Stanford University. During the fiscal year ending June 30, 2004, we recognized revenue of $100,000 for hardware upgrades provided to Stanford University. During the years ended June 30, 2005 and 2006, we recognized revenue of $585,000 and $195,000, respectively, relating to services to Stanford University provided under the CyberKnife Platinum Elite Service Agreement. Advances and deferred revenue of $195,000 and $1,340,000 were recorded at June 30, 2005 and 2006, respectively, relating to payments made by Stanford University. We also have a license agreement with Stanford University. See "Business—Intellectual Property."

PRINCIPAL AND SELLING STOCKHOLDERS

The following table presents information as to the beneficial ownership of our common stock as of January 15, 2007 by:

- each of the executive officers listed in the summary compensation table;
- each of our directors;
- all of our directors and executive officers as a group;
- each stockholder known by us to be the beneficial owner of more than 5% of our common stock; and
- each of the selling stockholders.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares of our common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of January 15, 2007 are deemed to be outstanding and to be beneficially owned by the person holding the options or warrants for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

This table lists applicable percentage ownership based on 42,078,386 shares of common stock outstanding as of January 15, 2007, after giving effect to the conversion of our outstanding preferred stock into 25,186,285 shares of common stock immediately prior to the closing of this offering and the exercise of a warrant to purchase 525,000 shares of common stock immediately prior to the closing of this offering (such warrant may be exercised on a cashless basis).

Unless otherwise indicated, the address for each of the stockholders in the table below is c/o Accuray Incorporated, 1310 Chesapeake Terrace, Sunnyvale, California 94089.

	Beneficial Ownership Prior to the Offering				
Name and Address of Beneficial Owner	**Shares Beneficially Owned[1]**	**Options and Warrants Exercisable Within 60 Days of January 15, 2007**	**Percent before the Offering**	**Shares Being Offered**	**Percent after the Offering**
5% Stockholders					
President (BVI) International Investment Holdings Ltd.[2]	15,500,919	—	36.8%		
Marubeni Corporation[3]	3,350,939	—	8.0		
Executive Officers and Directors					
Euan S. Thomson, Ph.D	1,446,250	1,446,250	3.3		
Robert E. McNamara	343,751	343,751	*		
Chris A. Raanes	567,500	567,500	1.3		
Eric P. Lindquist	218,750	218,750	*		
Wade B. Hampton	—	—	*		
Wayne Wu[4]	817,780	79,125	1.9		
John R. Adler, Jr., M.D.[5]	1,865,004	1,260,234	4.3		
Ted T.C. Tu[2][6]	15,500,919	—	36.8		
Robert S. Weiss	—	—	*		
Li Yu	112,375	112,375	*		
All executive officers and directors as a group (10 persons)	20,872,329	4,027,985	45.3%		

Other Selling Stockholders			
Entities affiliated with PK Venture Capital Corp[7]	2,000,000	—	4.8
Entities Affiliated with China United Investments Inc.[8]	1,800,000	—	4.3
Kingland Overseas	1,000,000	—	2.4
Ming-Cheng Tseng	768,148	—	1.8
All Selling Stockholders	25,984,351	3,571,859	56.9

* Represents beneficial ownership of less than one percent (1%) of the outstanding shares of our common stock.

(1) Includes shares of common stock issuable pursuant to stock options and warrants exercisable within 60 days of January 15, 2007.

(2) President (BVI) International Investment Holdings Ltd., or PIIH, is a wholly-owned subsidiary of President International Development Corporation, or PIDC, which is a 61% owned subsidiary of Uni-President Enterprises Corp., or Uni-President, a Republic of China company publicly traded on the Taiwan Stock Exchange. The board of directors and supervisors of Uni-President consist of Chin-Yen Kao, chairman of the board of directors; Kao-Huei Chen and Chang-Sheng Lin, each a managing director; Ping-Chih Wu, Hsiu-Jen Liu, Po-Ming Hou, Ying-Hen Wu, Chung-Ho Wu and Ching-Chien Hou Su, each a director; and Kao-Keng Chen, Peng-Chih Kuo and Joe J.T. Teng, each a supervisor. Mr. Tu, one of our directors, is the President of PIDC. These individuals may be deemed to share dispositive and voting power over the shares owned by PIIH. Each of these individuals disclaims beneficial ownership of such shares, except to the extent of his or her pecuniary interest therein. The address of PIIH and Mr. Tu is 10F-1, No. 560, Sec.4, Chung Hsiao East Road, Taipei 110, Taiwan, R.O.C. The address of Uni-President is No. 301, Jhongjheng Road, Yongkang City, Tainan County 710, Taiwan, Republic of China.

(3) Tohru Tsuji, Nobuo Katsumata, Kazuhiko Sakamoto, Akira Matsuda, Kazuo Ogawa, Ko Mori, Teruo Asada, Mamoru Sekiyama, Koichi Mochizuki, Masaru Funai, Masao Fujii and Takaji Kunimatsu comprise the board of directors of Marubeni Corporation. These individuals may be deemed to share dispositive and voting power over the shares owned by Marubeni Corporation. Each of these individuals disclaims beneficial ownership of such shares, except to the extent of his or her pecuniary interest therein. The address of Marubeni Corporation is 4-2 Ohtemachi 1-Chome, Chiyoda-Ku, Tokyo, Japan.

(4) Includes 148,580 shares held by Mr. Wu's spouse. Mr. Wu disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest therein.

(5) Includes 23,333 shares held by John R. Adler, Jr., Trustee for the Brittany Alder Irrevocable Trust dated 10/30/2000 and 23,333 shares held by John R. Adler, Jr., Trustee for the John R. Adler III Irrevocable Trust dated 10/30/2000.

(6) Includes 15,500,919 shares held by PIIH.

(7) Includes 1,500,000 shares held by PK Venture Capital Corp. and 500,000 shares held by PK II Venture Capital Corp.

(8) Includes 171,429 shares held by China United Investments Inc., 400,000 shares held by United Investment Fund, 535,714 shares held by UC Fund II and 592,857 shares held by United Venture Capital Corporation.

DESCRIPTION OF CAPITAL STOCK

General

Upon the closing of this offering, our amended and restated certificate of incorporation will authorize us to issue up to 100,000,000 shares of common stock, $0.001 par value per share, and 5,000,000 shares of preferred stock, $0.001 par value per share. The following information assumes our reincorporation in Delaware, the filing of our amended and restated certificate of incorporation and the conversion of all outstanding shares of our preferred stock into shares of common stock upon the completion of this offering.

Prior to the closing of this offering, we plan to reincorporate from California to Delaware to take advantage of the substantial and established judicial precedent in the Delaware courts as to the legal principles applicable to actions that may be taken by a corporation and to the conduct of a corporation's board of directors.

As of December 31, 2006, and assuming the conversion of all outstanding preferred stock into common stock and the exercise of a warrant to purchase 525,000 shares of common stock (such warrant may be exercised on a cashless basis) immediately prior to the closing of this offering, there were outstanding:

- 41,917,611 shares of our common stock held by approximately 260 stockholders; and
- 12,164,319 shares issuable upon exercise of outstanding stock options.

Common Stock

Dividend Rights

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available at the times and in the amounts that our board of directors may determine.

Voting Rights

Each holder of common stock is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors will not be provided for in our amended and restated certificate of incorporation, which means that the holders of a majority of the shares voted can elect all of the directors then standing for election.

No Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights and is not subject to conversion or redemption.

Right to Receive Liquidation Distributions

Upon our dissolution or liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders are distributable ratably among the holders of our common stock, subject to the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Preferred Stock

Upon the completion of this offering, our board of directors will have the authority, without further action by our stockholders, to issue up to 5,000,000 shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. These rights, preferences

and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of common stock. The issuance of our preferred stock could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control of our company or other corporate action. Upon completion of this offering, no shares of preferred stock will be outstanding, and we have no present plan to issue any shares of preferred stock.

Anti-Takeover Provisions

Certificate of Incorporation and Bylaws to be in Effect Upon the Completion of This Offering

Our amended and restated certificate of incorporation to be in effect upon the completion of this offering will provide for our board of directors to be divided into three classes, with staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Because our stockholders do not have cumulative voting rights, our stockholders holding a majority of the shares of common stock outstanding will be able to elect all of our directors. Our amended and restated certificate of incorporation and amended and restated bylaws to be effective upon the completion of this offering will provide that all stockholder action must be effected at a duly called meeting of stockholders and not by a consent in writing, and that only our board of directors, chairman of the board, chief executive officer, or president (in the absence of a chief executive officer) may call a special meeting of stockholders.

Our amended and restated certificate of incorporation will require a $66^2/3\%$ stockholder vote for the amendment, repeal or modification of certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws relating to the classification of our board of directors, the requirement that stockholder actions be effected at a duly called meeting, and the designated parties entitled to call a special meeting of the stockholders. The combination of the classification of our board of directors, the lack of cumulative voting and the $66^2/3\%$ stockholder voting requirements will make it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Since our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change our control.

These provisions may have the effect of deterring hostile takeovers or delaying changes in our control or management. These provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of us. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions may also have the effect of preventing changes in our management.

Section 203 of the Delaware General Corporation Law

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested holder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least $66^{2}/_{3}\%$ of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loss, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an "interested stockholder" as an entity or person who, together with the person's affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

Acceleration of Options Upon Change of Control

Under our 1998 Equity Incentive Plan and 2007 Incentive Award Plan, in the event of certain mergers, a reorganization or consolidation of our company with or into another corporation or the sale of all or substantially all of our assets or all of our capital stock wherein the successor corporation does not assume outstanding options or issue equivalent options, our board of directors is required to accelerate vesting of options outstanding under that plan.

Registration Rights

Demand Registration Rights

After the completion of this offering, the holders of approximately 25,186,285 shares of our common stock will be entitled to certain demand registration rights. At any time beginning six months after the consummation of this offering, the holders of at least 30% of these shares can request that we register all or a portion of their shares. We will only be required to file two registration statements upon the stockholders' exercise of these demand registration rights. Additionally, we will not be required to effect a demand registration during the period beginning 60 days prior to the filing and six months following the effectiveness of a registration statement relating to a public offering of our securities.

Piggyback Registration Rights

After the completion of this offering, the holders of approximately 25,186,285 shares of common stock will be entitled to certain piggyback registration rights. As a result, whenever we propose to file a registration statement under the Securities Act, other than with respect to a registration related to employee benefit plans, debt securities, or corporate reorganizations, the holders of registrable securities are entitled to notice of the registration and have the right, subject to limitations that the underwriters may impose on the number of shares included in the registration, to include their registrable shares in the registration. We will pay the registration expenses of the holders of registrable securities for the incidental or piggyback registrations.

Form S-3 Registration Rights

After the completion of this offering, the holders of approximately 25,186,285 shares of our common stock will be entitled to request that we register their shares on Form S-3 if we are eligible to file a registration statement on Form S-3 and if the aggregate price to the public of the shares offered is at least $2.0 million. These stockholders may make an unlimited number of requests for registration on Form S-3. However, we will not be required to effect a registration on Form S-3 during the period beginning 60 days prior and six months following any underwritten public offering of our common stock or if we have effected two such registrations in a given 12 month period. Additionally, we are obligated to pay the registration expenses of only the first four of any such registrations on Form S-3.

The registration rights described above will expire, with respect to any particular stockholder, after our initial public offering, when that stockholder can sell its shares under Rule 144 of the Securities Act during any 90-day period. In any event, all such registration rights shall expire three years after the consummation of this offering.

In connection with this offering, each stockholder that has registration rights agreed not to sell or otherwise dispose of any securities without the prior written consent the underwriters for a period of 180 days, which may be extended in certain circumstances. See section entitled "Underwriting."

Listing

We are applying to have our common stock listed on NASDAQ under the symbol "ARAY."

Transfer Agent and Registrar

After the completion of this offering the transfer agent and registrar for our common stock will be Mellon Investor Services LLC.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO NON-UNITED STATES HOLDERS OF OUR COMMON STOCK

The following discussion describes the material U.S. federal income tax consequences to non-U.S. holders (as defined below) of the acquisition, ownership and disposition of our common stock issued pursuant to this offering. This discussion is not a complete analysis of all the potential U.S. federal income tax consequences relating thereto, nor does it address any estate tax consequences or any tax consequences arising under any state, local or foreign tax laws or any other U.S. federal tax laws. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service, or the IRS, all as in effect as of the date of this offering. These authorities may change, possibly retroactively, resulting in U.S. federal income tax consequences different from those discussed below. No ruling has been or will be sought from the IRS with respect to the matters discussed below, and there can be no assurance that the IRS will not take a contrary position regarding the tax consequences of the acquisition, ownership or disposition of our common stock, or that any such contrary position would not be sustained by a court.

This discussion is limited to non-U.S. holders who purchase our common stock issued pursuant to this offering and who hold our common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax considerations that may be relevant to a particular holder in light of that holder's particular circumstances. This discussion also does not consider any specific facts or circumstances that may be relevant to holders subject to special rules under the U.S. federal income tax laws, including, without limitation, U.S. expatriates, partnerships and other pass-through entities, "controlled foreign corporations," "passive foreign investment companies," "foreign personal holding companies," corporations that accumulate earnings to avoid U.S. federal income tax, financial institutions, insurance companies, brokers, dealers or traders in securities, commodities or currencies, tax-exempt organizations, tax-qualified retirement plans, persons subject to the alternative minimum tax, and persons holding our common stock as part of a hedging or conversion transaction or straddle, or a constructive sale, or other risk reduction strategy.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF OUR COMMON STOCK, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR FOREIGN TAX LAWS AND ANY OTHER U.S. FEDERAL TAX LAWS.

Definition of Non-U.S. Holder

For purposes of this discussion, a non-U.S. holder is any beneficial owner of our common stock that is not a "U.S. person" or a partnership for U.S. federal income tax purposes. A U.S. person is any of the following:

- a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons or (2) has validly elected to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership (or other entity taxed as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner in the partnership generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold our common stock and partners in such partnerships are urged to consult their tax advisors regarding the specific U.S. federal income tax consequences to them.

Distributions on Our Common Stock

Payments on our common stock will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and will first be applied against and reduce a holder's adjusted tax basis in the common stock, but not below zero. Any excess will be treated as capital gain.

Dividends paid to a non-U.S. holder of our common stock that are not effectively connected with a United States trade or business conducted by such holder generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends, or such lower rate specified by an applicable tax treaty. To receive the benefit of a reduced treaty rate, a non-U.S. holder must furnish to us or our paying agent a valid IRS Form W-8BEN (or applicable successor form) certifying such holder's qualification for the reduced rate. This certification must be provided to us or our paying agent prior to the payment of dividends and must be updated periodically. Non-U.S. holders that do not timely provide us or our paying agent with the required certification, but which qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

If a non-U.S. holder holds our common stock in connection with the conduct of a trade or business in the United States, and dividends paid on the common stock are effectively connected with such holder's United States trade or business, the non-U.S. holder will be exempt from U.S. federal withholding tax. To claim the exemption, the non-U.S. holder must furnish to us or our paying agent a properly executed IRS Form W-8ECI (or applicable successor form).

Any dividends paid on our common stock that are effectively connected with a non-U.S. holder's U.S. trade or business (or if required by an applicable tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the United States) generally will be subject to U.S. federal income tax on a net income basis in the same manner as if such holder were a resident of the United States, unless an applicable tax treaty provides otherwise. A non-U.S. holder that is a foreign corporation also may be subject to a branch profits tax equal to 30% (or such lower rate specified by an applicable tax treaty) of a portion of its effectively connected earnings and profits for the taxable year. Non-U.S. holders are urged to consult any applicable tax treaties that may provide for different rules.

A non-U.S. holder who claims the benefit of an applicable income tax treaty generally will be required to satisfy applicable certification and other requirements prior to the distribution date. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty.

Gain on Disposition of Our Common Stock

A non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States, or if required by an applicable tax treaty, attributable to a permanent establishment maintained by the non-U.S. holder in the United States;

- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or

- our common stock constitutes a U.S. real property interest by reason of our status as a "U.S. real property holding corporation," or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the non-U.S. holder's holding period for our common stock.

Generally, a corporation is a USRPHC if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. We believe that we currently are not and will not become a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. In the event we do become a USRPHC, as long as our common stock is regularly traded on an established securities market, our common stock will be treated as U.S. real property interests only with respect to a non-U.S. holder that actually or constructively holds more than 5% of our common stock.

Unless an applicable tax treaty provides otherwise, gain described in the first bullet point above will be subject to U.S. federal income tax on an net income basis in the same manner as if such holder were a resident of the United States. Non-U.S. holders that are foreign corporations also may be subject to a branch profits tax equal to 30% (or such lower rate specified by an applicable tax treaty) of a portion of its effectively connected earnings and profits for the taxable year. Non-U.S. holders are urged to consult any applicable tax treaties that may provide for different rules.

Gain described in the second bullet point above will be subject to U.S. federal income tax at a flat 30% rate, but may be offset by U.S. source capital losses.

Information Reporting and Backup Withholding

We must report annually to the IRS and to each non-U.S. holder the amount of dividends on our common stock paid to such holder and the amount of any tax withheld with respect to those dividends. These information reporting requirements apply even if no withholding was required because the dividends were effectively connected with the holder's conduct of a U.S. trade or business, or withholding was reduced or eliminated by an applicable tax treaty. This information also may be made available under a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established. Backup withholding, currently at a 28% rate, however, generally will not apply to payments of dividends to a non-U.S. holder of our common stock provided the non-U.S. holder furnishes to us or our paying agent the required certification as to its non-U.S. status, such as by providing a valid IRS Form W-8BEN or W-8ECI, or certain other requirements are met. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient.

Payments of the proceeds from a disposition by a non-U.S. holder of our common stock made by or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) will apply to those payments if the broker does not have documentary evidence that the beneficial owner is a non-U.S. holder, an exemption is not otherwise established, and the broker is:

- a U.S. person;

- a controlled foreign corporation for U.S. federal income tax purposes;

- a foreign person 50% or more of whose gross income is effectively connected with a U.S. trade or business for a specified three-year period; or

- a foreign partnership if at any time during its tax year (1) one or more of its partners are U.S. persons who hold in the aggregate more than 50% of the income or capital interest in such partnership or (2) it is engaged in the conduct of a U.S. trade or business.

Payment of the proceeds from a non-U.S. holder's disposition of our common stock made by or through the U.S. office of a broker generally will be subject to information reporting and backup withholding unless the non-U.S. holder certifies as to its non-U.S. holder status under penalties of perjury, such as by providing a valid IRS Form W-8BEN or W-8ECI, or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock, and we cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of our common stock for sale will have on the market price of our common stock prevailing from time to time. Nevertheless, sales of substantial amounts of our common stock, including shares issued upon exercise of outstanding warrants or options, in the public market after this offering could adversely affect market prices prevailing from time to time and could impair our ability to raise capital through the sale of our equity securities.

Upon the completion of this offering, based on the number of shares outstanding as of December 31, 2006, we will have shares of common stock outstanding, assuming no exercise of the underwriters' over allotment option and no exercise of outstanding options or warrants. Of the outstanding shares, all of the shares sold in this offering will be freely tradable, except that any shares held by our affiliates, as that term is defined in Rule 144 under the Securities Act, may only be sold in compliance with the limitations described below.

The remaining shares of common stock will be deemed restricted securities as defined under Rule 144. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144, 144(k) or 701 promulgated under the Securities Act, which rules are summarized below. Subject to the lock-up agreements described below, all of these restricted securities will be available for sale in the public market beginning 180 days after the date of this prospectus under Rule 144, subject in some cases to volume limitations, Rule 144(k) or Rule 701.

Lock-Up Agreements

All of our directors and officers and substantially all of our stockholders have signed lock-up agreements under which they have agreed not to sell, transfer or dispose of, directly or indirectly, any shares of our common stock or any securities into or exercisable or exchangeable for shares of our common stock without the prior written consent of J.P. Morgan Securities Inc. and UBS Securities LLC, for a period of 180 days, subject to a possible extension under certain circumstances, after the date of this prospectus. The holders of approximately 95% of our outstanding shares of common stock have executed lock-up agreements. These agreements are described below under "Underwriting."

Rule 144

In general, under Rule 144 as currently in effect, a person, or group of persons whose shares are required to be aggregated, who has beneficially owned shares that are restricted securities as defined in Rule 144 for at least one year is entitled to sell, within any three-month period commencing 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- 1% of the then outstanding shares of our common stock, which will be approximately shares immediately after this offering; or
- the average weekly trading volume in our common stock on NASDAQ during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

In addition, a person who is not deemed to have been an affiliate at any time during the three months preceding a sale and who has beneficially owned the shares proposed to be sold for at least two years would be entitled to sell these shares under Rule 144(k) without regard to the requirements described above. To the extent that shares were acquired from one of our affiliates, a person's holding period for the purpose of effecting a sale under Rule 144 would commence on the date of transfer from the affiliate.

Rule 701

In general, under Rule 701 of the Securities Act, any of our employees, directors, officers, consultants or advisors who purchased shares from us in connection with a compensatory stock or option plan or other written agreement is eligible to resell those shares in reliance on Rule 144, but without compliance with certain restrictions, including the holding period contained in Rule 144. However, substantially all shares issued under Rule 701 are subject to lock-up agreements and will only become eligible for sale at the expiration of such agreements.

Registration Rights

On the date beginning 180 days after the date of this prospectus, the holders of 30,023,175 shares of our common stock, or their transferees, will be entitled to certain rights with respect to the registration of those shares under the Securities Act. For a description of these registration rights, please see "Description of Capital Stock—Registration Rights." After these shares are registered, they will be freely tradable without restriction under the Securities Act.

Stock Options

As of December 31, 2006, options to purchase a total of 12,164,319 shares of our common stock were outstanding. We intend to file a registration statement on Form S-8 under the Securities Act to register all shares of our common stock subject to outstanding options, all shares of our common stock issued upon exercise of stock options and all shares of our common stock issuable under our stock option and employee stock purchase plans. Accordingly, shares of our common stock issued under these plans will be eligible for sale in the public markets, subject to vesting restrictions and the lock-up agreements described above.

UNDERWRITING

J.P. Morgan Securities Inc. and UBS Securities LLC are acting as joint bookrunning managers of the offering, and, together with Piper Jaffray & Co. and Jefferies & Company, Inc., are acting as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has agreed to purchase, and we and the selling stockholders have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter's name.

Underwriter	Number of shares
J.P. Morgan Securities Inc.	
UBS Securities LLC	
Piper Jaffray & Co.	
Jefferies & Company, Inc.	
Total	

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the over-allotment option described below) if they purchase any of the shares.

The underwriters propose to offer some of the shares directly to the public at the public offering price set forth on the cover page of this prospectus and some of the shares to dealers at the public offering price less a concession not to exceed $ per share. The underwriters may allow, and dealers may reallow, a concession not to exceed $ per share on sales to other dealers. If all of the shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms.

We and the selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares of our common stock at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment.

We, our officers and directors and our other stockholders have agreed that, for a period of 180 days from the date of this prospectus, we and they will not, without the prior written consent of each of J.P. Morgan Securities Inc. and UBS Securities LLC, dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for our common stock, subject to customary exceptions. After the 180-day lock-up period, these shares may be sold, subject to applicable securities laws. Notwithstanding the foregoing, for the purpose of allowing the underwriters to comply with NASD Rule 2711(f)(4), if:

- during the last 17 days of the initial 180-day lock-up period, we issue an earnings release or material news, or a material event relating to us occurs; or

- prior to the expiration of the initial 180-day lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the initial 180-day lock-up period,

then in each case the initial 180-day lock-up period will be extended until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, unless J.P. Morgan Securities Inc. and UBS Securities LLC waive, in writing, such extension.

Prior to this offering, there has been no public market for our common stock. Consequently, the initial public offering price for the shares was determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price were our record of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies considered comparable to our company. We cannot assure you, however, that the prices at which the shares will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our common stock will develop and continue after this offering.

The following table shows the underwriting discounts and commissions that we and the selling stockholders are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of common stock.

	Paid by us		Paid by the selling stockholders	
	No exercise	Full exercise	No exercise	Full exercise
Per share	$	$	$	$
Total	$	$	$	$

In connection with the offering, the underwriters may purchase and sell shares of our common stock in the open market. These transactions may include short sales and syndicate covering transactions. Short sales involve syndicate sales of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. "Covered" short sales are sales of shares made in an amount up to the number of shares represented by the underwriters' over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the overallotment option. Transactions to close out the covered syndicate short involve either purchases of our common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make "naked" short sales of shares in excess of the over-allotment option. The underwriters must close out any "naked" short position by purchasing shares of our common stock in the open market. A "naked" short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

In addition, the underwriters may stabilize or maintain the price of our common stock by bidding for or purchasing shares of our common stock in the open market and may impose penalty bids. If penalty bids are imposed, selling concessions allowed to syndicate members or other broker-dealers participating in this offering are reclaimed if shares of our common stock previously distributed in this offering are repurchased, whether in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of our common stock at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of our common stock to the extent that it discourages resales of our common stock. The magnitude or effect of any stabilization or other transactions is uncertain. These transactions may be effected on NASDAQ or otherwise and, if commenced, may be discontinued at any time.

Any of these activities may have the effect of preventing or retarding a decline in the market price of our common stock. They may also cause the price of our common stock to be higher than the price

that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on NASDAQ or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We estimate that our total expenses of this offering will be $2,800,000.

The underwriters may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. The representatives will allocate shares to underwriters that may make Internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of our common stock described in this prospectus may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to our common stock that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of our common stock described in this prospectus located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this provision, the expression an "offer to the public" in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/ EC and includes any relevant implementing measure in each relevant member state.

The sellers of our common stock have not authorized and do not authorize the making of any offer of our common stock through any financial intermediary on their behalf, other than offers made

by the underwriters with a view to the final placement of our common stock as contemplated in this prospectus. Accordingly, no purchaser of our common stock, other than the underwriters, is authorized to make any further offer of our common stock on behalf of the sellers or the underwriters.

Notice to Prospective Investors in the United Kingdom

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive, or Qualified Investors, that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000, or Financial Promotion, Order 2005, or the Order, or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in France

Neither this prospectus nor any other offering material relating to our common stock described in this prospectus has been submitted to the clearance procedures of the Autorité des Marchés Financiers or by the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers. Our common stock have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to our common stock has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of our common stock to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with, Article L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code *monétaire et financier;*
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French Code *monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the Autorité des Marchés Financiers, does not constitute a public offer (*appel public à l'épargne*).

Our common stock may be resold directly or indirectly, only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code *monétaire et financier.*

LEGAL MATTERS

Certain legal matters with respect to the legality of the issuance of the shares of common stock offered by this prospectus will be passed upon for us by Latham & Watkins LLP, Menlo Park, California. Certain legal matters in connection with the offering will be passed upon for the underwriters by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California.

EXPERTS

Our consolidated financial statements for the years ended June 30, 2004, 2005, and 2006 were audited by Grant Thornton LLP. The consolidated financial statements as of June 30, 2005 and 2006, and for each of the three years in the period ended June 30, 2006, included in this prospectus have been so included in reliance on the reports of Grant Thornton LLP, independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

CHANGE IN ACCOUNTANTS

On June 1, 2006, with the approval of the board of directors of Accuray Incorporated ("we" or "our"), we dismissed PricewaterhouseCoopers LLP as our independent registered public accounting firm and engaged Grant Thornton LLP as our independent registered public accounting firm. As of June 1, 2006 PricewaterhouseCoopers LLP had not completed its procedures on the annual financial statements of Accuray Incorporated as of and for the fiscal years ended June 30, 2004 and 2005.

During the period from July 1, 2003 through June 1, 2006, there were no disagreements with PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PricewaterhouseCoopers LLP, would have caused it to make reference to the subject matter of the disagreements in its reports on our financial statements for such fiscal years.

During the period from July 1, 2003 through June 1, 2006, there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K, except for a material weakness relating to the misapplication of revenue recognition accounting policies.

PricewaterhouseCoopers LLP was provided with a copy of the above statements and we requested that it furnish a letter to the Securities and Exchange Commission stating whether or not it agrees with these statements. A copy of PricewaterhouseCoopers LLP's letter will be included as an exhibit to this registration statement.

During the period from July 1, 2003 through June 1, 2006, neither we nor anyone on our behalf consulted Grant Thornton LLP regarding either (1) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, or (2) any matter that was a disagreement, as that term is defined in Item 304(a)(1)(iv) of Regulation S-K, or a reportable event, as that term is defined in Item 304(a)(1)(v) of Regulation S-K. Grant Thornton LLP has reported on our consolidated financial statements for each of the fiscal years ended June 30, 2004, 2005 and 2006 included in this registration statement.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act with respect to the common stock. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some items of which are contained in exhibits to the registration statement as permitted by the rules and regulations of the Commission. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits and the

consolidated financial statements and notes filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement is this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The exhibits to the registration statement should be referenced for the complete contents of these contracts and documents. You may obtain copies of this information by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the Commission. These periodic reports, proxy statements and other information will be available for inspection and copying at the Commission's public reference facilities and the website of the SEC referred to above.

ACCURAY INCORPORATED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Accuray Incorporated

We have audited the accompanying consolidated balance sheets of Accuray Incorporated and subsidiaries as of June 30, 2005 and 2006, and the related consolidated statements of operations, temporary equity and stockholders' equity (deficiency), and cash flows for each of the three years in the period ended June 30, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Accuray Incorporated and subsidiaries as of June 30, 2005 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2006 in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

San Francisco, California
November 7, 2006

Accuray Incorporated

Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	June 30,		(unaudited)	
	2005	2006	September 30, 2006	Pro forma Stockholders' equity (deficiency) at September 30, 2006
				(unaudited)
Assets				
Current assets:				
Cash and cash equivalents	$ 17,024	$ 27,856	$ 24,910	
Restricted cash	158	1	1	
Accounts receivable, net of allowance for doubtful accounts of $45 and $20 at June 30, 2005 and 2006, respectively and $20 at September 30, 2006 (unaudited)	5,087	11,698	16,344	
Inventories	6,371	10,100	13,959	
Prepaid expenses and other current assets	1,933	3,512	5,825	
Deferred cost of revenue—current	3,095	4,810	5,665	
Total current assets	33,668	57,977	66,704	
Property and equipment, net	12,961	21,945	21,565	
Goodwill	4,495	4,495	4,495	
Intangible assets, net	1,688	1,446	1,381	
Deferred cost of revenue—noncurrent	33,381	51,778	48,384	
Other assets	667	982	993	
Total assets	$ 86,860	$ 138,623	$ 143,522	
Liabilities, temporary equity and stockholders' equity (deficiency)				
Current liabilities:				
Accounts payable	$ 5,445	$ 4,726	$ 5,991	
Accrued compensation	2,827	8,561	7,235	
Other accrued liabilities	2,805	6,494	6,778	
Note payable—current	2,893	—	—	
Customer advances—current	10,152	10,338	19,495	
Deferred revenue—current	7,365	31,641	24,225	
Total current liabilities	31,487	61,760	63,724	
Long-term liabilities:				
Customer advances—noncurrent	1,431	12,191	8,821	
Deferred revenue—noncurrent	82,610	118,023	120,950	
Total liabilities	115,528	191,974	193,495	
Commitments and contingencies (Note 8)				
Temporary equity:				
Redeemable convertible preferred stock, no par value Authorized: 30,000,000 shares; issued and outstanding: 17,419,331 shares at June 30, 2005 and 2006 and September 30, 2006 (unaudited); liquidation amount: $36,497 and $40,354 at June 30, 2005 and 2006, respectively and $41,440 at September 30, 2006 (unaudited); Pro forma: preferred stock, par value $0.001 per share; 5,000,000 shares authorized, no shares issued and outstanding (unaudited)	27,504	27,504	27,504	$ —
Stockholders' equity (deficiency)				
Common stock, no par value; authorized: 70,000,000 shares; issued and outstanding: 15,815,532 and 16,243,150 shares at June 30, 2005 and 2006, respectively, and 16,269,239 at September 30, 2006 (unaudited); Pro forma: 100,000,000 shares authorized, par value $0.001 per share, 41,980,524 shares issued and outstanding (unaudited)	12,653	13,276	13,322	42
Additional paid-in capital	37,481	43,988	28,090	69,399
Notes receivable from stockholders	(331)	(206)	(206)	(206)
Deferred stock-based compensation	(19,008)	(17,272)	—	—
Accumulated other comprehensive loss	(20)	—	—	—
Accumulated deficit	(86,947)	(120,641)	(118,683)	(118,683)
Total stockholders' equity (deficiency)	(56,172)	(80,855)	(77,477)	$ (49,448)
Total liabilities, temporary equity and stockholders' equity (deficiency)	$ 86,860	$ 138,623	$ 143,522	
Assets and liabilities include related party transaction amounts as follows:				
Accounts receivable	$ 440	$ 1	$ 1,157	
Deferred cost of revenue—current	$ 2,512	$ 2,929	$ 2,168	
Deferred cost of revenue—noncurrent	$ 9,919	$ 7,254	$ 7,560	
Customer advances—current	$ —	$ 2,290	$ 1,300	
Customer advances—noncurrent	$ 1,000	$ 3,951	$ 3,951	
Deferred revenue—current	$ 5,571	$ 7,169	$ 5,548	
Deferred revenue—noncurrent	$ 18,032	$ 15,375	$ 15,951	

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

Accuray Incorporated

Consolidated Statements of Operations

(in thousands, except per share amounts)

	Years Ended June 30,			(unaudited) Three Months Ended September 30,	
	2004	2005	2006	2005	2006
Net revenue:					
Products	$ 12,639	$ 9,636	$ 36,089	$ 468	$ 26,767
Shared ownership programs	4,831	8,067	8,145	1,684	2,226
Services	1,974	3,050	4,848	997	2,969
Other	125	1,624	3,815	722	809
Total net revenue	19,569	22,377	52,897	3,871	32,771
Cost of revenue:					
Costs of products	6,135	6,422	18,531	428	10,716
Costs of shared ownership programs	1,076	1,572	2,513	533	606
Costs of services	1,275	2,044	3,948	594	1,670
Costs of other	10	1,077	2,500	472	476
Total cost of revenue	8,496	11,115	27,492	2,027	13,468
Gross profit	11,073	11,262	25,405	1,844	19,303
Operating expenses:					
Selling and marketing	10,647	16,361	25,186	4,716	7,530
Research and development	7,311	11,655	17,788	4,544	6,182
General and administrative	4,672	8,129	15,923	2,782	4,619
Total operating expenses	22,630	36,145	58,897	12,042	18,331
Income (loss) from operations	(11,557)	(24,883)	(33,492)	(10,198)	972
Other income (expense):					
Interest and other income	13	156	438	114	269
Interest and other expense	(149)	(394)	(382)	(120)	(62)
Income (loss) before provision for income taxes and cumulative effect of change in accounting principle	(11,693)	(25,121)	(33,436)	(10,204)	1,179
Provision for income taxes	3	68	258	6	59
Income (loss) before cumulative effect of change in accounting principle	(11,696)	(25,189)	(33,694)	(10,210)	1,120
Cumulative effect of change in accounting principle, net of tax of $0	—	—	—	—	838
Net income (loss)	$ (11,696)	$ (25,189)	$ (33,694)	$ (10,210)	$ 1,958
Net income (loss) per common share:					
Basic					
Income (loss) before cumulative effect of change in accounting principle	$ (1.00)	$ (1.76)	$ (2.11)	$ (0.65)	$ 0.03
Cumulative effect of change in accounting principle	—	—	—	—	0.02
Basic net income (loss) per share	$ (1.00)	$ (1.76)	$ (2.11)	$ (0.65)	$ 0.05
Diluted					
Income (loss) before cumulative effect of change in accounting principle	$ (1.00)	$ (1.76)	$ (2.11)	$ (0.65)	$ 0.02
Cumulative effect of change in accounting principle	—	—	—	—	0.02
Diluted net income (loss) per share	$ (1.00)	$ (1.76)	$ (2.11)	$ (0.65)	$ 0.04
Weighted average common shares outstanding used in computing net income (loss) per share:					
Basic	11,737	14,283	15,997	15,821	41,445
Diluted	11,737	14,283	15,997	15,821	49,851

	Years Ended June 30,			(unaudited) Three Months Ended September 30,	
	2004	2005	2006	2005	2006
Revenue and cost of revenue include related party transaction amounts as follows:					
Net revenue:					
Products	$ 2,225	$ 7,252	$ —	$ 31	$ 3,057
Services	$ 113	$ 1,446	$ 2,195	$ 702	$ 502
Other	$ 100	$ 1,583	$ 3,754	$ 722	$ 749
Cost of revenue:					
Costs of products	$ 1,062	$ 1,954	$ —	$ —	$ 1,093
Costs of services	$ —	$ 47	$ 140	$ 383	$ 106
Costs of other	$ 10	$ 1,037	$ 2,463	$ 463	$ 466
Cost of revenue, selling and marketing, research and development, and general and administrative expenses charges include stock-based compensation as follows:					
Cost of revenue	$ 190	$ 454	$ 863	$ 153	$ 217
Selling and marketing	826	1,903	2,569	529	649
Research and development	648	1,157	1,574	372	449
General and administrative	785	2,812	3,237	843	897

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

Accuray Incorporated

Consolidated Statements of Temporary Equity and Stockholders' Equity (Deficiency)

(in thousands, except share amounts)

	Redeemable convertible preferred stock		Common stock		Additional paid-in capital	Notes receivable from stockholders	Deferred stock-based compensation	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity (deficiency)
	Shares	Amount	Shares	Amount						
Balances at June 30, 2003	17,419,331	$ 27,504	10,706,625	$ 7,316	$ 11,846	$ —	$ (2,148)	$ —	$ (50,062)	$ (33,048)
Exercise of common stock warrants	—	—	2,280,000	3,192	—	—	—	—	—	3,192
Exercise of stock options	—	—	610,739	249	—	—	—	—	—	249
Deferred stock-based compensation	—	—	—	—	11,365	—	(11,365)	—	—	—
Reversal of deferred stock-based compensation	—	—	—	—	(1,078)	—	1,078	—	—	—
Amortization of deferred stock-based compensation	—	—	—	—	—	—	2,312	—	—	2,312
Compensation expense related to options issued to non-employees	—	—	—	—	137	—	—	—	—	137
Cumulative translation adjustment	—	—	—	—	—	—	—	(7)	—	(7)
Net loss	—	—	—	—	—	—	—	—	(11,696)	(11,696)
Total comprehensive loss										(11,703)
Balances at June 30, 2004	17,419,331	27,504	13,597,364	10,757	22,270	—	(10,123)	(7)	(61,758)	(38,861)
Exercise of common stock warrants	—	—	1,000,000	1,400	—	—	—	—	—	1,400
Exercise of stock options	—	—	842,315	416	—	—	—	—	—	416
Exercise of stock options using notes	—	—	447,839	331	—	(331)	—	—	—	—
Stock repurchased	—	—	(71,986)	(251)	—	—	—	—	—	(251)
Deferred stock-based compensation	—	—	—	—	15,631	—	(15,631)	—	—	—
Reversal of deferred stock-based compensation	—	—	—	—	(1,215)	—	1,215	—	—	—
Amortization of deferred stock-based compensation	—	—	—	—	—	—	5,531	—	—	5,531
Compensation expense related to options issued to non-employees	—	—	—	—	164	—	—	—	—	164
Compensation expense related to modification of options granted	—	—	—	—	631	—	—	—	—	631
Cumulative translation adjustment	—	—	—	—	—	—	—	(13)	—	(13)
Net loss	—	—	—	—	—	—	—	—	(25,189)	(25,189)
Total comprehensive loss										(25,202)
Balances at June 30, 2005	17,419,331	27,504	15,815,532	12,653	37,481	(331)	(19,008)	(20)	(86,947)	(56,172)

Accuray Incorporated

Consolidated Statements of Temporary Equity and Stockholders' Equity (Deficiency) (continued)

(in thousands, except share amounts)

	Redeemable convertible preferred stock		Common stock		Additional paid-in capital	Notes receivable from stockholders	Deferred stock-based compensation	Accumulated other comprehensive income (loss)	Accumulated deficit	Total stockholders' equity (deficiency)
	Shares	Amount	Shares	Amount						
Balances at June 30, 2005	17,419,331	27,504	15,815,532	12,653	37,481	(331)	(19,008)	(20)	(86,947)	(56,172)
Exercise of common stock warrants	—	—	16,666	167	—	—	—	—	—	167
Exercise of stock options	—	—	431,659	538	—	—	—	—	—	538
Payment received on notes used to exercise stock options	—	—	—	—	—	125	—	—	—	125
Stock repurchased	—	—	(20,707)	(82)	—	—	—	—	—	(82)
Deferred stock-based compensation	—	—	—	—	7,860	—	(7,860)	—	—	—
Reversal of deferred stock-based compensation	—	—	—	—	(1,651)	—	1,651	—	—	—
Amortization of deferred stock-based compensation	—	—	—	—	—	—	7,945	—	—	7,945
Compensation expense related to options issued to non-employees	—	—	—	—	186	—	—	—	—	186
Compensation expense related to modification of options granted	—	—	—	—	112	—	—	—	—	112
Cumulative translation adjustment	—	—	—	—	—	—	—	20	—	20
Net loss	—	—	—	—	—	—	—	—	(33,694)	(33,694)
Total comprehensive loss										(33,674)
Balances at June 30, 2006	17,419,331	27,504	16,243,150	13,276	43,988	(206)	(17,272)	—	(120,641)	(80,855)
Exercise of stock options (unaudited)	—	—	26,089	46	—	—	—	—	—	46
Stock-based compensation (unaudited)	—	—	—	—	2,111	—	—	—	—	2,111
Compensation expense related to options issued to non-employees (unaudited)	—	—	—	—	101	—	—	—	—	101
Cumulative effect of change in accounting principle (unaudited)	—	—	—	—	(838)	—	—	—	—	(838)
Reversal of deferred stock-based compensation upon adoption of SFAS 123R (unaudited)	—	—	—	—	(17,272)	—	17,272	—	—	—
Cumulative translation adjustment (unaudited)	—	—	—	—	—	—	—	—	—	—
Net income (unaudited)	—	—	—	—	—	—	—	—	1,958	1,958
Total comprehensive income (unaudited)										1,958
Balances at September 30, 2006 (unaudited)	17,419,331	$ 27,504	16,269,239	$ 13,322	$ 28,090	$ (206)	$ —	$ —	$ (118,683)	$ (77,477)

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

Accuray Incorporated

Consolidated Statements of Cash Flows

(in thousands)

	Years Ended June 30,			(unaudited) Three Months Ended September 30,	
	2004	2005	2006	2005	2006
Cash Flows From Operating Activities					
Net income (loss)	$ (11,696)	$ (25,189)	$ (33,694)	$ (10,210)	$ 1,958
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,450	2,080	3,806	728	1,322
Stock-based compensation	2,449	6,326	8,243	1,897	2,212
Provision for bad debts	106	45	(21)	(44)	—
Loss on write-down of inventories	53	1,747	619	—	—
Loss on disposal of fixed assets	57	932	54	—	17
Accrued interest expense on note payable	—	93	103	49	—
Cumulative effect of change in accounting principle	—	—	—	—	(838)
Changes in assets and liabilities:					
Accounts receivable	(1,943)	(293)	(6,590)	(4,613)	(4,646)
Inventories	(219)	(2,294)	(4,348)	(2,355)	(3,859)
Prepaid expenses and other current assets	(144)	(939)	(1,579)	(1,269)	(2,313)
Deferred cost of revenue	(11,457)	(14,028)	(20,112)	(7,673)	2,539
Other assets	(271)	(112)	(315)	(35)	(11)
Accounts payable	1,061	2,077	(719)	1,790	1,265
Accrued liabilities	1,427	1,866	9,423	3,616	(1,042)
Customer advances	1,784	3,682	10,946	3,336	5,787
Deferred revenue	22,249	42,022	59,689	21,593	(4,489)
Net cash provided by (used in) operating activities	4,906	18,015	25,505	6,810	(2,098)
Cash Flows From Investing Activities					
Purchases of property and equipment	(5,617)	(6,249)	(13,602)	(3,371)	(894)
Cash received for tenant improvements	300	—	1,000	—	—
Restricted cash	23	(153)	157	(7)	—
Business acquisition, net of cash acquired	—	(5,613)	—	—	—
Purchase of investment	—	(250)	—	—	—
Net cash used in investing activities	(5,294)	(12,265)	(12,445)	(3,378)	(894)
Cash Flows From Financing Activities					
Payment of note payable	—	—	(2,996)	—	—
Exercise of common stock options for cash	249	342	538	19	46
Payment received on notes used to exercise stock options	—	—	64	—	—
Stock repurchases	—	(177)	(21)	—	—
Exercise of common stock warrants for cash	3,192	1,400	167	—	—
Net cash provided by (used in) financing activities	3,441	1,565	(2,248)	19	46
Effect of exchange rate changes on cash	(7)	(13)	20	23	—
Net increase (decrease) in cash and cash equivalents	3,046	7,302	10,832	3,474	(2,946)
Cash and cash equivalents at beginning of period	6,676	9,722	17,024	17,024	27,856
Cash and cash equivalents at end of period	$ 9,722	$ 17,024	$ 27,856	$ 20,498	$ 24,910
Supplemental Disclosure of Cash Flow Information					
Cash paid for interest	$ 4	$ 8	$ —	$ —	$ —
Income taxes paid	$ —	$ 527	$ 183	$ 10	$ 61
Non-cash Investing and Financing Activities					
Note payable from business acquisition	$ —	$ 2,800	$ —	$ —	$ —
Common stock options exercised using notes	$ —	$ 331	$ —	$ —	$ —
Cashless stock repurchases and options exercised	$ —	$ 74	$ 122	$ —	$ —
Settlement of receivable in exchange for reduction in debt	$ (611)	$ (817)	$ —	$ —	$ —
Cash flows include related party transaction amounts as follows:					
Accounts receivable	$ 1,575	$ 423	$ 439	$ 437	$ (1,156)
Deferred cost of revenue	$ (7,910)	$ 3,272	$ 2,248	$ 251	$ 455
Customer advances	$ (770)	$ —	$ 5,241	$ —	$ (990)
Deferred revenue	$ 13,955	$ (8,131)	$ (1,059)	$ (984)	$ (1,045)

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

Notes to Consolidated Financial Statements

1. Description of Business

Accuray Incorporated (the "Company") was incorporated in California in December 1990 and commenced operations in January 1992. The Company designs, develops and sells the CyberKnife system, an image-guided robotic radiosurgery system used for the treatment of solid tumors anywhere in the body.

2. Summary of Significant Accounting Policies

Unaudited Financial Information

The accompanying unaudited consolidated balance sheet as of September 30, 2006, the consolidated statements of operations and cash flows for the quarters ended September 30, 2005 and 2006 and the consolidated statements of temporary equity and stockholders' equity (deficiency) for the quarter ended September 30, 2006 are unaudited. The unaudited 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 to state fairly the Company's consolidated financial position as of September 30, 2006 and consolidated results of operations and cash flows for the quarters ended September 30, 2005 and 2006. The financial data and other information disclosed in these notes to the consolidated financial statements as of and related to the quarters ended September 30, 2005 and 2006 are unaudited. The results for the quarter ended September 30, 2006 are not necessarily indicative of the results to be expected for the year ending June 30, 2007 or for any other interim period or for any future year.

Pro Forma Stockholders' Equity (Deficiency) (Unaudited)

Upon the consummation of the initial public offering ("IPO") contemplated herein, all of the outstanding shares of Series A, A1, B and C preferred stock will be automatically converted into 25,186,285 shares of common stock. The June 30, 2006 unaudited pro forma stockholders' equity (deficiency) has been prepared assuming the conversion of Series A, A1, B and C preferred stock outstanding as of June 30, 2006 into common stock and the exercise of a warrant to purchase 525,000 shares of common stock.

Liquidity

The Company has incurred net losses each year since inception. At June 30, 2006, the Company had an accumulated deficit of $120,641,000. Although the Company has recorded positive cash flow from operations for each of the last four fiscal years, in order to continue its operations and achieve its business objectives, the Company must achieve profitability or obtain additional debt or equity financing. There can be no assurance that the Company will be able to obtain additional debt or equity financing on terms acceptable to the Company, or at all. The failure of the Company to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on the Company's business, results of operations and financial condition.

The failure of the Company to win widespread acceptance of its products by hospitals, physicians and patients could have a material adverse effect on the Company's business, results of operations, future cash flows and financial condition.

Basis of Presentation and Principles of Consolidation

In December 2003, the Company formed a wholly owned subsidiary, Accuray International SARL, headquartered in Geneva, Switzerland. The purpose of Accuray International is to manage the sales, marketing and service activities of Accuray's international subsidiaries. In January 2004, the Company formed a wholly owned subsidiary, Accuray Europe SARL, headquartered in Paris, France. The purpose of Accuray Europe is to market the Company's products in Europe. In January 2005, the Company completed the purchase of the High Energy Systems Division ("HES") of American Science and Engineering, Inc. ("AS&E") and integrated this operation into the Company's existing manufacturing operation. In October 2005, the Company formed a wholly owned subsidiary, Accuray UK Ltd, headquartered in London, United Kingdom. The purpose of Accuray UK Ltd is to market the Company's products in the United Kingdom and other countries in northern Europe. In December 2005, the Company formed a wholly owned subsidiary, Accuray Asia Limited, headquartered in Hong Kong, SAR. The purpose of Accuray Asia Limited is to market the Company's products in Asia. The consolidated financial statements include the accounts of the subsidiaries, and all inter-company transactions and balances have been eliminated.

Foreign Currency

The Company's international subsidiaries use their local currencies as their functional currencies. For those subsidiaries, assets and liabilities are translated at exchange rates in effect at the balance sheet date and income and expense accounts at average exchange rates during the year. Resulting translation adjustments are recorded directly to accumulated comprehensive income within the statement of stockholders' equity (deficiency). Foreign currency transaction gains and losses are included as a component of interest and other income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Key estimates and assumptions made by the Company relate to stock-based compensation, allowances, valuation allowances for deferred tax assets, impairment of long-lived assets, goodwill and deferred revenue and costs for services. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of amounts invested in money market accounts and amounted to $14,519,000 and $3,623,000 at June 30, 2005 and 2006, respectively, and $21,735,000 at September 30, 2006 (unaudited).

Restricted Cash

Restricted cash includes amounts deposited as collateral to assure future credit availability, typically credit card purchases, arrangements in contracts with others requiring that specific cash

amounts be set aside, or the Company's statements of intention with regard to particular deposits. Restricted cash amounts were $158,000 and $1,000 at June 30, 2005 and 2006, respectively, and $1,000 at September 30, 2006 (unaudited).

Fair Value of Financial Instruments

The carrying values of the Company's financial instruments including cash and cash equivalents, restricted cash, accounts receivable and accounts payable are approximately equal to their respective fair values due to the relatively short-term nature of these instruments. Based upon interest rates currently available to the Company for debt with similar terms, the carrying value of the Company's note payable is also approximately equal to its fair value.

Concentration of Credit Risk and Other Risks and Uncertainties

The Company's cash and cash equivalents are deposited with one major financial institution. At times, deposits in this institution 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.

The following summarizes revenues from customers in excess of 10% of total net revenue:

	Years Ended June 30,			Three Months Ended September 30,	
	2004	2005	2006	2005	2006
				(unaudited)	
AB Medica s.p.a. (Italy)	22%	—	—	—	—
Benefis Healthcare (Great Falls, MT)	—	—	—	—	10%
Harris Methodist (Fort Worth, TX)	—	—	—	—	10%
Hospital Ruber (Spain)	—	—	—	—	13%
Illinois CyberTechnologies (Bloomington, IL)	15%	—	—	—	—
Meditec/Marubeni Corporation (related party)	—	32%	11%	32%	—
President Medical Technology Corportion (related party)	12%	12%	—	—	—
Sinai Medical (Baltimore, MD)	—	—	—	16%	—
St. Anthony's Hospital (Oklahoma City, OK)	16%	—	—	—	—
SW Washington Medical (Vancouver, WA)	—	—	—	—	10%
	65%	44%	11%	48%	43%

The following summarizes the accounts receivable from customers in excess of 10% of total accounts receivable:

	As of June 30,			As of September 30,
	2004	2005	2006	2006
				(unaudited)
AB Medica s.p.a. (Italy)	14%	—	—	—
Atlantic Health System (Summit, NJ)	42%	—	—	—
Cowealth Medical Science (China)	—	—	18%	14%
Mission Hospitals (Asheville, NC)	—	19%	—	—
Neurochirurgische Praxis (Germany)	—	12%	—	—
Northwest Community Healthcare (Arlington Heights, IL)	—	—	26%	—
Ruber Hospital (Spain)	—	—	—	20%
Shadyside Hospital (Pittsburgh, PA)	—	22%	—	—
St. Joseph's Hospital (Phoenix, AZ)	—	13%	—	—
	56%	66%	44%	34%

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 our allowance for doubtful accounts once collection efforts are unsuccessful. Historically, such losses have been within management's expectations. The Company's allowance for doubtful accounts was $45,000 and $20,000 at June 30, 2005 and 2006, respectively, and $20,000 at September 30, 2006 (unaudited).

The Company is subject to risks common to companies in the medical device industry including, but not limited to: new technological innovations, dependence on key personnel, dependence on key suppliers, protection of proprietary technology, compliance with government regulations, uncertainty of widespread market acceptance of products, product liability and the need to obtain additional financing. The Company's products include components subject to rapid technological change. Certain components used in manufacturing have relatively few alternative sources of supply, and establishing additional or replacement suppliers for such components cannot be accomplished quickly. While the Company has ongoing programs to minimize the adverse effect of such uncertainty and considers technological change in estimating its allowances, uncertainty continues to exist.

The products currently under development by the Company may require clearance by the U.S. Food and Drug Administration ("FDA") or other international regulatory agencies prior to commercial sales. There can be no assurance that the Company's products will receive the necessary clearance. If the Company were denied such clearance or such clearance was delayed, it could have a material adverse impact on the Company.

Inventories

Inventories are stated at the lower of cost (on a first-in, first-out basis) or market. Excess and obsolete inventories are written down generally based on historical sales and forecasted demand, as

judged by management. The Company determines inventory and product costs through use of standard costs which approximate actual average costs.

Revenue Recognition

Revenue is generated from the sale of products, shared ownership programs, and by providing related services, which include installation services, post-contract customer support ("PCS"), training and consulting. The Company's products and upgrades to those products include software that is essential to the functionality of the products and accordingly, the Company accounts for the sale of its products pursuant to Statement of Position No. 97-2, *Software Revenue Recognition* ("SOP 97-2"), as amended.

The Company recognizes product revenues for sales of the CyberKnife system, replacement parts and accessories when there is persuasive evidence of an arrangement, the fee is fixed or determinable, collection of the fee is probable and delivery has occurred as prescribed by SOP 97-2. Payments received in advance of product shipment are recorded as customer advances and are recognized as revenue or deferred revenue upon product shipment or installation.

For arrangements with multiple elements, the Company allocates arrangement consideration to services and PCS based upon vendor specific objective evidence ("VSOE") of fair value of the respective elements. VSOE of fair value for the services element is based upon the Company's standard rates charged for the services when such services are sold separately or based upon the price established by management having the relevant authority when that service is not yet being sold separately. When contracts contain multiple elements, and VSOE of fair value exists for all undelivered elements, the Company accounts for the delivered elements, principally the CyberKnife system, based upon the "residual method" as prescribed by SOP No. 98-9, *Modification of SOP No. 97-2 with Respect to Certain Transactions.* If VSOE of fair value does not exist for all the undelivered elements, all revenue is deferred until the earlier of; (1) delivery of all elements, or (2) establishment of VSOE of fair value for all undelivered elements.

For PCS arrangements that include specified or committed upgrades for which the Company has not established VSOE of fair value, all revenue is deferred and accounted for as described above. In fiscal year 2006, the Company began selling PCS contracts that only provide for upgrades when and if they become available. The Company has established VSOE of the fair value of PCS in these circumstances.

For arrangements with multiple elements that include the CyberKnife system, installation services, training services and a PCS service agreement, the Company recognizes the CyberKnife system and installation services revenue following installation and acceptance of the system by application of the residual method as prescribed in SOP No. 98-9 when VSOE of fair value exists for all undelivered elements in the arrangement, including PCS.

Upgrade services revenues relate to the sale of specialized services specifically contracted to provide current technology capabilities for units previously sold through a distributor into the Japan market. The upgrade programs include elements where VSOE of fair value has not been established

for the PCS. As a result, associated revenues are deferred and recognized ratably over the term of the PCS arrangement, generally four years.

Service revenue for providing PCS, which includes warranty services, extended warranty services, unspecified when and if available product updates and technical support is deferred and recognized ratably over the service period, generally one year, until no further obligation exists. At the time of sale, the Company provides for the estimated incremental costs of meeting product warranty if the incremental warranty costs are expected to exceed the related service revenues. Training and consulting service revenues, that are not deemed essential to the functionality of the CyberKnife system, are recognized as such services are performed.

Costs associated with providing PCS and maintenance services are expensed when incurred, except when those costs are related to units where revenue recognition has been deferred. In those cases, the costs are deferred until the recognition of the related revenue and are recognized over the period of revenue recognition.

For all sales, the Company uses either a signed agreement or a binding purchase order as evidence of an arrangement. Sales to third party distributors are evidenced by a distribution agreement governing the relationship together with binding purchase orders on a transaction-by-transaction basis. The Company records revenues from an arrangement with distributors based on a sell-through method where revenue is recognized upon shipment of the product to the end user customer once all revenue recognition criteria are met. These criteria require that persuasive evidence of an arrangement exists, the fees are fixed or determinable, collection of the resulting receivable is probable and there is no right of return.

The Company's agreements with customers and distributors do not contain product return rights.

The Company assesses the probability of collection based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. The Company generally does not request collateral from its customers. If the Company determines that collection of a fee is not probable, the Company will defer the fee and recognize revenue upon receipt of cash.

The Company also enters into shared ownership programs with certain customers. Under the terms of such programs, the Company retains title to its CyberKnife system, while the customer has use of the product. The Company generally receives a minimum monthly payment and earns additional revenues from the customer based upon its use of the product. The Company may provide unspecified upgrades to the product during the term of each program when and if available. Upfront non-refundable payments from the customer are deferred and recognized as revenue over the contractual period. Revenues from shared ownership programs are recorded as they become earned and receivable and are included within shared ownership program revenues in the consolidated statements of operations. The Company recognized $4,831,000, $8,067,000 and $8,145,000 for the years ended June 30, 2004, 2005 and 2006, respectively, and $1,684,00 and $2,226,000 for the quarters ended September 30, 2005 and 2006, respectively (unaudited), of revenue from these shared ownership programs.

The CyberKnife systems associated with the Company's shared ownership programs are recorded within property, plant and equipment and are depreciated over their estimated useful life of ten years. Depreciation and warranty expense attributable to the CyberKnife shared ownership systems are recorded within costs of products.

Deferred Revenue and Deferred Cost of Revenue

Deferred revenue consists of deferred product revenue, deferred shared ownership program revenue, deferred service revenue and deferred other revenue. Deferred product revenue arises from timing differences between the shipment of product and satisfaction of all revenue recognition criteria consistent with the Company's revenue recognition policy. Deferred shared ownership program revenue results from the receipt of advance monthly minimum lease payments, which will be recognized ratably over the term of the shared ownership program. Deferred service revenue results from the advance payment for services to be delivered over a period of time, usually one year. Service revenue is recognized ratably over the service period. Deferred other revenue results primarily from the Japan upgrade services programs and is due to timing differences between the receipt of cash payments for those upgrades and final delivery to the end user customer. Deferred cost of revenue consists of the direct costs associated with the manufacture of units, direct service costs for which the revenue has been deferred in accordance with the Company's revenue recognition policies, and deferred costs associated with the Japan upgrade services. Deferred revenue, and associated deferred cost of revenue, expected to be realized within one year are classified as current liabilities and current assets, respectively.

Customer Advances

Customer advances represent payments made by customers in advance of product shipment.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized on a straight-line basis over the life of the lease or the estimated useful life of the asset, whichever is shorter. Machinery and equipment are depreciated over five years. Furniture and fixtures are depreciated over four years. Computer and office equipment are depreciated over three years. CyberKnife systems covered by the shared ownership program are depreciated over their estimated useful life of ten years. Repairs and maintenance costs, which are not considered improvements and do not extend the useful life of the property and equipment, are expensed as incurred. The cost and related accumulated depreciation of property and equipment sold or no longer in service are eliminated from the accounts and any gain or loss is included in the statements of operations.

Impairment of Long-Lived Assets

In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*, the Company reviews long-lived

assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Under SFAS No. 144, an impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Impairment, if any, is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Through June 30, 2006, there have been no such losses.

Goodwill and Purchased Intangible Assets

Goodwill represents the excess of acquisition cost over the fair value of tangible and identified intangible net assets of businesses acquired. Goodwill is not amortized, but is tested for impairment on an annual basis and between annual tests in certain circumstances, and written down when impaired. Purchased intangible assets other than goodwill are amortized over their useful lives unless their lives are determined to be indefinite. Purchased intangible assets are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets which is typically seven years.

Shipping and Handling

The Company's shipping and handling costs billed to customers are included in product revenue. Shipping and handling costs incurred are included in costs of products.

Research and Development Costs

Costs related to research, design and development of products are charged to research and development expense as incurred. These costs include direct salary costs for research and development personnel, cost for materials used in research and development activities, costs for outside services and allocated portions of facilities and other corporate costs.

Software Development Costs

Software development costs are included in research and development and are expensed as incurred. After technological feasibility is established, material software development costs are capitalized. The capitalized cost is then amortized on a straight-line basis over the estimated product life, or on the ratio of current revenues to total projected product revenue, whichever is greater. To date, the period between achieving technological feasibility, which the Company has defined as the establishment of a working model which typically occurs when the beta testing commences, and the general availability of such software has been short and software development costs qualifying for capitalization have been insignificant. Accordingly, the Company has not capitalized any software development costs.

Advertising Expenses

The Company expenses the costs of advertising and promoting its products and services as incurred. Advertising expense was approximately $18,000, $16,000, and $20,000 for the years ended

June 30, 2004, 2005 and 2006, respectively, and $0 and $262,000 for the quarters ended September 30, 2005 and 2006, respectively (unaudited).

Stock-Based Compensation

Effective July 1, 2003, the Company began to account for stock-based employee compensation arrangements in accordance with Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), and SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure* ("SFAS 148"). Under SFAS 123, stock-based compensation expense is measured on the date of grant based on the fair value of the award. Upon adoption of this standard, the Company elected to use the retrospective restatement method of transition.

The Company believes that the fair value of the stock options is more reliably measurable than the fair value of the services received. The estimated fair value of the stock options granted is calculated at the date of grant using the Black-Scholes option pricing model, as prescribed by SFAS 123, using fair values of common stock between $2.63 and $7.63 per share and the following weighted-average assumptions during the years ended June 30, 2004, 2005 and 2006:

	Years Ended June 30,		
	2004	2005	2006
Risk-free interest rate	3.77%	3.81%	4.42%
Dividend yield	—	—	—
Weighted-average expected life	6.25 years	6.25 years	6.25 years
Expected volatility	99.6%	94.8%	86.7%

In connection with the preparation of its financial statements, the Company determined the estimated fair value of its common stock in light of the expected completion of its initial public offering. The Company engaged Cogent Valuation, an unrelated third-party appraisal firm, to assist management in this process by providing a valuation analysis that valued the Company's common stock at $7.76 as of March 31, 2006 and another valuation analysis that valued the Company's common stock at $13.43 as of August 23, 2006. The Company determined the fair value of the options to purchase 2,313,853 shares of common stock granted during fiscal 2006 and the first quarter of fiscal 2007, summarized as follows:

Date of Grant	Number of Options Granted	Exercise Price	Fair Value Estimate Per Share	Intrinsic Value Per Share
November 2005	1,141,443	$4.38	$6.92	$2.54
January 2006	102,013	$6.50	$7.20	$0.70
April 2006	164,427	$6.73	$7.63	$0.90
July 2006 (unaudited)	124,924	$9.00	$12.88	$3.88
August 2006 (unaudited)	781,046	$9.50	$13.43	$3.93

As a result of the determined fair value of options granted, the Company recorded stock-based compensation relative to these options of $8,243,000 for the year ended June 30, 2006 and $2,212,000 for the quarter ended September 30, 2006 (unaudited).

In accordance with the requirements of SFAS 123, the Company has recorded deferred stock-based compensation for the estimated fair value of the options on the date of grant. This deferred stock-based compensation is amortized to expense over the period during which the options become exercisable, generally four years. During the years ended June 30, 2004, 2005 and 2006, the Company reversed $1,078,000, $1,215,000 and $1,651,000, respectively, of deferred stock-based compensation related to cancellations of unvested options of certain employees who had been granted stock options and subsequently terminated their employment with the Company. During the years ended June 30, 2004, 2005 and 2006, the Company amortized $2,312,000, $5,531,000 and $7,945,000 of stock-based compensation expense, respectively, for stock options granted to employees.

Stock-based compensation expense related to stock options granted to non-employees is recognized as the stock options are earned in accordance with SFAS 123 and Emerging Issues Task Force No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. The Company believes that the fair value of the stock options is more reliably measurable than the fair value of the services received. The estimated fair value of the stock options granted is calculated using the Black-Scholes option pricing model, as prescribed by SFAS 123, using fair values of common stock between $2.63 and $7.63 per share and the following weighted-average assumptions during the years ended June 30, 2004, 2005 and 2006:

	Years Ended June 30,		
	2004	2005	2006[1]
Risk-free interest rate	4.45%	4.20%	—
Dividend yield	—	—	—
Weighted-average expected life	10 years	10 years	—
Expected volatility	75.0%	71.0%	—

(1) No options granted to non-employees in 2006.

The stock-based compensation expense related to non-employees fluctuates as the underlying assumptions fluctuate. The Company recognized $137,000, $164,000 and $186,000 during the years ended June 30, 2004, 2005 and 2006, respectively, of stock-based compensation expense for stock options granted to non-employees.

For certain stock option grants, the Company made modifications to the option terms. These modifications included extension of the vesting period and acceleration of vesting. The Company recognized $0, $631,000 and $112,000 during the years ended June 30, 2004, 2005 and 2006, respectively, of stock-based compensation expense for modifications of stock options granted.

Adoption of SFAS 123R (unaudited)

Effective July 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, *Share-Based Payment, an amendment of FASB Statements Nos. 123 and 95* ("SFAS 123R") using the modified prospective method under which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123R for all share-based payments granted or modified after the effective date and (b) based on the previous requirements of SFAS 123 for all

awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date. SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under previous literature.

SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary in subsequent periods if actual forfeitures differ from initial estimates. Stock-based compensation expense was recorded net of estimated forfeitures for the quarter ended September 30, 2006 such that expense was recorded only for those stock-based awards that are expected to vest. For the quarter ended September 30, 2006, the Company recorded a cumulative effect of a change in accounting principle of $838,000, net of tax of $0, related to the adoption of SFAS 123R since it had previously adjusted stock-based compensation expense at the time forfeitures occurred in accordance with SFAS 123. The cumulative effect of this change in accounting reflects estimated forfeitures related to periods prior to July 1, 2006.

Under SFAS 123R, the Company estimated the fair value of each option award on the date of grant using the Black-Scholes option-pricing model using the assumptions noted in the following table. Expected volatility is based on the historical volatility of a peer group of publicly traded companies. The expected term of options is based upon the vesting term of the Company's options (i.e., 25% on the first anniversary of the vesting start date and 36 equal monthly installments thereafter) and on its partial life history. The risk-free rate for the expected term of the option is based on the U.S. Treasury Constant Maturity rate as of September 30, 2006. The assumptions used to value options granted during the quarter ended September 30, 2006 were as follows:

Risk-free interest rate	4.89%
Dividend yield	—
Weighted-average expected life	6.25 years
Expected volatility	80.6%

The impact of adopting SFAS 123R in the quarter ended September 30, 2006, was as follows (in thousands, except per share amounts):

	Three Months Ended September 30, 2006		
	Using Previous Accounting	Impact of Change	As Reported under SFAS 123R
		(unaudited)	
Income from operations	$ 1,119	$ (147)	$ 972
Income before income taxes	1,326	(147)	1,179
Income before cumulative effect of change in accounting principle, net of tax	1,267	(147)	1,120
Net income	1,267	691	1,958
Basic earnings per share			
Prior to cumulative effect of change in accounting principle	$ 0.03	—	$ 0.03
Cumulative effect of change in accounting principle	—	0.02	0.02
	$ 0.03	$ 0.02	$ 0.05
Diluted earnings per share			
Prior to cumulative effect of change in accounting principle	$ 0.02	—	$ 0.02
Cumulative effect of change in accounting principle	—	0.02	0.02
	$ 0.02	$ 0.02	$ 0.04

Net Income (Loss) Per Common Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of dilutive common shares outstanding during the period. Dilutive shares outstanding are calculated by adding to the weighted shares outstanding any common stock equivalents from outstanding stock options and warrants based on the treasury stock method. In periods when net income is reported, the calculation of diluted net income per share typically results in lower earnings per share than is calculated using the basic method. In periods when a net loss is reported, such as the fiscal years ended June 30, 2004, 2005 and 2006, these potential shares from stock options and warrants are not included in the calculation because they would have an anti-dilutive effect, meaning the loss per share would be reduced. Therefore, in periods when a loss is reported, the calculation of basic and diluted net loss per share results in the same value.

For the fiscal years ended June 30, 2004, 2005 and 2006, the basic and diluted net loss per share were based on weighted-average shares of 11,737,265, 14,282,643 and, 15,997,419, respectively. For the quarter ended September 30, 2005, the basic and diluted net loss per share was based on weighted average shares of 15,820,978 (unaudited). For the quarter ended September 30, 2006, the basic and diluted net income per share were based on weighted average shares of 41,445,080 and 49,851,257,

respectively (unaudited). The number of anti-dilutive shares excluded from the calculation of diluted net income (loss) per share is as follows:

	Years Ended June 30,			Three Months Ended September 30,	
	2004	2005	2006	2005	2006
				(unaudited)	
Outstanding securities not included in diluted net income (loss) per share calculation					
Preferred stock (as if converted)	25,186,285	25,186,285	25,186,285	25,186,285	—
Options to purchase common stock	5,230,102	5,641,864	7,225,143	4,725,245	424,708
Warrants	1,383,675	428,157	451,353	408,333	39,033
	31,800,062	31,256,306	32,862,781	30,319,863	463,741

Pro forma net income (loss) per share assuming conversion of preferred stock and an outstanding warrant for the fiscal year ended June 30, 2006 and quarter ended September 30, 2006 were as follows (in thousands, except share and per share amounts):

	Year Ended June 30, 2006	Three Months Ended September 30, 2006
		(unaudited)
Historical		
Numerator:		
Net income (loss)	$ (33,694)	$ 1,958
Denominator:		
Weighted-average shares of common stock outstanding	15,997,419	16,258,795
Preferred stock (as if converted)	—	25,186,285
Basic weighted-average shares outstanding	15,997,419	41,445,080
Stock options and warrants	—	8,406,177
Diluted weighted-average shares of common stock outstanding	15,997,419	49,851,257
Basic net income (loss) per share:	$ (2.11)	$ 0.05
Diluted net income (loss) per share:	$ (2.11)	$ 0.04
Pro forma (unaudited)		
Net income (loss):	$ (33,694)	$ 1,958
Denominator for pro forma basic net income (loss) per share:		
Shares used above:	15,997,419	41,445,080
Pro forma adjustments to reflect assumed conversion of preferred stock and exercise of warrants from the date of issuance:	25,711,285	525,000
Shares used to compute pro forma basic net income (loss) per common share:	41,708,704	41,970,080
Pro forma basic net income (loss) per share:	$ (0.81)	$ 0.05
Denominator for pro forma diluted net income (loss) per share:		
Shares used above:	15,997,419	49,851,257
Pro forma adjustments to reflect assumed conversion of preferred stock and exercise of warrants from the date of issuance:	25,711,285	39,033
Shares used to compute pro forma basic and diluted net loss per common share:	41,708,704	49,890,290
Pro forma diluted net income (loss) per share:	$ (0.81)	$ 0.04

Income Taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities, using tax rates expected to be in effect when the differences will reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity from transactions and other events and circumstances other than those resulting from investments by owners and distributions to owners. For the years ended June 30, 2004, 2005 and 2006, the Company recorded comprehensive losses of $11,703,000, $25,202,000 and $33,674,000, respectively. For the quarters ended September 30, 2005 and 2006, the Company recorded comprehensive income (loss) of $(10,210,000) and $1,958,000, respectively (unaudited). Comprehensive income (loss) is comprised of net income (loss) and the cumulative translation adjustment arising upon consolidation of the Company's foreign subsidiaries.

Segment Information

The Company has determined that it operates in only one segment in accordance with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131") 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 insignificant.

The following summarizes revenue by geographic region (in thousands):

	Years Ended June 30,			Three Months Ended September 30,	
	2004	2005	2006	2005	2006
				(unaudited)	
United States	$ 12,893	$ 14,295	$ 40,826	$ 2,378	$ 21,415
Europe	4,338	464	3,390	184	4,280
Asia (except Japan)	2,338	2,707	3,058	55	5,720
Japan	—	4,911	5,623	1,254	1,356
Total	$ 19,569	$ 22,377	$ 52,897	$ 3,871	$ 32,771

Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board ("FASB") issued SFAS No. 154, *Accounting Changes and Error Corrections* ("SFAS 154"). SFAS 154 replaces Accounting Principles Board ("APB") Opinion No. 20 ("APB 20") and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*, and applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle. APB 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of change the cumulative effect of changing to the new accounting principle whereas SFAS 154 requires retrospective application to prior periods' financial statements of a voluntary change

in accounting principle unless it is impracticable. SFAS 154 enhances the consistency of financial information between periods. SFAS 154 will be effective in fiscal years beginning after December 15, 2005. Early adoption is permitted. The Company does not expect that the adoption of SFAS 154 will have a material impact on its results of operations or financial position.

In December 2004, the FASB issued SFAS 123R that addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for either equity instruments of the company or liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. The statement eliminates the ability to account for share-based compensation transactions using the intrinsic value method and generally requires that such transactions be accounted for using a fair-value-based method and recognized as expense in the consolidated statements of operations. The effective date of the new standard is as of the beginning of the annual reporting periods that start after December 15, 2005, which will be fiscal year 2007 for the Company.

The Company plans to adopt SFAS 123R using the modified prospective method, under which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123R for all share-based payments granted or modified after the effective date and (b) based on the previous requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date. The amounts disclosed within the financial statements are not necessarily indicative of the amounts that will be expensed upon the adoption of SFAS 123R because of changes in the application of certain assumptions, including those related to forfeiture rates. Further, future compensation expense calculated under SFAS 123R may also differ from the amounts currently disclosed within the financial statements based on changes in the fair value of our common stock, changes in the number of options granted or the terms of such options, the treatment of tax benefits and changes in interest rates or other factors. Upon adoption of SFAS 123R, the Company plans to use the Black-Scholes model to value the compensation expense associated with employee stock options and stock purchases under its employee stock purchase plan.

SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as cash flow from financing activities, rather than as cash flow from operations as required under SFAS 123. This requirement will reduce net cash flows from operations and increase net cash flows from financing activities in periods after adoption to the extent that such excess tax benefits are realized. The Company cannot estimate what those amounts will be in the future.

In March 2005, the SEC issued Staff Accounting Bulletin ("SAB") No. 107 regarding the Staff's interpretation of SFAS 123R. This interpretation provides the Staff's views regarding interactions between SFAS 123R and certain SEC rules and regulations and provides interpretations of the valuation of share-based payments for public companies. The interpretive guidance is intended to assist companies in applying the provisions of SFAS 123R and investors and users of the financial statements in analyzing the information provided. The Company will follow the guidance prescribed in SAB 107 in connection with its adoption of SFAS 123R.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"). This interpretation clarifies the accounting for uncertainty in income taxes recognized

in the financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company has not yet determined the impact that adoption of this standard will have on its consolidated financial statements.

3. Balance Sheet Components

Accounts Receivable, Net

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

	June 30,		September 30,
	2005	2006	2006
			(unaudited)
Accounts receivable	$ 4,719	$ 10,866	$ 16,118
Unbilled fees and services	413	852	246
	5,132	11,718	16,364
Less: Allowance for doubtful accounts	(45)	(20)	(20)
	$ 5,087	$ 11,698	$ 16,344

Inventories

Inventories consist of the following (in thousands):

	June 30,		September 30,
	2005	2006	2006
			(unaudited)
Raw materials	$ 2,640	$ 4,447	$ 6,504
Work-in-process	2,225	1,559	4,198
Finished goods	1,506	4,094	3,257
	$ 6,371	$ 10,100	$ 13,959

Property and Equipment

Property and equipment consist of the following (in thousands):

	June 30,		September 30,
	2005	2006	2006
			(unaudited)
Furniture and fixtures	$ 670	$ 1,038	$ 1,083
Computer and office equipment	2,750	4,271	4,767
Leasehold improvements	2,316	6,325	5,422
Machinery and equipment	5,861	8,313	8,428
CyberKnife shared ownership systems	8,204	12,380	12,401
	19,801	32,327	32,101
Less: Accumulated depreciation and amortization	(6,840)	(10,382)	(10,536)
Property and equipment, net	$ 12,961	$ 21,945	$ 21,565

Depreciation and amortization expense related to property and equipment for the years ended June 30, 2004, 2005 and 2006 was $1,450,000, $1,958,000 and $3,564,000, respectively. Depreciation and amortization expense related to property and equipment for the quarters ended September 30, 2005 and 2006 was $674,000 and $1,257,000, respectively (unaudited). Accumulated depreciation related to the CyberKnife Systems attributable to the shared ownership programs at June 30, 2005 and 2006 was $1,273,000 and $2,327,000, respectively, and $2,633,000 at September 30, 2006 (unaudited).

Under the terms of the shared ownership programs, the Company retains title to its CyberKnife system, while the customer has use of the product. The Company generally receives a minimum monthly payment and earns additional contingent revenues from the customer based upon its use of the product. The shared ownership programs typically have a term of five years. During this term the customer has the option to purchase the CyberKnife system at pre-determined prices based on the period the system has been in use and considering the lease payments already received. Revenue from such sales is recorded in accordance with our revenue recognition policy, taking into account the PCS and any other elements that might be purchased as part of the arrangement. As of June 30, 2006, one former shared ownership program customer had purchased a CyberKnife system. The total selling price of $3,492,000 was recorded in deferred revenue. As of June 30, 2006, no revenue has been recognized in the consolidated statement of operations from the sale of this system.

Future minimum revenues under the shared ownership arrangements as of June 30, 2006 are as follows (in thousands):

Year ending June 30,	
2007	$ 2,653
2008	3,018
2009	2,568
2010	2,028
2011	1,242
2012 and thereafter	440
Total	$ 11,949

Total contingent revenues, included in shared ownership revenue, earned from the CyberKnife systems attributable to the shared ownership programs were $3,966,000, $6,739,000 and $6,090,000 for the years ended June 30, 2004, 2005 and 2006, respectively, and $1,283,000 and $1,635,000 for the quarters ended September 30, 2005 and 2006, respectively (unaudited).

4. Business Combination

On January 10, 2005, the Company completed the purchase of the High Energy Systems Division ("HES") of American Science and Engineering, Inc. ("AS&E") and integrated this operation into the Company's existing manufacturing operation. HES had been the sole source manufacturer of the linear accelerator used in the CyberKnife system. The transaction was accounted for in accordance with SFAS 141, *Business Combinations*, ("SFAS 141"). The transaction was valued at approximately $8,413,000 and the consideration was comprised of $5,500,000 in cash, a note payable for $2,800,000 due one year after closing, and expenses related to the transaction. The total purchase cost of HES was as follows (in thousands):

Net tangible assets	$ 2,108
Goodwill and other purchased intangible assets:	
Complete technology	1,740
Customer contract / relationship	70
Goodwill	4,495
Total purchase price	$ 8,413

The Company allocated the purchase price based on the fair value of the net tangible and intangible assets acquired. Tangible assets were valued at carrying costs, subsequent to due diligence supporting those costs. The fair value of the intangible assets acquired was determined through valuation techniques that included discounted cash flows and weighted average cost of capital methods

used in the technology industry using assumptions and estimates from management. The purchase price was settled as follows (in thousands):

Cash	$ 5,500
Note payable	2,800
Transaction costs and expenses	113
Total	$ 8,413

Pro forma information has not been presented as the pro forma impact is immaterial.

5. Goodwill and Other Purchased Intangibles

Goodwill and other intangible assets with indefinite lives are not amortized in accordance with SFAS 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). Intangible assets with determinable useful lives are amortized on a straight line basis over their useful lives. Goodwill and other intangible assets have resulted from the Company's January 2005 acquisition of HES. SFAS 142 requires that the Company perform an annual test for impairment of intangible assets with indefinite lives, and interim tests if indications of potential impairment exist. The Company performed the annual test for impairment in December 2005 concluding that there was no impairment of goodwill. At June 30, 2006, there have been no indicators indicating a need to perform an interim test.

The amortization expense relating to intangible assets for the years ending June 30, 2004, 2005 and 2006 was $0, $122,000 and $242,000, respectively. The amortization expense relating to intangible assets for the quarters ending September 30, 2005 and 2006 was approximately $54,000 and $65,000, respectively (unaudited). The following represents the gross carrying amounts and accumulated amortization of amortized intangible assets at June 30, 2005 and 2006 and September 30, 2006 (in thousands):

	June 30, 2005	June 30, 2006	September 30, 2006 (unaudited)
Complete technology	$ 1,740	$ 1,740	$ 1,740
Customer contract / relationship	70	70	70
	1,810	1,810	1,810
Less: Accumulated amortization	(122)	(364)	(429)
Intangible assets, net	$ 1,688	$ 1,446	$ 1,381

The following table represents the estimated useful life of the intangible assets subject to amortization:

	Years
Amortized intangible assets:	
Complete technology	7.0
Customer contract / relationship	7.0

The estimated future amortization expense of purchased intangible assets as of June 30, 2006, is as follows (in thousands):

Year ending June 30,	
2007	$ 259
2008	259
2009	259
2010	259
2011	259
2012 and thereafter	151
Total	$ 1,446

6. Debt

During the year ended June 30, 2003, the Company entered into a loan agreement with a shared ownership program customer. Under the terms of the agreement, the Company received $1,500,000 in exchange for a note payable. The principal balance on the note carried interest at a rate of 7.5% per annum. A portion of the monthly payments received by the Company under the terms of the shared ownership program was first applied to the note payable. The note was secured by the CyberKnife system operated by the customer. The note was repaid in full in March 2005.

In January 2004, the Company entered into a financing agreement with a commercial bank. Under the terms of the agreement, the Company could offer domestic and export accounts receivable to the bank in exchange for advances up to an amount not to exceed $2,500,000. Amounts advanced under the agreement carried interest at a rate of 9.6% per annum. The term of the arrangement was for twelve months following the effective date. Collateral for amounts advanced consisted of the Company's rights, title and interest in all goods and equipment, inventory, contract rights, general intangibles, and cash. At June 30, 2005 and 2006 advances against the financing arrangement were zero. The agreement terminated in January 2005.

In conjunction with its acquisition of HES, the Company executed a promissory note in the principal amount of $2,800,000 as part of the purchase price. The note carried an interest rate of 7%, simple interest. The note, together with accrued and unpaid interest, was payable on the earlier of consummation of an initial public offering of the Company's common stock, or January 10, 2006. The note was repaid in full in January 2006.

7. Service Plan Contracts

Service contract revenue for providing parts, warranty, product updates and customer support is deferred and recognized ratably over the contractual service period, generally one year, until no further obligation exists.

Deferred service contract revenue included in deferred revenue was (in thousands):

Balance at June 30, 2003	$ 1,883
Add payments received	5,218
Less revenue recognized	(1,098)
Balance at June 30, 2004	6,003
Add payments received	8,890
Less revenue recognized	(2,573)
Balance at June 30, 2005	12,320
Add payments received	20,419
Less revenue recognized	(3,635)
Balance at June 30, 2006	29,104
Add payments received (unaudited)	5,463
Less revenue recognized (unaudited)	(2,270)
Balance at September 30, 2006 (unaudited)	$ 32,297

Costs incurred under service contracts included in cost of revenue were $970,000, $851,000 and $1,691,000 during the years ended June 30, 2004, 2005 and 2006, respectively, and $251,000 and $948,000 for the quarters ended September 30, 2005 and 2006, respectively (unaudited).

8. Commitments and Contingencies

Operating Lease Agreements

The Company leases office space under non-cancellable operating leases with various expiration dates through June 2011. Rent expense was $458,000, $964,000 and $1,956,000 for the years ended June 30, 2004, 2005 and 2006, respectively, and $436,000 and $471,000 for the quarters ended September 30, 2005 and 2006, respectively (unaudited). The terms of the facility leases provide for rental payments on a graduated scale. The Company recognizes rent expense on a straight-line basis over the lease period, and has accrued for rent expense incurred but not paid.

Future minimum lease payments under noncancelable operating lease agreements as of June 30, 2006 are as follows (in thousands):

Year ending June 30,	
2007	$ 1,984
2008	1,738
2009	1,228
2010	1,057
2011	708
Total	$ 6,715

The Company enters into standard indemnification agreements with its landlords and all superior mortgagees and their respective directors, officers' agents, and employees in the ordinary course of business. Pursuant to these agreements, the Company will indemnify, hold harmless, and agree to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally the landlords, in connection with any loss, accident, injury, or damage by any third party with respect to the lease agreement facilities. The term of these indemnification agreements is from the commencement of the lease agreements until termination of the lease agreements. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has not incurred claims or costs to defend lawsuits or settle claims related to these indemnification agreements.

Royalty Agreements

The Company entered into a license and royalty agreement with Schonberg Research Corporation ("Schonberg") in January 1991 in exchange for an exclusive license to use certain technology. Under the terms of the agreement, as amended in April 1996, the Company is obligated to pay Schonberg $25,000 for each CyberKnife system sold that includes the licensed technology. Maximum total aggregate payments under this license agreement are $2,500,000. Royalty expense recognized in cost of revenue or deferred cost of revenue sold under this agreement was $250,000, $375,00 and $850,000 during the years ended June 30, 2004, 2005 and 2006, respectively, and $244,000 and $144,000 for the quarters ended September 30, 2005 and 2006, respectively (unaudited). At June 30, 2006, the Company had a remaining commitment of approximately $169,000 related to this license and royalty agreement. At June 30, 2005 and 2006, the Company had accrued amounts of approximately $119,000 and $219,000, respectively, included in other accrued liabilities in the consolidated balance sheets relating to this license and royalty agreement. At September 30, 2006, the accrued amount was $50,000 (unaudited).

In July 1997, the Company entered into a license and royalty agreement with Stanford University ("Stanford") under which the Company has a non-exclusive license to use certain technology. Under this agreement, the Company is obligated to pay Stanford up to $10,000 for each CyberKnife system sold that includes the licensed technology, with the stipulation that the Company must make minimum annual payments of $25,000. Royalty expense recorded in cost of revenue or deferred cost of revenue was $55,000, $80,000 and $175,000 for the years ended June 30, 2004, 2005 and 2006, respectively, and $50,000 and $30,000 for the quarters ended September 30, 2005 and 2006, respectively (unaudited).

In January 1999, the Company entered into a license and royalty agreement with Professor Dr. Achim Schweikard ("Schweikard") of the University of Munich. Under this agreement, the Company has a non-exclusive license to use certain technology. The Company is obligated to pay Schweikard up to $5,000 for each CyberKnife system sold that includes the licensed technology, with the stipulation that the Company must make miniumum annual payments of $5,000. Royalty expense under this agreement recorded in cost of revenue or deferred cost of revenue was $30,000, $115,000 and $120,000 for the years ended June 30, 2004, 2005 and 2006, respectively, and $30,000 and $30,000 for the quarters ended September 30, 2005 and 2006, respectively (unaudited).

Other Commitments

During November 1999, in connection with the amendment of a purchase and distribution agreement, the Company committed to pay another party 50% of the amount by which the sale price of the next CyberKnife system sold in the United States exceeded $1,500,000. The Company also committed to pay the other party $50,000 each time the Company receives final payment for each of the next fourteen CyberKnife systems sold in the United States. The Company paid $250,000 and $350,000 to the other party in connection with sales to third parties occurring in the years ended June 30, 2005 and June 30, 2004, respectively. As of June 30, 2006, the Company had no outstanding commitments regarding this amended agreement.

Contingencies

From time to time, the Company may become involved in litigation relating to claims arising from the ordinary course of business. Management does not believe the final disposition of these matters will have a material adverse effect on the financial position, results of operations or future cash flows of the Company.

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 recorded no liability associated with this indemnification, as it is not aware of any pending or threatened actions that are probable losses.

9. Redeemable Convertible Preferred Stock

Redeemable Convertible Preferred Stock

As of June 30, 2004, 2005 and 2006, and September 30, 2006, the Company had redeemable convertible preferred stock outstanding, as follows (in thousands):

	June 30,			September 30, 2006
	2004	2005	2006	
				(unaudited)
Authorized shares	30,000	30,000	30,000	30,000
Outstanding shares:				
Series C	11,182	11,182	11,182	11,182
Series A	4,500	4,500	4,500	4,500
Series A1	1,071	1,071	1,071	1,071
Series B	667	667	667	667
Total outstanding shares	17,419	17,419	17,419	17,419
Liquidation amount:				
Series C	$ 16,069	$ 19,285	$ 23,142	$ 24,228
Series A	9,000	9,000	9,000	9,000
Series A1	3,212	3,212	3,212	3,212
Series B	5,000	5,000	5,000	5,000
Total liquidation amount	$ 33,281	$ 36,497	$ 40,354	$ 41,440
Proceeds, net of issuance costs				
Series C	$ 11,044	$ 11,044	$ 11,044	$ 11,044
Series A	8,621	8,621	8,621	8,621
Series A1	3,212	3,212	3,212	3,212
Series B	4,627	4,627	4,627	4,627
Total proceeds, net of issuance costs	$ 27,504	$ 27,504	$ 27,504	$ 27,504

Dividend Rights

The holders of the Company's Series A, A1 and B preferred stock are entitled to receive cash dividends in preference to the holders of the Company's common stock, at the rate of 10% per year of the outstanding liquidation preference amounts. The holders of Series C preferred stock are entitled to receive dividends at a rate of 8% of the purchase price per annum in preference to the holders of the Company's Series A, A1 and B preferred stock and common stock. Such dividends shall be payable only when funds are legally available and only if, as and when declared by the Company's Board of Directors, and are non-cumulative. As of June 30, 2006, no dividends have been declared.

Liquidation Rights

Upon any liquidation, dissolution or winding up of the Company, the holders of Series C preferred stock shall be entitled to an amount equal to a 20% annual internal rate of return on the original issue price per share of Series C preferred stock (which is $1.00) plus an amount equal to any dividends declared but unpaid thereon, if any, in preference to any distribution to Series A, A1, Series B or common stock (collectively referred to as "junior stock").

If the assets of the Company are insufficient to pay the full Series C liquidation preference amounts, then the available assets of the Company shall be distributed ratably among the holders of the Series C preferred stock.

After the holders of Series C preferred stock have been paid the amounts to which they shall be entitled, the holders of Series A, A1 and B preferred stock shall be entitled to receive a liquidation preference amount equal to the liquidation value per share multiplied by the number of shares outstanding. The liquidation value of each share of Series A, A1 and B preferred stock is defined as the price paid per share. In February 1999, 4,500,000 shares of Series A preferred stock were issued at a price of $2.00 per share, in December 1999 and January 2000, 1,070,666 shares of Series A1 preferred stock were issued at a price of $3.00 per share, and in March 2001, 666,665 shares of Series B preferred stock were issued at a price of $7.50 per share.

If the assets of the Company are insufficient to pay the Series A, A1 and B liquidation preference amounts, the available assets shall be distributed to the holders of Series A, A1 and B preferred stock ratably in proportion to the preference amounts they would otherwise be entitled to receive. After payment of the liquidation preference amounts, any remaining assets of the Company shall be distributed ratably to the holders of the Company's common stock.

A consolidation or merger of the Company, or a sale of all or substantially all of its assets, shall be deemed to be a liquidation or winding up for purposes of the liquidation preference if: (i) the fair value of the per share consideration to be received by a holder of preferred stock pursuant to any of the above-mentioned transactions is less than the purchase price of the preferred stock plus accrued but unpaid dividends; and (ii) the existing stockholders of the Company hold less than 50% of the voting power of the successor or surviving corporation.

Voting Rights

The holders of preferred stock have voting rights equal to the holders of the Company's common stock. Each holder of preferred stock is entitled to the number of votes equal to the number of shares of common stock into which the shares of preferred stock are convertible.

Conversion Rights and Antidilution Provisions

The original terms of the Series A, A1, B and C preferred stock provide that each share of preferred stock is convertible into one share of the Company's common stock, subject to certain anti-dilution provisions. Such conversion shall occur at the option of the holder of such preferred share at any time or automatically upon the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, in which the gross cash proceeds to the Company are at least $5,000,000.

The conversion ratio of outstanding preferred stock, as well as its liquidation rights, shall be adjusted to prevent dilution in the event of any subdivision or combination of the Company's common stock or any distribution by the Company of a stock dividend or stock split. The conversion ratio of preferred stock shall be adjusted to prevent dilution upon the Company's issuance, on or after the closing of an offering of common stock or common stock equivalents for a consideration per share which is less than the conversion value of the preferred stock, with the following exceptions: (i) the issuance of common stock or options to purchase common stock to employees, officers, directors or members of the Scientific Advisory Board, with the approval of the Board of Directors, at not less than fair value; (ii) the conversion of any outstanding preferred shares; and (iii) any dividend or distribution on any shares of such common or preferred stock or common stock equivalents described above.

During the years ended June 30, 2002 and 2003, the Company issued 6,000,000 and 5,182,000 shares, respectively, of Series C preferred stock at a price of $1.00 share. These issuances triggered certain anti-dilution rights of the existing Series A, A1 and B preferred stock. As a result of these triggers, the outstanding shares of Series A, A1 and B preferred stock convert into 6,834,693, 2,169,606 and 4,999,986 shares of common stock, respectively, at June 30, 2006.

The deemed liquidation provisions and the extent of the preferred stockholding result in the preferred stock having redemption features that are not solely within the control of the Company and, accordingly, require disclosure of the preferred stock as temporary equity in accordance with EITF Topic D-98.

10. Stockholders' Equity (Deficiency)

Common Stock

As of June 30, 2005, the Company's amended Articles of Incorporation authorized the Company to issue 70,000,000 shares of common stock. As of June 30, 2006, 16,243,150 shares of common stock were issued and outstanding.

Stock Option Plans

In 1993, the Company's stockholders approved the 1993 Stock Option Plan (the "1993 Plan"). Under the 1993 Plan, the Board of Directors is authorized to grant options to purchase shares of common stock at fair value, as determined by the Board of Directors, to employees, directors and consultants.

In 1998, the Company's stockholders approved the 1998 Equity Incentive Plan (the "1998 Plan"). Under the 1998 Plan, the Board of Directors is authorized to grant options to purchase shares of common stock to employees, directors and consultants. As of June 30, 2006, the 1993 Plan continued to remain in effect along with the 1998 Plan.

Only employees are eligible to receive incentive stock options. Non-employees may be granted non-qualified options. The Board of Directors has the authority to set the exercise price of all options granted, subject to the exercise price of incentive stock options being no less than 100% of the fair

value, as determined by the Board of Directors, of a share of common stock on the date of grant; and no less than 85% of the fair value for a non-qualified stock options.

Generally, the Company's outstanding options vest at a rate of 25% per year. However, certain options granted to certain employees vest based upon performance. Continued vesting typically terminates when the employment or consulting relationship ends.

The maximum term of the options granted to persons who owned at least 10% of the voting power of all outstanding stock on the date of grant is 5 years. The maximum term of all other options is 10 years.

Combined activity under the 1993 Plan and the 1998 Plan (the "Plans") is summarized as follows:

		Options outstanding	
	Shares available for grant	Number of options	Weighted average exercise price
Balance at June 30, 2003	1,160,017	6,026,650	$ 0.66
Additional shares reserved	3,152,402	—	$ —
Plan shares expired	(50,000)	—	$ —
Options granted	(3,727,500)	3,727,500	$ 1.06
Options forfeited	519,992	(519,992)	$ 1.04
Options exercised	—	(610,739)	$ 0.41
Balance at June 30, 2004	1,054,911	8,623,419	$ 0.82
Additional shares reserved	2,200,000	—	$ —
Options granted	(3,589,500)	3,589,500	$ 3.26
Options forfeited	425,371	(425,371)	$ 1.24
Options exercised	—	(1,290,154)	$ 0.58
Balance at June 30, 2005	90,782	10,497,394	$ 1.67
Additional shares reserved	2,900,000	—	$ —
Options granted	(1,407,883)	1,407,883	$ 4.80
Options forfeited	573,333	(573,333)	$ 2.15
Options exercised	—	(431,659)	$ 1.25
Balance at June 30, 2006	2,156,232	10,900,285	$ 2.07
Options granted (unaudited)	(905,970)	905,970	$ 9.43
Options forfeited (unaudited)	82,712	(82,712)	$ 4.35
Options exercised (unaudited)	—	(26,089)	$ 1.76
Balance at September 30, 2006 (unaudited)	1,332,974	11,697,454	$ 2.62

The options outstanding and exercisable, by exercise price, at June 30, 2004 were as follows:

	Options outstanding			Options exercisable	
Exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
$0.25 – $0.60	1,100,000	3.90	$ 0.27	1,100,000	$ 0.27
$0.75	6,046,831	7.97	$ 0.75	3,008,818	$ 0.75
$0.85 – $3.00	1,472,188	9.62	$ 1.54	97,942	$ 2.08
$3.75	4,400	6.76	$ 3.75	4,400	$ 3.75
	8,623,419	7.73	$ 0.82	4,211,160	$ 0.66

The options outstanding and exercisable, by exercise price, at June 30, 2005 were as follows:

	Options outstanding			Options exercisable	
Exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
$0.25 – $0.40	605,000	2.86	$ 0.26	605,000	$ 0.26
$0.75	4,953,535	6.87	$ 0.75	3,394,116	$ 0.75
$0.85 – $3.00	2,252,959	8.82	$ 1.89	682,538	$ 1.74
$3.50 – $3.75	2,685,900	9.57	$ 3.50	62,026	$ 3.51
	10,497,394	7.75	$ 1.67	4,743,680	$ 0.87

The options outstanding and exercisable, by exercise price, at June 30, 2006 were as follows:

	Options outstanding			Options exercisable	
Exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
$0.25 – $0.40	535,000	1.86	$ 0.26	535,000	$ 0.26
$0.75	4,542,376	5.79	$ 0.75	3,989,593	$ 0.75
$0.85 – $3.00	1,861,313	7.78	$ 1.78	1,118,288	$ 1.73
$3.50 – $3.75	2,601,213	8.56	$ 3.50	1,000,547	$ 3.50
$3.76 – $6.73	1,360,383	9.38	$ 4.82	119,395	$ 4.42
	10,900,285	7.05	$ 2.07	6,762,823	$ 1.35

The options outstanding and exercisable, by exercise price, at September 30, 2006 were as follows (unaudited):

	Options Outstanding			Options Exercisable	
Exercise Price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
$0.25 – $0.40	535,000	1.61	$ 0.26	535,000	$ 0.26
$0.75	4,529,484	5.54	$ 0.75	4,123,690	$ 0.75
$0.85 – $3.00	1,842,625	7.53	$ 1.79	1,218,579	$ 1.74
$3.50 – $3.75	2,576,033	8.31	$ 3.50	1,154,951	$ 3.50
$3.76 – $6.73	1,312,607	9.16	$ 4.81	300,683	$ 4.38
$6.74 – $9.50	901,705	9.89	$ 9.43	1,500	$ 9.50
	11,697,454	7.03	$ 2.62	7,334,403	$ 1.46

The aggregate intrinsic value in the table below represents the total pretax intrinsic value (the difference between the fair value of the Company's common stock on September 30, 2006 of $14.06 and the exercise price for stock options) that would have been received by option holders if all options had been exercised on September 30, 2006. The total intrinsic value of options exercised in the quarter ended September 30, 2006 was approximately $167,000 (unaudited). Cash received from option exercises for the quarter ended September 30, 2006 was $46,000 (unaudited).

	Options outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value as of September 30, 2006
Balance at June 30, 2006	10,900,285	$ 2.07		
Options granted (unaudited)	905,970	$ 9.43		
Options forfeited (unaudited)	(82,712)	$ 4.35		
Options exercised (unaudited)	(26,089)	$ 1.76		
Balance at September 30, 2006 (unaudited)	11,697,454	$ 2.62	7.03	
Vested or Expected to vest at September 30, 2006 (unaudited)	11,429,781	$ 2.55	6.98	$ 131,526,814
Exercisable at September 30, 2006 (unaudited)	7,334,611	$ 1.46	6.08	$ 92,392,500

As of September 30, 2006, there was approximately $22,300,000 net of forfeitures, of unrecognized compensation cost related to unvested stock options which is expected to be recognized over a weighted average period of 1.28 years (unaudited). The Company's current practice is to issue new shares to satisfy share option exercises.

The weighted average fair values of options granted were $3.16, $4.45 and $5.53 per share for the years ended June 30, 2004, 2005 and 2006, respectively, and $10.39 for the quarter ended September 30, 2006, respectively (unaudited).

Warrants

During April 2000, in connection with an extension of a line of credit, the Company issued a warrant to purchase 1,000,000 shares of common stock at $3.00 per share to Pacific Republic. Using the Black-Scholes option pricing model, the Company estimated that the fair value of the warrants was $2,754,000 on the date of issue, with the following assumptions: fair value of a share of common stock equal to $3.90; term of 5 years; exercise price of $3.00; volatility of 75.0%; dividend rate of 0% and risk-free interest rate of 6.26%. The estimated fair value of the warrant was amortized to interest expense over the remaining term of the line of credit. During February 2002, in connection with an extension of Pacific Republic's line of credit to the Company and Series C financing, the Company reduced the exercise price of the 1,000,000 warrants from $3.00 per share to $1.40 per share. The Company measured the incremental fair value of the warrants at the date of modification, using the Black-Scholes option pricing model. The incremental value of $127,000 was recorded as interest expense during the year ended June 30, 2002. During March 2005, Pacific Republic exercised the warrants to purchase 1,000,000 shares of common stock at $1.40 per share.

During March 1999, in connection with a preferred stock financing, the Company issued a warrant to Pacific Republic to purchase 2,280,000 shares of common stock at $2.00 per share. Using the Black-Scholes option pricing model, the Company estimated that the fair value of these warrants was $369,000 on the date of issue. The estimated fair value of these warrants was recorded as an issuance cost against the proceeds of the preferred stock, with a corresponding credit to additional paid-in capital. During February 2002, in connection with an extension of Pacific Republic's line of credit to the Company and Series C financing, the Company reduced the exercise price of the 2,280,000 warrants from $2.00 per share to $1.40 per share. The Company measured the incremental fair value of the warrants at the date of modification, using the Black-Scholes option pricing model. The incremental value of $143,000 was recorded as interest expense during the year ended June 30, 2002. During March 2004, Pacific Republic exercised the warrants to purchase 2,280,000 shares of common stock at $1.40 per share.

In August 2002, in connection with the renegotiation of a contractual commitment with a distributor, the Company issued a warrant to purchase 525,000 shares of common stock at an exercise price of $1.00 per share. Using the Black-Scholes option pricing model, the Company estimated that the fair value of the warrant was $225,000 on the date of issue and recorded the warrant in additional paid in capital. Such warrant remains outstanding at June 30, 2006 and expires on August 8, 2007.

In connection with the Series B preferred stock financing in April 2001, the Company was obligated to issue up to 333,333 warrants to purchase common stock at a price per share of $10.00, based on the Company not meeting certain deadlines relating to an initial public offering of the Company's common stock. Using the Black-Scholes option pricing model, the Company estimated the fair value of the warrants to be $373,000 based on the following assumptions: fair value of a share of common stock equal to $3.00; term of 5 years; exercise price of $10.00; volatility of 75.0%; dividend

rate of 0% and risk-free interest rate of 5.34%. The estimated fair value of the warrants was credited to additional paid-in capital with a corresponding debit to Series B preferred stock. During November 2005, warrants to purchase 16,666 shares of common stock were exercised, and the remaining 316,667 warrants expired unexercised in April 2006.

11. Income Taxes

The provision for income taxes consists of the following (in thousands):

	June 30,		
	2004	2005	2006
Current:			
Federal	$ —	$ —	$ 134
State	3	4	54
Foreign	—	64	70
Total current	3	68	258
Deferred:			
Federal	—	—	—
State	—	—	—
Foreign	—	—	—
Total deferred	—	—	—
Total provision	$ 3	$ 68	$ 258

A reconciliation of income taxes at the statutory federal income tax rate to net income taxes included in the accompanying consolidated statements of operations is as follows (in thousands):

	June 30,		
	2004	2005	2006
U.S. federal taxes (benefit):			
At federal statutory rate	$ (3,977)	$ (8,608)	$ (11,304)
State tax, net of federal benefit	(676)	(1,315)	(1,571)
Stock-based compensation expense	629	1,236	1,894
Change in valuation allowance	4,060	8,745	11,277
Credits	(132)	(408)	(437)
Change in state rate	—	256	—
Federal alternative minimum tax	—	—	134
Other	99	98	195
Foreign	—	64	70
Total	$ 3	$ 68	$ 258

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets at June 30, 2005 and 2006 were as follows (in thousands):

	June 30,	
	2005	2006
Deferred tax assets:		
Federal and state net operating losses	$ 17,350	$ 14,853
Accrued vacation	318	603
Deferred revenue	9,265	17,969
Credits	2,142	2,579
Capitalized research and development	552	481
Other	3,265	7,223
Total deferred tax assets	32,892	43,708
Deferred tax liabilities:		
Fixed assets	(1,408)	(947)
Total deferred tax liabilities	(1,408)	(947)
Valuation allowance	(31,484)	(42,761)
Net deferred tax assets:	$ —	$ —

At June 30, 2006, the Company had approximately $40,623,000 in federal and $16,562,000 in state net operating loss carryforwards, which expire in varying amounts beginning in 2009 and 2007 for federal and state purposes, respectively. In addition, at June 30, 2006, the Company had federal and state research and development tax credits of approximately $1,541,000 and $1,347,000, respectively. The federal research credits will begin to expire in 2008 and the state research credits have no expiration date

Utilization of the Company's net operating loss may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration of the net operating loss carryforwards before utilization.

The Company has established a 100% valuation allowance against its deferred tax assets due to the uncertainty surrounding the realization of such assets.

12. Other Income (Expense)

For the fiscal years ended June 30, 2004, 2005 and 2006, and the quarter ended September 30, 2005 and 2006, other income (expense) consisted of the following (in thousands):

	Years Ended June 30,			Three Months Ended September 30,	
	2004	2005	2006	2005	2006
				(unaudited)	
Interest income	$ 33	$ 198	$ 501	$ 107	$ 358
Gain (loss) on asset disposition	(27)	(18)	(44)	10	(8)
Foreign currency transaction gain (loss)	—	(26)	(21)	(3)	(81)
Other	7	2	2	—	—
	$ 13	$ 156	$ 438	$ 114	$ 269

	Years Ended June 30,			Three Months Ended September 30,	
	2004	2005	2006	2005	2006
				(unaudited)	
Interest expense	$ (96)	$ (291)	$ (324)	$ (104)	$ (44)
State sales and local taxes	(52)	(88)	(23)	(16)	(17)
Other	(1)	(15)	(35)	—	(1)
	$ (149)	$ (394)	$ (382)	$ (120)	$ (62)

13. Related Party Transactions

The Company recognized revenue of $0, $7,106,000 and $5,624,000 during the years ended June 30, 2004, 2005 and 2006, respectively, and $1,254,000 and $1,221,000 during the quarters ended September 30, 2005 and 2006, respectively (unaudited), relating to products and services provided to Meditec. Meditec's parent, Marubeni Corporation, is a preferred stockholder of the Company. At June 30, 2005 and 2006, amounts of $22,183,000 and $25,120,000, respectively, and $23,900,000 at September 30, 2006 (unaudited) were recorded as deferred revenue and advances relating to payments made by Meditec for certain products and services. At June 30, 2005 and 2006 and September 30, 2006 (unaudited), no amounts were due from Meditec.

The Company recognized revenue of $100,000, $585,000 and $195,000, during the years ended June 30, 2004, 2005 and 2006, respectively, and $146,000 and $3,087,000 during the quarters ended September 30, 2005 and 2006, respectively (unaudited), relating to products and services provided to Stanford. The Company's former Chief Executive Officer was an active member of the faculty at Stanford. Currently, he is a member of the Board of Directors and he holds the position of Professor of Neurosurgery and Radiation Oncology at Stanford. At June 30, 2005 and 2006, amounts of $195,000 and $1,340,000, respectively, and $563,000 at September 30, 2006 (unaudited), were recorded as deferred revenue and advances relating to payments made by Stanford. Trade accounts receivable amounts due from Stanford were $0 and $0 at June 30, 2005 and 2006, respectively, and $1,153,000 at

September 30, 2006 (unaudited). The Company also has a license agreement with Stanford as disclosed in Note 8.

The Company recognized revenue of $2,338,000, $2,590,000 and $130,000, during the years ended June 30, 2004, 2005 and 2006, respectively, and $55,000 and $0 during the quarters ended September 30, 2005 and 2006, respectively (unaudited), relating to products and services provided to President Medical Technology Co. ("President"). President is related to President International Investment Holdings, Ltd., a preferred stockholder of the Company. At June 30, 2005 and 2006, amounts of $2,225,000 and $2,325,000, respectively, and $2,288,000 at September 30, 2006 (unaudited) were recorded as deferred revenue and advances relating to payments made by President for certain products and services. At June 30, 2005 and 2006, amounts of $440,000 and $1,000, respectively, and $4,000 at September 30, 2006 (unaudited), were recorded as trade accounts receivable from President. In May 2006, President International Investment Holdings, Ltd. sold all of its interest in President.

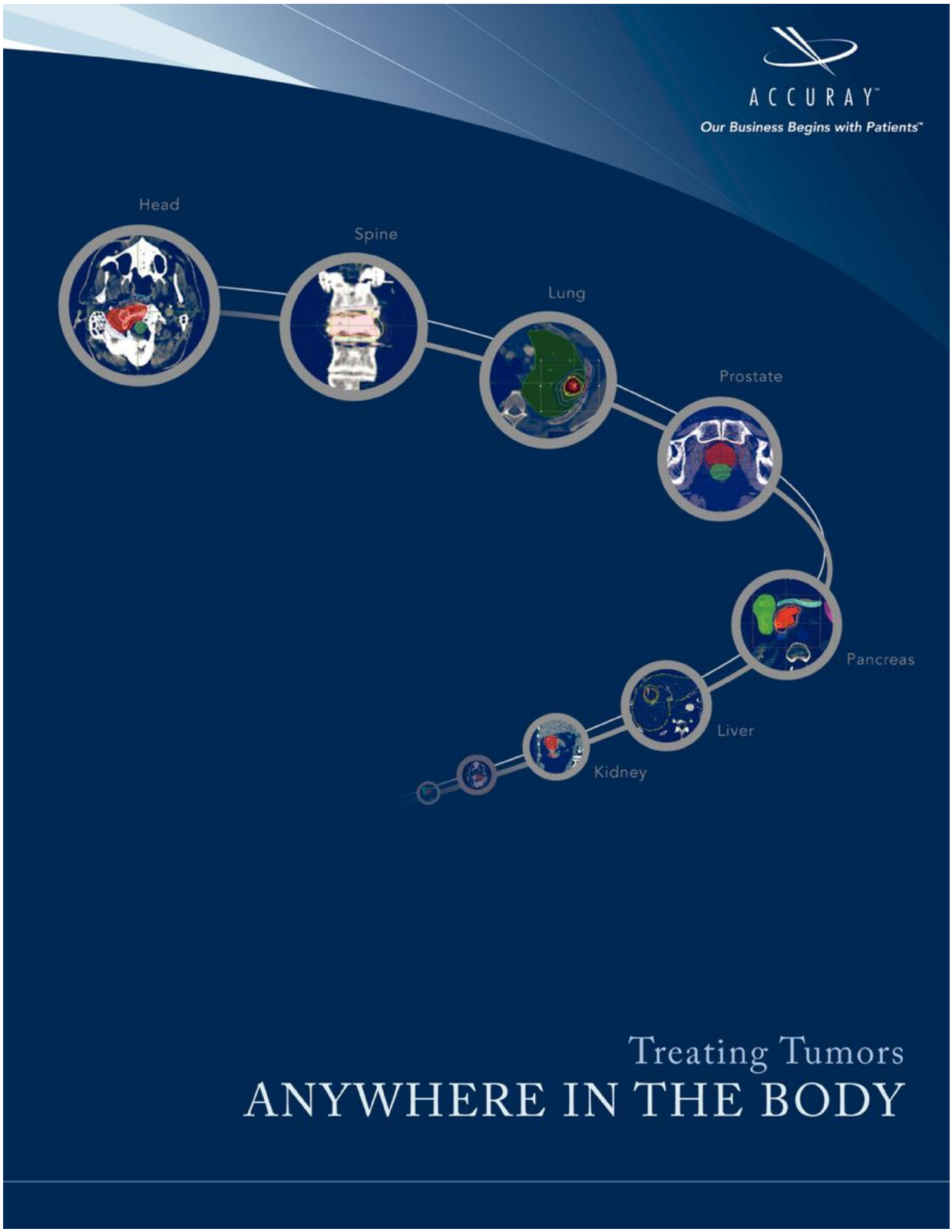
14. Employee Benefit Plans

The Company's employee savings and retirement plan is qualified under Section 401(k) of the United States Internal Revenue Code. Employees may make voluntary, tax-deferred contributions to the 401(k) Plan up to the statutorily prescribed annual limit. The Company makes discretionary matching contributions to the 401(k) Plan on behalf of employees up to the limit determined by the Board of Directors. The Company contributed $201,000, $283,000 and $528,000 to the 401(k) Plan during the years ended June 30, 2004, 2005 and 2006, respectively, and $43,000 and $125,000 for the quarters ended September 30, 2005 and 2006, respectively (unaudited).

15. Supplemental Disclosures

The following is supplemental disclosure of valuation and qualifying accounts (in thousands):

	Beginning Balance	Charges (Deductions) to Operations	Write-offs	Ending Balance
Accounts receivable allowances				
Year ended June 30, 2004	$ —	106	—	$ 106
Year ended June 30, 2005	$ 106	45	(106)	$ 45
Year ended June 30, 2006	$ 45	(21)	(4)	$ 20
Quarter ended September 30, 2006 (unaudited)	$ 20	—	—	$ 20


ACCURAY
Our Business Begins with Patients
Head
Spine
Lung
Prostate
Pancreas
Liver
Kidney
Treating Tumors
ANYWHERE IN THE BODY

Shares

ACCURAY INCORPORATED

Common Stock

PROSPECTUS

Through and including , 2007 (the 25th day after the date of this prospectus) federal securities law may require all dealers that effect transactions in these securities, whether or not participating in this offering, to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

JPMorgan **UBS Investment Bank**

Piper Jaffray

Jefferies & Company

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable in connection with the sale and distribution of the securities being registered. All amounts are estimated except the Securities and Exchange Commission registration fee and the NASD filing fee. All the expenses below will be paid by the Registrant.

Item	Amount
Securities and Exchange Commission Registration fee	$ 24,610
NASD filing fee	23,500
NASDAQ Global Market listing fee	150,000
Legal fees and expenses	1,160,000
Accounting fees and expenses	1,150,000
Printing and engraving expenses	210,000
Transfer Agent and Registrar fees	15,000
Blue Sky fees and expenses	10,000
Miscellaneous Fees and Expenses	56,890
Total	$ 2,800,000

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law authorizes a court to award, or a corporation's board of directors to grant indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act of 1933, as amended. Our certificate of incorporation to be in effect upon the completion of this offering provides for indemnification of our directors, officers, employees and other agents to the maximum extent permitted by the Delaware General Corporation Law, and our bylaws to be in effect upon the completion of this offering provide for indemnification of our directors, officers, employees and other agents to the maximum extent permitted by the Delaware General Corporation Law. In addition, we have entered into indemnification agreements with our directors, officers and some employees containing provisions which are in some respects broader than the specific indemnification provisions contained in the Delaware General Corporation Law. The indemnification agreements may require us, among other things, to indemnify our directors against certain liabilities that may arise by reason of their status or service as directors and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified. Reference is also made to Section 9(c) of the underwriting agreement to be filed as Exhibit 1.1 hereto, which provides for indemnification by the underwriter of our officers and directors against certain liabilities. Reference is also made to the offer letter with Eric P. Lindquist filed as Exhibit 10.12 hereto, which provides for indemnification by the Registrant of Mr. Lindquist in the event a suit is filed against him in connection with his non-competition agreement with a former employer.

Item 15. Recent Sales of Unregistered Securities

From January 1, 2004 through the date of this registration statement, the Registrant has made sales of the following unregistered securities:

1. The Registrant sold an aggregate of 2,348,380 shares of common stock to employees, directors and consultants for consideration in the form of cash and forfeited shares in the aggregate amount of $1,703,817.10 upon the exercise of stock options and stock awards, 83,433 shares of which have been repurchased.

2. The Registrant granted stock options and stock awards to employees, directors and consultants under its 1998 Equity Incentive Plan covering an aggregate of 8,069,663 shares of common stock, with exercise prices ranging from $0.85 to $13.05 per share. Of these, options covering an aggregate of 1,717,997 were cancelled without being exercised.

3. The Registrant claimed exemption from registration under the Securities Act for the sales and issuances of securities in the transactions described in paragraphs (1) and (2) above under Section 4(2) of the Securities Act in that such sales and issuances did not involve a public offering or under Rule 701 promulgated under the Securities Act, in that they were offered and sold either pursuant to written compensatory plans or pursuant to a written contract relating to compensation, as provided by Rule 701.

4. In January and May 2003, the Registrant issued 100,000 shares of its common stock to Randall Young, an investor, upon exercise of a warrant to purchase shares of its common stock for an aggregate exercise price of $50,000. In March 2004, the Registrant issued 2,280,000 shares of its common stock to Pacific Republic Capital upon exercise of a warrant to purchase shares of its common stock for an aggregate exercise price of $3,192,000. In March 2005, the Registrant issued 1,000,000 shares of its common stock to Pacific Republic Capital upon exercise of a warrant to purchase shares of its common stock for an aggregate exercise price of $1,400,000. In November 2005, the Registrant issued 16,666 shares of its common stock to the Thomas Fogarty Separate Property Trust upon exercise of a warrant to purchase shares of its common stock for an aggregate exercise price of $167,000.

5. The Registrant claimed exemption from registration under the Securities Act for the sale and issuance of securities in the transactions described in paragraph (4) by virtue of Section 4(2) and/or Regulation D promulgated thereunder as transactions not involving any public offering. All of the purchasers of unregistered securities for which the Registrant relied on Section 4(2) and/or Regulation D represented that they were accredited investors as defined under the Securities Act. The Registrant claimed such exemption on the basis that (a) the purchasers in each case represented that they intended to acquire the securities for investment only and not with a view to the distribution thereof and that they either received adequate information about the registrant or had access, through employment or other relationships, to such information and (b) appropriate legends were affixed to the stock certificates issued in such transactions.

Item 16. Exhibits and Financial Statements

(a) Exhibits

Exhibit No.	Description of Exhibit
1.1*	Form of Underwriting Agreement.
3.1**	Amended and Restated Articles of Incorporation of Registrant.
3.2	Amended and Restated Certificate of Incorporation of Registrant, to be filed upon the completion of this offering.
3.3	Bylaws of Registrant.
3.4	Bylaws of Registrant, to be in effect upon the completion of this offering.
4.1**	Common Stock Warrant dated August 9, 2002 by and between Registrant and Hazem Chehabi, M.D.
4.2**	Investor Rights Agreement dated October 30, 2006 by and between Registrant and purchasers of Series A Preferred Stock, Series A1 Preferred Stock, Series B Preferred Stock and Series C Preferred Stock and certain holders of common stock.
4.3*	Form of Common Stock Certificate.
5.1*	Form of Opinion of Latham & Watkins LLP.
10.1**	Industrial Complex Lease dated July 14, 2003 by and between Registrant and MP Caribbean, Inc., as amended by the First Amendment to Industrial Complex Lease effective as of December 9, 2004 and the Second Amendment to Industrial Complex Lease effective as of September 25, 2006.
10.2**	Standard Industrial Lease effective as of June 30, 2005 by and between Registrant and The Realty Associates Fund III, L.P.
10.3**	Accuray Incorporated 1993 Stock Option Plan and forms of agreements relating thereto.
10.4**	Accuray Incorporated 1998 Equity Incentive Plan and forms of agreements relating thereto.
10.5	Accuray Incorporated 2007 Incentive Award Plan and forms of agreements relating thereto.
10.6	Accuray Incorporated 2007 Employee Stock Purchase Plan and forms of agreements relating thereto.
10.7**	Form of Indemnification Agreement by and between Registrant and each of its directors and executive officers.
10.8**	Employment Terms Letter dated November 10, 2006 by and between Registrant and Euan S. Thomson, Ph.D.
10.9**	Employment Terms Letter dated November 10, 2006 by and between Registrant and Chris A. Raanes.
10.10**	Employment Terms Letter dated November 10, 2006 by and between Registrant and Robert E. McNamara.
10.11**	Offer Letter dated July 22, 2004 by and between Registrant and John W. Allison, Ph.D.
10.12**	Employment Terms Letter dated November 10, 2006 by and between Registrant and Eric Lindquist.

10.13**	Employment Terms Letter dated November 10, 2006 by and between Registrant and Wade Hampton.
10.14**	Independent Contractor Agreement effective as of April 1, 2006 by and between Registrant and John R. Adler, as amended effective as of May 24, 2006.
10.15**	Independent Contractor Agreement effective as of April 1, 2006 by and between the CyberKnife Society and John R. Adler, as amended effective as of October 3, 2006.
10.16**	License Agreement effective as of December 12, 2004 by and between Registrant and American Science and Engineering, Inc.
10.17**	Assignment & Assumption of License and Consent by Supplier effective as of January 10, 2005 by and among Registrant, American Science and Engineering, Inc., Yuri Batygin, and Anatoliy Zapreier.
10.18†**	Nonexclusive End-User Software License Agreement dated September 9, 2005 by and between Registrant and The Regents of the University of California.
10.19†**	License Agreement effective as of July 9, 1997 by and between Registrant and The Board of Trustees of the Leland Stanford Junior University.
10.20†**	Manufacturing License and Technology Transfer Agreement effective as of January 28, 1991 by and between Registrant and Schonberg Radiation Corporation, as amended on April 15, 1996 and November 11, 2002.
10.21†	Non-Exclusive System Partner Agreement effective as of September 23, 2005 by and between Registrant and KUKA Robotics Corporation.
10.22†**	Consulting Agreement effective as of March 11, 2004 by and between Registrant and Forte Automation Systems, Inc.
10.23†**	Amended and Restated International Distributor Agreement effective as of April 1, 2004 by and between Registrant and President Medical Technologies Co., Ltd. Inc.
10.24†**	Commission Agreement effective as of August 10, 2006 by and between Registrant and President Medical Technologies Co., Ltd. Inc.
10.25†	Assignment Agreement effective as of December 29, 2004 by and between President Medical Technologies Co., Ltd. Inc. and Cowealth Medical Science & Biotechnology Incorporated.
10.26†**	International Distributor Agreement dated January 21, 2004 by and between Registrant and Chiyoda Technol Corporation.
10.27**	Form of Training Center Agreement.
10.28**	Form International of Distributor Agreement.
10.29**	Form of Sales Agent Agreement.
10.30**	Form of CyberKnife G4 Purchase Agreement.
10.31**	Form of Diamond Elite Service Agreement.
10.32**	Form of Emerald Elite Service Agreement.
10.33**	Form of Emerald Basic Service Agreement.
10.34**	Form of International Ruby Elite Service Agreement.
10.35**	Form of International Diamond Elite Service Agreement.

10.36**	Form of International Emerald Elite Service Agreement.
10.37**	Form of Platinum Elite Service Agreement.
10.38**	Form of Silver Elite Service Agreement.
10.39**	Form of International Platinum Elite Service Agreement.
10.40**	Form of International Gold Elite Service Agreement.
10.41**	Form of International Silver Elite Service Agreement.
10.42**	Form of CyberKnife G4 Shared Ownership Agreement.
10.43**	Form of CyberKnife G4 Placement Agreement.
10.44**	Separation Agreement and Release effective as of April 14, 2006 by and between Registrant and John W. Allison, Ph.D.
10.45†**	Asset Purchase Agreement effective as of December 12, 2004 by and between the Registrant and American Science and Engineering, Inc.
10.46†	Exclusive Manufacturing Agreement effective as of November 29, 2006 by and between the Registrant and Forte Automation Systems, Inc.
10.47†**	Letter Agreement dated May 20, 2003 by and between the Registrant and Meditec Corporation.
10.48†	CyberKnife Transfer Agreement effective as of March 6, 2006 by and between the Registrant, Marubeni Corporation and Meditec Corporation.
16.1*	Letter from PricewaterhouseCoopers LLP.
21.1	List of subsidiaries.
23.1*	Consent of Latham & Watkins LLP (included in Exhibit 5.1).
23.2	Consent of Grant Thornton LLP, independent registered public accounting firm.
23.3	Consent of Cogent Valuation.
24.1	Power of Attorney (see page II-7 of registration statement on Form S-1 filed on November 13, 2006 and pages II-7 and II-8 hereto).

* To be filed by amendment.

** Previously filed.

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

(b) Financial Statement Schedules

None.

Item 17. Undertakings

Insofar as indemnification for liabilities arising under the Securities Act may be permitted as to directors, officers and controlling persons of Accuray pursuant to the provisions described in Item 14, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the

payment by Accuray of expenses incurred or paid by a director, officer or controlling person of Accuray in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus as filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by Accuray pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

The undersigned registrant hereby undertakes to provide the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

That for the purpose of determining liability under the Securities Act of 1933 to any purchaser, if the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

That for the purpose of determining liability under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, we have duly caused this Amendment No. 2 to the Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Sunnyvale, State of California, on the 16th day of January 2007.

ACCURAY INCORPORATED

By: /s/ E. S. THOMSON

Euan S. Thomson, Ph.D.
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Euan S. Thomson, Ph.D. and Robert E. McNamara, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement (including any registration statement filed by a corporation that is a successor to Accuray Incorporated by merger) and to sign any registration statement for the same offering covered by the Registration Statement that is to be effective upon filing pursuant to Rule 462 promulgated under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 2 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ E. S. THOMSON Euan S. Thomson, Ph.D	President and Chief Executive Officer and Director (principal executive officer)	January 16, 2007
/s/ R. E. MCNAMARA Robert E. McNamara	Senior Vice President, Chief Financial Officer (principal financial and accounting officer)	January 16, 2007
* Wayne Wu	Chairman of the Board and Director	January 16, 2007
* John R. Adler, Jr., M.D.	Director	January 16, 2007

*	Director	January 16, 2007
Ted T. C. Tu		
/s/ ROBERT S. WEISS	Director	January 16, 2007
Robert S. Weiss		
*	Director	January 16, 2007
Li Yu		

*By: /s/ E. S. THOMSON

Euan S. Thomson
Attorney-in-fact

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
1.1*	Form of Underwriting Agreement.
3.1**	Amended and Restated Articles of Incorporation of Registrant.
3.2	Amended and Restated Certificate of Incorporation of Registrant, to be filed upon the completion of this offering.
3.3	Bylaws of Registrant.
3.4	Bylaws of Registrant, to be in effect upon the completion of this offering.
4.1**	Common Stock Warrant dated August 9, 2002 by and between Registrant and Hazem Chehabi, M.D.
4.2**	Investor Rights Agreement dated October 30, 2006 by and between Registrant and purchasers of Series A Preferred Stock, Series A1 Preferred Stock, Series B Preferred Stock and Series C Preferred Stock and certain holders of common stock.
4.3*	Form of Common Stock Certificate.
5.1*	Form of Opinion of Latham & Watkins LLP.
10.1**	Industrial Complex Lease dated July 14, 2003 by and between Registrant and MP Caribbean, Inc., as amended by the First Amendment to Industrial Complex Lease effective as of December 9, 2004 and the Second Amendment to Industrial Complex Lease effective as of September 25, 2006.
10.2**	Standard Industrial Lease effective as of June 30, 2005 by and between Registrant and The Realty Associates Fund III, L.P.
10.3**	Accuray Incorporated 1993 Stock Option Plan and forms of agreements relating thereto.
10.4**	Accuray Incorporated 1998 Equity Incentive Plan and forms of agreements relating thereto.
10.5	Accuray Incorporated 2007 Incentive Award Plan and forms of agreements relating thereto.
10.6	Accuray Incorporated 2007 Employee Stock Purchase Plan and forms of agreements relating thereto.
10.7**	Form of Indemnification Agreement by and between Registrant and each of its directors and executive officers.
10.8**	Employment Terms Letter dated November 10, 2006 by and between Registrant and Euan S. Thomson, Ph.D.
10.9**	Employment Terms Letter dated November 10, 2006 by and between Registrant and Chris A. Raanes.
10.10**	Employment Terms Letter dated November 10, 2006 by and between Registrant and Robert E. McNamara.
10.11**	Offer Letter dated July 22, 2004 by and between Registrant and John W. Allison, Ph.D.
10.12**	Employment Terms Letter dated November 10, 2006 by and between Registrant and Eric Lindquist.
10.13**	Employment Terms Letter dated November 10, 2006 by and between Registrant and Wade Hampton.

10.14**	Independent Contractor Agreement effective as of April 1, 2006 by and between Registrant and John R. Adler, as amended effective as of May 24, 2006.
10.15**	Independent Contractor Agreement effective as of April 1, 2006 by and between the CyberKnife Society and John R. Adler, as amended effective as of October 3, 2006.
10.16**	License Agreement effective as of December 12, 2004 by and between Registrant and American Science and Engineering, Inc.
10.17**	Assignment & Assumption of License and Consent by Supplier effective as of January 10, 2005 by and among Registrant, American Science and Engineering, Inc., Yuri Batygin, and Anatoliy Zapreier.
10.18†**	Nonexclusive End-User Software License Agreement dated September 9, 2005 by and between Registrant and The Regents of the University of California.
10.19†**	License Agreement effective as of July 9, 1997 by and between Registrant and The Board of Trustees of the Leland Stanford Junior University.
10.20†**	Manufacturing License and Technology Transfer Agreement effective as of January 28, 1991 by and between Registrant and Schonberg Radiation Corporation, as amended on April 15, 1996 and November 11, 2002.
10.21†	Non-Exclusive System Partner Agreement effective as of September 23, 2005 by and between Registrant and KUKA Robotics Corporation.
10.22†**	Consulting Agreement effective as of March 11, 2004 by and between Registrant and Forte Automation Systems, Inc.
10.23†**	Amended and Restated International Distributor Agreement effective as of April 1, 2004 by and between Registrant and President Medical Technologies Co., Ltd. Inc.
10.24†**	Commission Agreement effective as of August 10, 2006 by and between Registrant and President Medical Technologies Co., Ltd. Inc.
10.25†	Assignment Agreement effective as of December 29, 2004 by and between President Medical Technologies Co., Ltd. Inc. and Cowealth Medical Science & Biotechnology Incorporated.
10.26†**	International Distributor Agreement dated January 21, 2004 by and between Registrant and Chiyoda Technol Corporation.
10.27**	Form of Training Center Agreement.
10.28**	Form of International Distributor Agreement.
10.29**	Form of Sales Agent Agreement.
10.30**	Form of CyberKnife G4 Purchase Agreement.
10.31**	Form of Diamond Elite Service Agreement.
10.32**	Form of Emerald Elite Service Agreement.
10.33**	Form of Emerald Basic Service Agreement.
10.34**	Form of International Ruby Elite Service Agreement.
10.35**	Form of International Diamond Elite Service Agreement.
10.36**	Form of International Emerald Elite Service Agreement.
10.37**	Form of Platinum Elite Service Agreement.
10.38**	Form of Silver Elite Service Agreement.

10.39**	Form of International Platinum Elite Service Agreement.
10.40**	Form of International Gold Elite Service Agreement.
10.41**	Form of International Silver Elite Service Agreement.
10.42**	Form of CyberKnife G4 Shared Ownership Agreement.
10.43**	Form of CyberKnife G4 Placement Agreement.
10.44**	Separation Agreement and Release effective as of April 14, 2006 by and between Registrant and John W. Allison, Ph.D.
10.45†**	Asset Purchase Agreement effective as of December 12, 2004 by and between the Registrant and American Science and Engineering, Inc.
10.46†	Exclusive Manufacturing Agreement effective as of November 29, 2006 by and between the Registrant and Forte Automation Systems, Inc.
10.47†**	Letter Agreement dated May 20, 2003 by and between the Registrant and Meditec Corporation.
10.48†	CyberKnife Transfer Agreement effective as of March 6, 2006 by and between the Registrant, Marubeni Corporation and Meditec Corporation.
16.1*	Letter from PricewaterhouseCoopers LLP.
21.1	List of subsidiaries.
23.1*	Consent of Latham & Watkins LLP (included in Exhibit 5.1).
23.2	Consent of Grant Thornton LLP, independent registered public accounting firm.
23.3	Consent of Cogent Valuation.
24.1	Power of Attorney (see page II-7 of registration statement on Form S-1 filed on November 13, 2006 and pages II-7 and II-8 hereto).

* To be filed by amendment. All other exhibits are filed herewith.

** Previously filed.

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

QuickLinks

Exhibit 3.2

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

ACCURAY INCORPORATED

Euan S. Thomson, Ph.D. and Robert E. McNamara, hereby certify that:

ONE: The date of filing of the original Certificate of Incorporation of this company with the Secretary of State of the State of Delaware was February 22, 2001.

TWO: They are the President and Chief Executive Officer and the Assistant Secretary, respectively, of Accuray Incorporated, a Delaware corporation.

THREE: This Amended and Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Sections 242, 245 and 228 of the General Corporation Law of the State of Delaware (the "DGCL"), and prompt written notice will be duly given pursuant to Section 228 of the DGCL.

FOUR: This Amended and Restated Certificate of Incorporation of this Corporation is hereby amended and restated to read as follows:

ARTICLE I

The name of the corporation is Accuray Incorporated (the "Corporation").

ARTICLE II

The address of the registered office of the Corporation in the State of Delaware is 2711 Centerville Road, Suite 400 in the City of Wilmington, County of New Castle, Delaware 19808. The name of the registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law.

ARTICLE IV

A. This Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares that the Corporation is authorized to issue is One Hundred Five Million (105,000,000) shares, One Hundred Million (100,000,000) shares of which shall be Common Stock and Five Million (5,000,000) shares of which shall be Preferred Stock. The Common Stock shall have a par value of $0.001 per share and the Preferred Stock shall have a par value of $0.001 per share.

B. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Corporation (the "Board of Directors") is hereby authorized, by filing a certificate (a "Certificate of Designation") pursuant to the Delaware General Corporation Law, to fix or alter from time to time the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions of any wholly unissued series of Preferred Stock, and to establish from time to time the number of shares constituting any such series or any of them; and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares

constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE V

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

A. (1) The management of the business and the conduct of the affairs of the Corporation shall be vested in the Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed exclusively by one or more resolutions adopted from time to time by the Board of Directors.

(2) The directors shall be divided into three classes, designated as Class I, Class II and Class III, as nearly equal in number as possible. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the effectiveness of this Amended and Restated Certificate of Incorporation (the "Qualifying Record Date"), the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders, following the Qualifying Record Date, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the Qualifying Record Date, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

Notwithstanding the foregoing provisions of this Article V(A), each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(3) The Board of Directors or any individual director may be removed from office at any time (i) with cause by the affirmative vote of the holders of a majority of the voting power of all the then outstanding shares of voting stock of the Corporation, entitled to vote at an election of directors (the "Voting Stock") or (ii) without cause by the affirmative vote of the holders of at least sixty-six and two-thirds percent ($66^2/_3\%$) of the voting power of all the then-outstanding shares of the Voting Stock.

(4) Any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders, except as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified.

B. (1) Subject to Article IX of the Bylaws, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal Bylaws of the Corporation. Notwithstanding the foregoing, the Bylaws of the Corporation may be rescinded, altered, amended or repealed in any respect by the affirmative vote of the holders of at least sixty-six

and two-thirds percent ($66^2/3\%$) of the voting power of all the then-outstanding shares of the Voting Stock.

(2) The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

(3) No action shall be taken by the stockholders of the Corporation except at an annual or special meeting of stockholders called in accordance with the Bylaws, and no action shall be taken by the stockholders by written consent.

(4) Special meetings of the stockholders of the Corporation may be called, for any purpose or purposes, by the Board of Directors, chairperson of the Board of Directors, chief executive officer or president (in the absence of a chief executive officer), but such special meetings may not be called by any other person or persons.

(5) Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

ARTICLE VI

A. To the maximum extent permitted by the Delaware General Corporation Law, as the same exists or as may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article VI to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law as so amended.

B. The Corporation shall indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director or officer of the Corporation or any predecessor of the Corporation, or serves or served at any other enterprise as a director or officer at the request of the Corporation or any predecessor to the Corporation.

C. Neither any amendment nor repeal of this Article VI, nor the adoption of any provision of the Corporation's certificate of incorporation inconsistent with this Article VI, shall eliminate or reduce the effect of this Article VI in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article VI, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE VII

Notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the Voting Stock required by law, this Amended and Restated Certificate of Incorporation or any Certificate of Designation, the affirmative vote of the holders of at least sixty-six and two-thirds percent ($66^2/3\%$) of the voting power of all of the then-outstanding shares of the Voting Stock, voting together as a single class, shall be required to alter, amend or repeal Articles V, VI, and VII.

* * * *

IN WITNESS WHEREOF, the undersigned have executed this Amended and Restated Certificate of Incorporation on this day of , 2007.

By: _____

Euan S. Thomson, Ph.D.
President and Chief Executive Officer

By: _____

Robert E. McNamara
Assistant Secretary

[Signature Page to Post-IPO Certificate of Incorporation]

QuickLinks

Exhibit 3.3

BY-LAWS

OF

ACCURAY INCORPORATED

ARTICLE I.

OFFICES

Section 1.1 Principal Executive Office.

The principal executive office for the transaction of the business of the corporation is hereby fixed and located at 3300 Keller Street, Bldg. 101, City of Santa Clara, County of Santa Clara, State of California. The Board of Directors is hereby granted full power and authority to change said principal office from one location to another.

Section 1.2 Other Offices.

Branch or subordinate offices may at any time be established by the Board of Directors at any place or places where the corporation is qualified to do business.

ARTICLE II.

MEETINGS OF SHAREHOLDERS

Section 2.1 Place of Meetings.

All meetings of shareholders shall be held either at the principal executive office or at any other place within or without the State of California which may be designated either by the Board of Directors or by the written consent of a majority of the shareholders entitled to vote thereat as determined pursuant to Section 6.1 of these By-Laws given either before or after the meeting.

Section 2.2 Annual Meetings.

The annual meetings of shareholders shall be held on such day and at such hour as may be fixed by the Board of Directors. At such meeting, Directors shall be elected, and any other proper business may be transacted.

Section 2.3 Special Meetings.

Special meetings of the shareholders may be called at any time by the Board of Directors, the Chairman of the Board, the President, or by the holders of shares entitled to cast not less than ten percent (10%) of the votes at the meeting. Notice of such special meeting shall be given in the same manner as for the annual meeting of shareholders. Notices of any special meetings shall specify in addition to the place, date and hour of such meeting, the general nature of the business to be transacted thereat.

Section 2.4 Notice of Meetings or Reports.

Written notice of each meeting of shareholders shall be given not less than ten (10) days nor more than sixty (60) days before the date of the meeting to each shareholder entitled to vote thereat. Such notice shall be given either personally or by mail or other means of written communication, addressed

or delivered to each shareholder entitled to vote at such meeting at the address of such shareholder appearing on the books of the corporation or given by him to the corporation for the purpose of such notice. If no such address appears or is given, notice shall be given either personally or by mail or other means of written communication addressed to the shareholder at the place where the principal executive office of the corporation is located, or by publication at least once in a newspaper of general circulation in the county in which said office is located. The notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication.

The same procedure for the giving of notice shall apply to the giving of any report to shareholders.

All such notices shall state the place, the date and the hour of such meeting, and shall state such matters, if any, as may be expressly required by the California Corporations Code.

Upon request by any person or persons entitled to call a special meeting, the Chairman of the Board, President, Vice President or Secretary shall within twenty (20) days after receipt of the request cause notice to be given to the shareholders entitled to vote that a special meeting will be held at a time requested by the person or persons calling the meeting, but not less than thirty-five (35) nor more than sixty (60) days after receipt of the request.

All other notices shall be sent by the Secretary or an Assistant Secretary, or if there be no such officer, or in the case of his neglect or refusal to act, by any other officer, or by persons calling the meeting.

Section 2.5 Adjourned Meetings and Notice Thereof.

Any shareholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the vote of a majority of the shares, represented either in person or by proxy, but in the absence of a quorum, no other business may be transacted at such meeting, except as provided in Section 2.7 of these By-Laws.

When a shareholders' meeting is adjourned to another time or place, notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting at which the adjournment is taken; except that if the adjournment is for more than forty-five (45) days or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each shareholder of record entitled to vote thereat.

At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting.

Section 2.6 Voting.

Except as otherwise provided in the Articles of Incorporation and subject to Section 6.1 of these By-Laws, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote of shareholders. Vote may be viva voce or by ballot; provided, however, that elections for directors must be by ballot upon demand made by a shareholder at the meeting and before the voting begins.

Every shareholder entitled to vote at any election for Directors may cumulate his votes and give one candidate a number of votes equal to the number of directors to be elected, multiplied by the number of votes to which his shares are entitled, or to distribute his votes on the same principle among as many candidates as he thinks fit, provided that no shareholder shall be entitled to cumulate votes unless such candidate or candidates names have been placed in nomination prior to the voting and the shareholder has given notice at the meeting, prior to the voting, of the shareholder's intention to cumulate the shareholder's votes. If any one shareholder has given such notice, all shareholders may

cumulate their votes for candidates in nomination. The candidates receiving the highest number of votes of the shares entitled to be voted for them, up to the number of directors to be elected by such shares, shall be elected.

Any holder of shares entitled to vote on any matter may vote part of the shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal, other than elections to office, but, if the shareholder fails to specify the number of shares such shareholder is voting affirmatively, it shall be conclusively presumed that the shareholder's approving vote is with respect to all shares said shareholder is entitled to vote.

Section 2.7 Quorum.

A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at any meeting of shareholders. If a quorum is present, the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on any matter shall be the act of the shareholders, unless otherwise required by the Articles of Incorporation.

The shareholders present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum.

Section 2.8 Consent of Absentees.

The transactions of any meeting of shareholders, if not duly called and noticed, and wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy, and if, either before or after the meeting, each of the shareholders entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when a person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened; provided, that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by law or these By-Laws to be included in the notice but not so included if such objection is expressly made at the meeting.

Section 2.9 Action Without Meeting.

Any action which may be taken at any meeting of shareholders may be taken without a meeting and without prior notice, if a consent in writing, setting forth the actions so taken, shall be signed by the holders of outstanding shares having not less than the minimum number of votes which would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted; provided, that except to fill a vacancy as provided in Section 3.6 of these By-Laws, Directors may not be elected by written consent except by unanimous written consent of all shares entitled to vote for the election of Directors.

Unless the consents of all shareholders entitled to vote have been solicited in writing, notice of the following actions approved by shareholders without a meeting by less than unanimous written consent

shall be given to those shareholders entitled to vote who have not consented in writing at least ten (10) days before the consummation of the action authorized by such approval:

1. Approval of a contract or other transaction between the corporation and one or more of its Directors, or between the corporation and any corporation, firm or association in which one or more of its Directors has a material financial interest.

2. Approval of any indemnification to be made by the corporation of a person who was or is a party or is threatened to be made a party to any proceeding by reason of the fact that such person was or is an agent of the corporation.

3. Approval of the principal terms of a reorganization.

4. Approval of a plan of distribution of the shares, obligations or securities of any other corporation, or assets other than money, which is not in accordance with the liquidation rights of the preferred shares as specified in the Articles of Incorporation or a Certificate of Determination.

Unless the consents of all shareholders entitled to vote have been solicited in writing, prompt notice of the taking of any corporate action not listed above which is approved by shareholders without a meeting by less than unanimous written consent, shall be given to those shareholders entitled to vote who have not consented in writing.

Such notice shall be given as provided in Section 2.4 of these By-Laws.

Section 2.10 Proxies.

Every person entitled to vote shares may authorize another person or persons to act by proxy with respect to such shares. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy.

ARTICLE III.

DIRECTORS

Section 3.1 Powers.

Subject to the limitations stated in the Articles of Incorporation, these By-Laws, and the California Corporations Code as to actions which shall be approved by the shareholders or by the affirmative vote of a majority of the outstanding shares entitled to vote, and subject to the duties of Directors as prescribed by the California Corporations Code, all corporate powers shall be exercised by, or under the direction of, and the business and affairs of the corporation shall be managed by, the Board of Directors.

Section 3.2 Number of Directors.

The authorized number of Directors of the corporation shall be not less than four (4) nor more than nine (9) and the exact number of Directors initially authorized shall be five (5). The exact number of Directors may be fixed within the limits specified in this Section 3.2 by a By-law duly adopted by the shareholders or by a resolution of the Board of Directors. The minimum or maximum number of Directors provided in this Section 3.2 may be changed or a definite number fixed without provision for an indefinite, by a By-law duly adopted by the affirmative vote of a majority of the outstanding shares entitled to vote.

Section 3.3 Election and Term of Office.

The Directors shall be elected at each annual meeting of shareholders, but if any such annual meeting is not held, or the Directors are not elected thereat, the Directors may be elected at any special meeting of the shareholders held for that purpose. All Directors shall hold office until the expiration of the term for which elected and until their respective successors are elected, except in the case of the death, resignation or removal of any Director. A Director need not be a shareholder.

Section 3.4 Resignation.

Any Director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary or the Board of Directors of the corporation, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 3.5 Removal.

The entire Board of Directors or any individual Director may be removed from office, prior to the expiration of their or his term of office only in the manner and within the limitations provided by the California Corporations Code.

No reduction of the authorized number of Directors shall have the effect of removing any Director prior to the expiration of such Director's term of office.

Section 3.6 Vacancies.

A vacancy in the Board of Directors shall be deemed to exist in case of the death, resignation or removal of any Director, or if the authorized number of Directors be increased, or if the shareholders fail at any annual or special meeting of shareholders at which any Director or Directors are elected to elect the full authorized number of Directors to be voted for at that meeting.

Vacancies in the Board of Directors may be filled by a majority of the Directors then in office, whether or not less than a quorum, or by a sole remaining Director. Each Director so elected shall hold office until the expiration of the term for which he was elected and until his successor is elected at an annual or a special meeting of the shareholders, or until his death, resignation or removal.

The shareholders may elect a Director or Directors at any time to fill any vacancy or vacancies not filled by the Directors. Any such election by written consent other than to fill a vacancy created by removal requires the consent of a majority of the outstanding shares entitled to vote. A Director may not be elected by written consent to fill a vacancy created by removal except by unanimous written consent of all shares entitled to vote for the election of directors.

Section 3.7 Organization Meeting.

Immediately after each annual meeting of shareholders, the Board of Directors shall hold a regular meeting for the purpose of organization, the election of officers and the transaction of other business. No notice of such meeting need be given.

Section 3.8 Other Regular Meetings.

The Board of Directors may provide by resolution the time and place for the holding of regular meetings of the Board; provided, however, that if the date so designated falls upon a legal holiday, then the meeting shall be held at the same time and place on the next succeeding day which is not a legal holiday. No notice of such regular meetings of the Board need be given.

Section 3.9 Calling Meetings.

Meetings of the Board of Directors for any purpose or purposes shall be held whenever called by the Chairman of the Board, the President or the Secretary or any two Directors of the corporation.

Section 3.10 Place of Meetings.

Meetings of the Board of Directors shall be held at any place within or without the State of California which may be designated in the notice of the meeting, or, if not stated in the notice or there is no notice, designated by resolution of the Board. In the absence of such designation, meetings of the Board of Directors shall be held at the principal executive office of the corporation.

Section 3.11 Telephonic Meetings.

Members of the Board may participate in a regular or special meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Participation in a meeting pursuant to this Section 3.11 constitutes presence in person at such meeting.

Section 3.12 Notice of Special Meetings.

Written notice of the time and place of special meetings of the Board of Directors shall be delivered personally to each Director, or sent to each Director by mail, telephone or telegraph. In case such notice is sent by mail, it shall be deposited in the United States mail at least four (4) days prior to the time of the holding of the meeting. In case such notice is delivered personally, or by telephone or telegraph, it shall be so delivered at least forty-eight (48) hours prior to the time of the holding of the meeting. Such notice may be given by the Secretary of the corporation or by the persons who called said meeting. Such notice need not specify the purpose of the meeting, and notice shall not be necessary if appropriate waivers, consents and/or approvals are filed in accordance with Section 3.13 of these By-Laws.

Section 3.13 Waiver of Notice.

Notice of a meeting need not be given to any Director who signs a waiver of notice, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such Director.

The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 3.14 Action Without Meeting.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors.

Section 3.15 Quorum.

A majority of the authorized number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a meeting duly

held at which a quorum is present shall be the act of the Board of Directors, unless the Articles of Incorporation, or the California Corporations Code, specifically requires a greater number. In the absence of a quorum at any meeting of the Board of Directors, a majority of the Directors present may adjourn the meeting as provided in Section 3.16 of these By-Laws. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of enough Directors to leave less than a quorum, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 3.16 Adjournment.

Any meeting of the Board of Directors, whether or not a quorum is present, may be adjourned to another time and place by the vote of a majority of the Directors present. Notice of the time and place of the adjourned meeting need not be given to absent Directors if said time and place are fixed at the meeting adjourned.

Section 3.17 Inspection Rights.

Every Director shall have the absolute right at any time to inspect, copy and make extra copies of, in person or by agent or attorney, all books, records and documents of every kind and to inspect the physical properties of the corporation.

Section 3.18 Fees and Compensation.

Directors shall not receive any stated salary for their services as directors, but, by resolution of the Board, a fixed fee, with or without expenses of attendance, may be allowed for attendance at each meeting. Nothing herein contained shall be construed to preclude any Director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation therefor.

ARTICLE IV.

EXECUTIVE COMMITTEE AND OTHER COMMITTEES

Section 4.1 Executive Committee.

The Board of Directors may, by resolution adopted by a majority of the authorized number of Directors, appoint an executive committee, consisting of two or more Directors. The Board may designate one or more Directors as an alternate member of such committee, who may replace any absent member of any meeting of the committee. The executive committee, subject to any limitations imposed by the California Corporations Code, or by resolution adopted by the affirmative vote of a majority of the authorized number of Directors, or imposed by the Articles of Incorporation or by these By-Laws, shall have and may exercise all of the powers of the Board of Directors.

Section 4.2 Other Committees.

The Board of Directors may, by resolution adopted by a majority of the authorized number of Directors, designate such other committees, each consisting of two or more Directors, as it may from time to time deem advisable to perform such general or special duties as may from time to time be delegated to any such committee by the Board of Directors, subject to the limitations contained in the California Corporations Code, or imposed by the Articles of Incorporation or by these By-Laws. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent member at any meeting of the committee.

Section 4.3 Minutes and Reports.

Each committee shall keep regular minutes of its proceedings, which shall be filed with the Secretary. All action by any committee shall be reported to the Board of Directors at the next meeting thereof, and, insofar as rights of third parties shall not be affected thereby, shall be subject to revision and alteration by the Board of Directors.

Section 4.4 Meetings.

Except as otherwise provided in these By-Laws or by resolution of the Board of Directors, each committee shall adopt its own rules governing the time and place of holding and the method of calling its meetings and the conduct of its proceedings and shall meet as provided by such rules, and it shall also meet at the call of any member of the committee. Unless otherwise provided by such rules or by resolution of the Board of Directors, committee meetings shall be governed by Sections 3.11, 3.12 and 3.13 of these By-Laws.

Section 4.5 Term of Office of Committee Members.

The term of office of any committee member shall be as provided in the resolution of the Board of Directors designating him but shall not exceed his term as a Director. Any member of a committee may be removed at any time by resolution adopted by Directors holding a majority of the directorships, either present at a meeting of the Board or by written approval thereof.

ARTICLE V.

OFFICERS

Section 5.1 Officers.

The officers of the corporation shall be a President, a Vice President, a Secretary, and a Treasurer, who shall be the Chief Financial Officer of the corporation. The corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board, one or more additional Vice Presidents, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 5.3. One person may hold two or more offices.

Section 5.2 Election.

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 and 5.5, shall be chosen annually by the Board of Directors and each shall hold his office until he shall resign or shall be removed or otherwise disqualified to serve, or his successor shall be elected and qualified.

Section 5.3 Subordinate Officers, etc.

The Board of Directors may appoint such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these By-Laws or as the Board of Directors may from time to time determine.

Section 5.4 Removal and Resignation.

Any officer may be removed, either with or without cause, by a majority of the Directors at the time in office, at any regular or special meeting of the Board, or, except in case of an officer chosen by the Board of Directors, by an officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5.5 Vacancies.

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these By-Laws for regular appointments to such office.

Section 5.6 Chairman of the Board.

The Chairman of the Board, if there shall be such an officer, shall, if present, preside at all meetings of the Board of Directors, and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by these By-Laws.

Section 5.7 President.

Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the President shall be the general manager and chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and officers of the corporation. He shall preside at all meetings of the shareholders. He shall be ex officio a member of all the standing committees, including the executive committee, if any, and shall have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or by these By-Laws.

Section 5.8 Vice President.

In the absence or disability of the President, the Vice Presidents in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, shall perform the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or these By-Laws.

Section 5.9 Secretary.

The Secretary shall keep, or cause to be kept, a book of minutes in written form of the proceedings of the Board of Directors, committees of the Board, and shareholders. Such minutes shall include all waivers of notice, consents to the holding of meetings, or approvals of the minutes of meetings executed pursuant to these By-Laws or the California Corporations Code. The Secretary shall keep, or cause to be kept at the principal executive office or at the office of the corporation's transfer agent or registrar, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of shares held by each.

The Secretary shall give or cause to be given, notice of all meetings of the shareholders and of the Board of Directors required by these By-Laws or by law to be given, and shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these By-Laws.

Section 5.10 Treasurer and Chief Financial Officer.

The Treasurer and Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of account in written form or any other form capable of being converted into written form.

The Treasurer and Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the corporation with such depositaries as may be designated by the Board of Directors. He shall disburse all funds of the corporation as may be ordered by the Board of Directors, shall render to the President and Directors, whenever they request it, an account of all of his transactions as Treasurer and Chief Financial Officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these By-Laws.

Section 5.11 Assistant Secretary.

The Assistant Secretary shall have all the powers, and perform all the duties of, the Secretary in the absence or inability of the Secretary to act.

Section 5.12 Compensation.

The compensation of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving such compensation by reason of the fact that he is also a Director of the corporation.

ARTICLE VI.

MISCELLANEOUS

Section 6.1 Record Date.

The Board of Directors may fix, in advance, a time in the future as the record date for the determination of shareholders entitled to notice of any meeting or to vote or entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any other lawful action. Shareholders on the record date are entitled to notice and to vote or receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares in the books of the corporation after the record date, except as otherwise provided by law. Said record date shall not be more than sixty (60) or less than ten (10) days prior to the date of such meeting, nor more than sixty (60) days prior to any other action.

A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting unless the Board fixes a new record date for the adjourned meeting, but the Board shall fix a new record date if the meeting is adjourned for more than forty-five (45) days from the date set for the original meeting.

If no record date is fixed by the Board of Directors, the record date shall be fixed pursuant to the California Corporations Code.

Section 6.2 Inspection of Corporate Records.

The accounting books and records, and minutes of proceedings of the shareholders and the Board of Directors and committees of the Board shall be open to inspection upon written demand made upon the corporation by any shareholder or the holder of a voting trust certificate, at any reasonable time during usual business hours, for a purpose reasonably related to his interest as a shareholder, or as the holder of such voting trust certificate. The record of shareholders shall also be open to inspection by

any shareholder or holder of a voting trust certificate at any time during usual business hours upon written demand on the corporation, for a purpose reasonably related to such holder's interest as a shareholder or holder of a voting trust certificate. Such inspection may be made in person or by an agent or attorney, and shall include the right to copy and to make extracts.

Section 6.3 Execution of Corporate Instruments.

The Board of Directors may, in its discretion, determine the method and designate the statutory officer or officers, or other person or persons, to execute any corporate instrument or document, or to sign the corporate name without limitation, except where otherwise provided by law, and such execution or signature shall be binding upon the corporation. Unless otherwise specifically determined by the Board of Directors, formal contracts of the corporation, promissory notes, mortgages, evidences of indebtedness, conveyances or other instruments in writing, and any assignment or endorsement thereof, executed or entered into between the corporation and any person, may be signed by the Chairman of the Board, the President, any Vice President, the Secretary or the Treasurer of the corporation.

Section 6.4 Ratification by Shareholders.

The Board of Directors may, subject to applicable notice requirements, in its discretion, submit any contract or act for approval or ratification of the shareholders at any annual meeting of shareholders, or at any special meeting of shareholders called for that purpose; and any contract or act which shall be approved or ratified by the affirmative vote of a majority of the shares entitled to vote represented at a duly held meeting at which a quorum is present, or by the written consent of shareholders, shall be as valid and binding upon the corporation and upon the shareholders thereof as though approved or ratified by each and every shareholder of the corporation, unless a greater vote is required by law for such purpose.

Section 6.5 Annual Report.

For so long as the corporation has less than 100 holders of record of its shares, the mandatory requirement of an annual report is hereby expressly waived. The Board of Directors may, in its discretion, cause an annual report to be sent to the shareholders. Such reports shall contain at least a balance sheet as of the close of such fiscal year and an income statement and statement of changes in financial position for such fiscal year, and shall be accompanied by any report thereon of independent accountants, or if there is no such report, the certificate of an authorized officer of the corporation that such statements were prepared without audit in the books and records of the corporation.

A shareholder or shareholders holding at least five percent (5%) of the outstanding shares of any class of the corporation may make a written request to the corporation for an income statement and/or a balance sheet of the corporation for the three-month, six-month or nine-month period of the current fiscal year ended more than thirty (30) days prior to the date of the request, and such statement shall be delivered or mailed to the person making the request within thirty (30) days thereafter. Such statements shall be accompanied by the report thereon, if any, of any independent accountants engaged by the corporation or the certificates of an authorized officer of the corporation that such financial statements were prepared without audit from the books and records of the corporation.

Section 6.6 Representation of Shares of Other Corporations.

The President and Vice President of this corporation are authorized to vote, represent and exercise on behalf of the corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority herein granted to said officers to vote or represent on behalf of this corporation any and all shares held by this corporation and any

other corporation or corporations may be exercised either by such officers in person or by any person authorized so to do by proxy or power of attorney and duly executed by said officers.

Section 6.7 Inspection of By-Laws.

The corporation shall keep in its principal executive office in this State the original or a copy of the By-Laws as amended or otherwise altered to date, which shall be open to inspection by the shareholders at all reasonable times during office hours.

ARTICLE VII.

SHARES OF STOCK

Section 7.1 Form of Certificates.

Certificates for shares of stock of the corporation shall be in such form and design as the Board of Directors shall determine and shall be signed in the name of the corporation by the Chairman of the Board, or the President or Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or any Assistant Secretary. Each certificate shall state the certificate number, the date of issuance, the number, class or series and the name of the record holder of the shares represented thereby, the name of the corporation, and, if the shares of the corporation are classified or if any class of shares has two or more series, there shall appear the statement required by the California Corporations Code.

Section 7.2 Transfer of Shares.

Shares of stock may be transferred in any manner permitted or provided by law. Before any transfer of stock is entered upon the books of the corporation, or any new certificate issued therefor, the older certificate, properly endorsed, shall be surrendered and cancelled, except when a certificate has been lost, stolen or destroyed.

Section 7.3 Lost Certificates.

The Board of Directors may order a new certificate for shares of stock to be issued in the place of any certificate alleged to have been lost, stolen or destroyed, but in every such case, the owner or the legal representative of the owner of the lost, stolen or destroyed certificates may be required to give the corporation a bond (or other adequate security) in such form and amount as the Board may deem sufficient to indemnify it against any claim that may be made against the corporation (including any expense or liability) on account of the alleged loss, theft or destruction of any such certificate or issuance of such new certificate.

ARTICLE VIII.

INDEMNIFICATION

Section 8.1 Indemnification by Corporation.

Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative ("Proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, or was a director, officer, employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation, whether the basis of such Proceeding

is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the California General Corporation Law, against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; *provided*, *however*, that, except as provided in Section 8.2 of this Article VIII, the corporation shall indemnify any such person seeking indemnity in connection with a Proceeding (or part thereof) initiated by such person only if such Proceeding (or part thereof) was authorized by the board of directors of the corporation. The right to indemnification conferred by this Section shall include the right to be paid by the corporation expenses incurred in defending any such Proceeding in advance of its final disposition to the fullest extent authorized by the California General Corporation Law; *provided*, *however*, that, if required by the California General Corporation Law, the payment of such expenses incurred by such person in advance of the final disposition of such Proceeding shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such person, to repay all amounts so advanced if it should be determined ultimately that such person is not entitled to be indemnified under this Section or otherwise.

Section 8.2 Right of Claimant to Bring Suit.

If a claim under Section 8.1 of this Article VIII is not paid in full by the corporation within ninety (90) days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any Proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the California General Corporation Law for the corporation to indemnify the claimant for the amount claimed. Neither the failure of the corporation (including its board of directors, independent legal counsel, or it shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the California General Corporation Law, nor an actual determination by the corporation (including its board of directors, independent legal counsel, or its shareholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

Section 8.3 Indemnification of Employees and Agents of the Corporation.

The corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and to the advancement of expenses to any employee or agent of the corporation to the fullest extent of the provisions of this Article with respect to the indemnification of and advancement of expenses to directors and officers of the corporation.

Section 8.4 Rights Not Exclusive.

The rights conferred on any person by this Article VIII above shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, By-Law, agreement, vote of shareholders or disinterested directors or otherwise.

Section 8.5 Indemnity Agreements.

The Board of Directors is authorized to enter into a contract with any Director, officer, employee or agent of the corporation, or any person who is or was serving at the request of the corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, or any person who was a director, officer, employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation, providing for indemnification rights equivalent to or, if the Board of Directors so determines, greater than, those provided for in this Article VIII.

Section 8.6 Insurance.

The corporation may purchase and maintain insurance, at its expense, to protect itself and any Director, officer, employee or agent of the corporation or another corporation (including a predecessor corporation), partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the California Corporations Code.

Section 8.7 Amendment, Repeal or Modification.

Any amendment, repeal or modification of any provision of this Article VIII by the shareholders or the Directors of the corporation shall not adversely affect any right or protection of a Director or officer of the corporation existing at the time of such amendment, repeal or modification.

ARTICLE IX.

AMENDMENTS

Section 9.1 Power of Shareholders.

New By-Laws may be adopted or these By-Laws may be amended or repealed by the affirmative vote of a majority of the outstanding shares entitled to vote or by the written consent thereof, except as otherwise provided by law or by the Articles of Incorporation.

Section 9.2 Power of Directors.

Subject to the right of shareholders as provided in Section 9.1 of these By-Laws, By-Laws other than a By-Law or amendment thereof specifying or changing the authorized number of Directors, or the minimum or maximum number of a variable Board of Directors, or changing from a fixed to a variable Board of Directors or vice versa, may be adopted, amended or repealed by the approval of the Board of Directors.

QuickLinks

Exhibit 3.4

AMENDED AND RESTATED BYLAWS OF

ACCURAY INCORPORATED

(a Delaware corporation)

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AMENDED AND RESTATED
BYLAWS OF ACCURAY INCORPORATED

ARTICLE I—CORPORATE OFFICES

1.1 REGISTERED OFFICE.

The registered office of Accuray Incorporated shall be fixed in the corporation's certificate of incorporation, as the same may be amended from time to time.

1.2 OTHER OFFICES.

The corporation's board of directors (the "*Board*") may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II—MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS.

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the Board. The Board may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the Delaware General Corporation Law (the "*DGCL*"). In the absence of any such designation or determination, stockholders' meetings shall be held at the corporation's principal executive office.

2.2 ANNUAL MEETING.

The annual meeting of stockholders shall be held each year. The Board shall designate the date and time of the annual meeting. At the annual meeting, directors shall be elected and any other proper business may be transacted.

2.3 SPECIAL MEETING.

A special meeting of the stockholders may be called at any time by the Board, chairperson of the Board, chief executive officer or president (in the absence of a chief executive officer), but such special meetings may not be called by any other person or persons.

No business may be transacted at such special meeting other than the business specified in such notice to stockholders. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board may be held.

2.4 ADVANCE NOTICE PROCEDURES; NOTICE OF STOCKHOLDERS' MEETINGS.

(i) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, (B) otherwise properly brought before the meeting by or at the direction of the Board, or (C) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than ninety (90) calendar days before nor more than one hundred twenty (120) calendar days before the one (1) year anniversary of the date on which the corporation first mailed its proxy statement to stockholders in connection with the previous year's annual meeting of stockholders; *provided, however*, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date of the prior year's meeting, notice by the stockholder to be timely must be so received not later than the close of business on the later of one hundred twenty (120) calendar

days in advance of such annual meeting or ten (10) calendar days following the date on which public announcement of the date of the meeting is first made. A stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (c) the class and number of shares of the corporation that are beneficially owned by the stockholder, (d) any material interest of the stockholder in such business, and (e) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act"), in his capacity as a proponent to a stockholder proposal. Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholder's meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this paragraph (i). The chairman of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this paragraph (i), and, if he should so determine, he shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

(ii) Only persons who are nominated in accordance with the procedures set forth in this paragraph (ii) shall be eligible for election as directors. Nominations of persons for election to the Board of the corporation may be made at a meeting of stockholders by or at the direction of the Board or by any stockholder of the corporation entitled to vote in the election of directors at the meeting who complies with the notice procedures set forth in this paragraph (ii). Such nominations, other than those made by or at the direction of the Board, shall be made pursuant to timely notice in writing to the secretary of the corporation in accordance with the provisions of paragraph (i) of this Section 2.4. Such stockholder's notice shall set forth (a) as to each person, if any, whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of the corporation that are beneficially owned by such person, (D) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, and (E) any other information relating to such person that is required to be disclosed in solicitations of proxies for elections of directors, or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected); and (b) as to such stockholder giving notice, the information required to be provided pursuant to paragraph (i) of this Section 2.4. At the request of the board of directors, any person nominated by a stockholder for election as a director shall furnish to the secretary of the corporation that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this paragraph (ii). The chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that a nomination was not made in accordance with the procedures prescribed by these bylaws, and if he should so determine, he shall so declare at the meeting, and the defective nomination shall be disregarded.

These provisions shall not prevent the consideration and approval or disapproval at an annual meeting of reports of officers, directors and committees of the Board, but in connection therewith no new business shall be acted upon at any such meeting unless stated, filed and received as herein provided. Notwithstanding anything in these bylaws to the contrary, no business brought before a

meeting by a stockholder shall be conducted at an annual meeting except in accordance with procedures set forth in this Section 2.4.

All notices of meetings of stockholders shall be sent or otherwise given in accordance with either Section 2.5 or Section 8.1 of these bylaws not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, if any, date and hour of the meeting, the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.5 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE.

Notice of any meeting of stockholders shall be given:

(i) if mailed, when deposited in the United States mail, postage prepaid, directed to the stockholder at his or her address as it appears on the corporation's records; or

(ii) if electronically transmitted as provided in Section 8.1 of these bylaws.

An affidavit of the secretary or an assistant secretary of the corporation or of the transfer agent or any other agent of the corporation that the notice has been given by mail or by a form of electronic transmission, as applicable, shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.6 QUORUM.

The holders of a majority of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the chairperson of the meeting, or (ii) the stockholders entitled to vote at the meeting, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.7 ADJOURNED MEETING; NOTICE.

When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time, place if any thereof, and the means of remote communications if any by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 CONDUCT OF BUSINESS.

The chairperson of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business.

2.9 VOTING.

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these bylaws, subject to Section 217 (relating to voting rights of fiduciaries, pledgors and joint owners of stock) and Section 218 (relating to voting trusts and other voting agreements) of the DGCL.

Except as may be otherwise provided in the certificate of incorporation or these bylaws, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

2.10 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Subject to the rights of the holders of the shares of any series of Preferred Stock or any other class of stock or series thereof having a preference over the Common Stock as dividend or upon liquidation, any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of stockholders of the corporation and may not be effected by any consent in writing by such stockholders.

2.11 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS.

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix, in advance, a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other such action.

If the Board does not so fix a record date:

(i) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(ii) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board may fix a new record date for the adjourned meeting.

2.12 PROXIES.

Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL.

2.13 LIST OF STOCKHOLDERS ENTITLED TO VOTE.

The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. The corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the corporation's principal executive office. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. If

the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

2.14 INSPECTORS OF ELECTION.

A written proxy may be in the form of a telegram, cablegram, or other means of electronic transmission which sets forth or is submitted with information from which it can be determined that the telegram, cablegram, or other means of electronic transmission was authorized by the person.

Before any meeting of stockholders, the Board shall appoint an inspector or inspectors of election to act at the meeting or its adjournment. The number of inspectors shall be either one (1) or three (3). If any person appointed as inspector fails to appear or fails or refuses to act, then the chairperson of the meeting may, and upon the request of any stockholder or a stockholder's proxy shall, appoint a person to fill that vacancy.

Such inspectors shall:

(i) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;

(ii) receive votes, ballots or consents;

(iii) hear and determine all challenges and questions in any way arising in connection with the right to vote;

(iv) count and tabulate all votes or consents;

(v) determine when the polls shall close;

(vi) determine the result; and

(vii) do any other acts that may be proper to conduct the election or vote with fairness to all stockholders.

The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three (3) inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

ARTICLE III—DIRECTORS

3.1 POWERS.

Subject to the provisions of the DGCL and any limitations in the certificate of incorporation or these bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the Board.

3.2 NUMBER OF DIRECTORS.

The authorized number of directors shall be determined from time to time by resolution of the Board, provided the Board shall consist of at least one member. No reduction of the authorized

number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS.

Except as provided in Section 3.4 of these bylaws, each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws. The certificate of incorporation or these bylaws may prescribe other qualifications for directors.

If so provided in the certificate of incorporation, the directors of the corporation shall be divided into three classes.

3.4 RESIGNATION AND VACANCIES.

Any director may resign at any time upon notice given in writing or by electronic transmission to the corporation. When one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

Unless otherwise provided in the certificate of incorporation or these bylaws, vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. If the directors are divided into classes, a person so elected by the directors then in office to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall have been duly elected and qualified.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the DGCL.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole Board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the DGCL as far as applicable.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE.

The Board may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the Board, or any committee designated by the Board, may participate in a meeting of the Board, or any committee, by means of conference telephone or other communications equipment by means of which

all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 REGULAR MEETINGS.

Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the Board.

3.7 SPECIAL MEETINGS; NOTICE.

Special meetings of the Board for any purpose or purposes may be called at any time by the chairperson of the Board, the chief executive officer, the president, the secretary or a majority of the authorized number of directors.

Notice of the time and place of special meetings shall be:

(i) delivered personally by hand, by courier or by telephone;

(ii) sent by United States first-class mail, postage prepaid;

(iii) sent by facsimile; or

(iv) sent by electronic mail,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, as the case may be, as shown on the corporation's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or (iii) sent by electronic mail, it shall be delivered or sent at least 24 hours before the time of the holding of the meeting. If the notice is sent by United States mail, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. Any oral notice may be communicated to the director. The notice need not specify the place of the meeting (if the meeting is to be held at the corporation's principal executive office) nor the purpose of the meeting.

3.8 QUORUM.

At all meetings of the Board, a majority of the authorized number of directors shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board, except as may be otherwise specifically provided by statute, the certificate of incorporation or these bylaws. If a quorum is not present at any meeting of the Board, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.9 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING.

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board, or of any committee thereof, may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

3.10 FEES AND COMPENSATION OF DIRECTORS.

Unless otherwise restricted by the certificate of incorporation or these bylaws, the Board shall have the authority to fix the compensation of directors.

3.11 REMOVAL OF DIRECTORS.

Any director may be removed from office by the stockholders of the corporation only for cause.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

ARTICLE IV—COMMITTEES

4.1 COMMITTEES OF DIRECTORS.

The Board may, by resolution passed by a majority of the authorized number of directors, designate one (1) or more committees, each committee to consist of one (1) or more of the directors of the corporation. The Board may designate one (1) or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board or in these bylaws, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the corporation.

4.2 COMMITTEE MINUTES.

Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

4.3 MEETINGS AND ACTION OF COMMITTEES.

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

(i) Section 3.5 (place of meetings and meetings by telephone);

(ii) Section 3.6 (regular meetings);

(iii) Section 3.7 (special meetings and notice);

(iv) Section 3.8 (quorum);

(v) Section 7.12 (waiver of notice); and

(vi) Section 3.9 (action without a meeting)

with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the Board and its members. *However*:

(i) the time of regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee;

(ii) special meetings of committees may also be called by resolution of the Board; and

(iii) notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The Board may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V—OFFICERS

5.1 OFFICERS.

The officers of the corporation shall be a president and a secretary. The corporation may also have, at the discretion of the Board, a chairperson of the Board, a vice chairperson of the Board, a chief executive officer, a chief financial officer or treasurer, one or more vice presidents, one or more assistant vice presidents, one or more assistant treasurers, one or more assistant secretaries, and any such other officers as may be appointed in accordance with the provisions of these bylaws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS.

The Board shall appoint the officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 and 5.5 of these bylaws, subject to the rights, if any, of an officer under any contract of employment.

5.3 SUBORDINATE OFFICERS.

The Board may appoint, or empower the chief executive officer or, in the absence of a chief executive officer, the president, to appoint, such other officers and agents as the business of the corporation may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the Board may from time to time determine.

5.4 REMOVAL AND RESIGNATION OF OFFICERS.

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the Board at any regular or special meeting of the Board or, except in the case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 VACANCIES IN OFFICES.

Any vacancy occurring in any office of the corporation shall be filled by the Board or as provided in Section 5.2.

5.6 REPRESENTATION OF SHARES OF OTHER CORPORATIONS.

The chairperson of the Board, the president, any vice president, the treasurer, the secretary or assistant secretary of this corporation, or any other person authorized by the Board or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

5.7 AUTHORITY AND DUTIES OF OFFICERS.

All officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the Board or the stockholders and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board.

ARTICLE VI—RECORDS AND REPORTS

6.1 MAINTENANCE AND INSPECTION OF RECORDS.

The corporation shall, either at its principal executive office or at such place or places as designated by the Board, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent so to act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal executive office.

6.2 INSPECTION BY DIRECTORS.

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his or her position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

ARTICLE VII—GENERAL MATTERS

7.1 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS.

The Board, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

7.2 STOCK CERTIFICATES; PARTLY PAID SHARES.

The shares of the corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the Board, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the corporation

by the chairperson or vice-chairperson of the Board, or the president or vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of such corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

7.3 SPECIAL DESIGNATION ON CERTIFICATES.

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; *provided*, *however*, that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

7.4 LOST CERTIFICATES.

Except as provided in this Section 7.4, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and cancelled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

7.5 CONSTRUCTION; DEFINITIONS.

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the DGCL shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a corporation and a natural person.

7.6 DIVIDENDS.

The Board, subject to any restrictions contained in either (i) the DGCL, or (ii) the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock. Dividends may be paid in cash, in property, or in shares of the corporation's capital stock.

The Board may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall

include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

7.7 FISCAL YEAR.

The fiscal year of the corporation shall be fixed by resolution of the Board and may be changed by the Board.

7.8 SEAL.

The corporation may adopt a corporate seal, which shall be adopted and which may be altered by the Board. The corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

7.9 TRANSFER OF STOCK.

Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

7.10 STOCK TRANSFER AGREEMENTS.

The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

7.11 REGISTERED STOCKHOLDERS.

The corporation:

(i) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner;

(ii) shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares; and

(iii) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

7.12 WAIVER OF NOTICE.

Whenever notice is required to be given under any provision of the DGCL, the certificate of incorporation or these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws.

ARTICLE VIII—NOTICE BY ELECTRONIC TRANSMISSION

8.1 NOTICE BY ELECTRONIC TRANSMISSION.

Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the certificate of incorporation or these bylaws, any notice to stockholders given by the corporation under any provision of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any such consent shall be deemed revoked if:

(i) the corporation is unable to deliver by electronic transmission two consecutive notices given by the corporation in accordance with such consent; and

(ii) such inability becomes known to the secretary or an assistant secretary of the corporation or to the transfer agent, or other person responsible for the giving of notice.

However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Any notice given pursuant to the preceding paragraph shall be deemed given:

(i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;

(ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice;

(iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and

(iv) if by any other form of electronic transmission, when directed to the stockholder.

An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

8.2 DEFINITION OF ELECTRONIC TRANSMISSION.

An "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

8.3 INAPPLICABILITY.

Notice by a form of electronic transmission shall not apply to Sections 164, 296, 311, 312 or 324 of the DGCL.

ARTICLE IX—INDEMNIFICATION

9.1 INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The corporation shall indemnify and hold harmless, to the fullest extent permitted by the DGCL as it presently exists or may hereafter be amended, any director or officer of the corporation who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding") by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director,

officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person in connection with any such Proceeding. The corporation shall be required to indemnify a person in connection with a Proceeding initiated by such person only if the Proceeding was authorized by the Board.

9.2 INDEMNIFICATION OF OTHERS.

The corporation shall have the power to indemnify and hold harmless, to the extent permitted by applicable law as it presently exists or may hereafter be amended, any employee or agent of the corporation who was or is made or is threatened to be made a party or is otherwise involved in any Proceeding by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was an employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or non-profit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses reasonably incurred by such person in connection with any such Proceeding.

9.3 PREPAYMENT OF EXPENSES.

The corporation shall pay the expenses incurred by any officer or director of the corporation, and may pay the expenses incurred by any employee or agent of the corporation, in defending any Proceeding in advance of its final disposition; *provided, however*, that the payment of expenses incurred by a person in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the person to repay all amounts advanced if it should be ultimately determined that the person is not entitled to be indemnified under this Article IX or otherwise.

9.4 DETERMINATION; CLAIM.

If a claim for indemnification or payment of expenses under this Article IX is not paid in full within sixty (60) days after a written claim therefor has been received by the corporation the claimant may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law.

9.5 NON-EXCLUSIVITY OF RIGHTS.

The rights conferred on any person by this Article IX shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the certificate of incorporation, these bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

9.6 INSURANCE.

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of the DGCL.

9.7 OTHER INDEMNIFICATION.

The corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or non-profit entity shall be reduced by any amount such person may collect as

indemnification from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

9.8 AMENDMENT OR REPEAL.

Any repeal or modification of the foregoing provisions of this Article IX shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification."

ARTICLE X—AMENDMENTS

These bylaws may be adopted, amended or repealed by the stockholders entitled to vote. However, the corporation may, in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.

ACCURAY INCORPORATED

CERTIFICATE OF AMENDMENT OF BYLAWS

The undersigned hereby certifies that he or she is the duly elected, qualified, and acting Secretary or Assistant Secretary of Accuray Incorporated, a Delaware corporation and that the foregoing bylaws, comprising pages, were amended and restated on , 2007 by the corporation's board of directors.

IN WITNESS WHEREOF, the undersigned has hereunto set his or her hand this day of , 2007.

Secretary

QuickLinks

Exhibit 10.5

ACCURAY INCORPORATED
2007 INCENTIVE AWARD PLAN

ARTICLE 1.

PURPOSE

The purpose of the Accuray Incorporated 2007 Incentive Award Plan (the "Plan") is to promote the success and enhance the value of Accuray Incorporated by linking the personal interests of the members of the Board, Employees, and Consultants to those of Company stockholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company stockholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

ARTICLE 2.

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "*Award*" means an Option, a Restricted Stock award, a Stock Appreciation Right award, a Performance Share award, a Performance Stock Unit award, a Dividend Equivalents award, a Stock Payment award, a Deferred Stock award, a Restricted Stock Unit award, a Performance Bonus Award, or a Performance-Based Award granted to a Participant pursuant to the Plan.

2.2 "*Award Agreement*" means any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium.

2.3 "*Board*" means the Board of Directors of the Company.

2.4 "*Change in Control*" means and includes each of the following:

(a) A transaction or series of transactions (other than an offering of Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Section 2.4(a) hereof or Section 2.4(c) hereof) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation,

reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) Which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "*Successor Entity*")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; *provided, however,* that no person or group shall be treated for purposes of this Section 2.4(c)(ii) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(d) The Company's stockholders approve a liquidation or dissolution of the Company.

2.5 "*Code*" means the Internal Revenue Code of 1986, as amended.

2.6 "*Committee*" means the committee of the Board described in Article 12 hereof.

2.7 "*Company*" means Accuray Incorporated, a California corporation, or any successor corporation (including, without limitation, the surviving corporation in any consolidation, merger or reincorporation effected exclusively to change the domicile of the Company).

2.8 "*Consultant*" means any consultant or adviser if: (a) the consultant or adviser renders bona fide services to the Company or any Subsidiary; (b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities; and (c) the consultant or adviser is a natural person who has contracted directly with the Company or any Subsidiary to render such services.

2.9 "*Covered Employee*" means an Employee who is, or could be, a "covered employee" within the meaning of Section 162(m) of the Code.

2.10 "*Deferred Stock*" means a right to receive a specified number of shares of Stock during specified time periods pursuant to Section 8.5 hereof.

2.11 "*Disability*" means that the Participant qualifies to receive long-term disability payments under the Company's long-term disability insurance program, as it may be amended from time to time.

2.12 "*Dividend Equivalents*" means a right granted to a Participant pursuant to Section 8.3 hereof to receive the equivalent value (in cash or Stock) of dividends paid on Stock.

2.13 "*Effective Date*" shall have the meaning set forth in Section 13.1 hereof.

2.14 "*Eligible Individual*" means any person who is an Employee, a Consultant or an Independent Director, as determined by the Committee.

2.15 "*Employee*" means any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Company or any Subsidiary.

2.16 "*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

2.17 "*Fair Market Value*" means, as of any given date, (a) if Stock is traded on an exchange, the closing price of a share of Stock as reported in the *Wall Street Journal* (or such other source as the Company may deem reliable for such purposes) for such date, or if no sale occurred on such date, the

first trading date immediately prior to such date during which a sale occurred; or (b) if Stock is not traded on an exchange but is quoted on a quotation system, the mean between the closing representative bid and asked prices for the Stock on such date, or if no sale occurred on such date, the first date immediately prior to such date on which sales prices or bid and asked prices, as applicable, are reported by such quotation system; or (c) if Stock is not publicly traded, the fair market value established by the Committee acting in good faith.

2.18 "*Incentive Stock Option*" means an Option that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.19 "*Independent Director*" means a member of the Board who is not an Employee of the Company.

2.20 "*Non-Employee Director*" means a member of the Board who qualifies as a "Non-Employee Director" as defined in Rule 16b-3(b)(3) under the Exchange Act, or any successor rule.

2.21 "*Non-Qualified Stock Option*" means an Option that is not intended to be an Incentive Stock Option.

2.22 "*Option*" means a right granted to a Participant pursuant to Article 5 hereof to purchase a specified number of shares of Stock at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Non-Qualified Stock Option.

2.23 "*Participant*" means any Eligible Individual who, as a member of the Board, Consultant or Employee, has been granted an Award pursuant to the Plan.

2.24 "*Performance-Based Award*" means an Award granted to selected Covered Employees pursuant to Section 8.7 hereof, but which is subject to the terms and conditions set forth in Article 9 hereof. All Performance-Based Awards are intended to qualify as Qualified Performance-Based Compensation.

2.25 "*Performance Bonus Award*" has the meaning set forth in Section 8.7 hereof.

2.26 "*Performance Criteria*" means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria that will be used to establish Performance Goals are limited to the following: net earnings (either before or after interest, taxes, depreciation and amortization), economic value-added, sales or revenue, net income (either before or after taxes), operating earnings, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on capital, return on net assets, return on stockholders' equity, return on assets, return on capital, stockholder returns, return on sales, gross or net profit margin, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, earnings per share, price per share of Stock, and market share, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. The Committee shall define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period for such Participant.

2.27 "*Performance Goals*" means, for a Performance Period, the goals established in writing by the Committee for the Performance Period based upon the Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, or an individual. The Committee, in its discretion, may, within the time prescribed by Section 162(m) of the Code, adjust or modify the calculation of Performance Goals for such Performance Period in order to prevent the dilution or enlargement of the rights of Participants (a) in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event, or development, or (b) in recognition of, or in anticipation of, any other unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or in response to, or in anticipation of, changes in applicable laws, regulations, accounting principles, or business conditions.

2.28 "*Performance Period*" means the one or more periods of time, which may be of varying and overlapping durations, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to, and the payment of, a Performance-Based Award.

2.29 "*Performance Share*" means a right granted to a Participant pursuant to Section 8.1 hereof, to receive Stock, the payment of which is contingent upon achieving certain Performance Goals or other performance-based targets established by the Committee.

2.30 "*Performance Stock Unit*" means a right granted to a Participant pursuant to Section 8.2 hereof, to receive Stock, the payment of which is contingent upon achieving certain Performance Goals or other performance-based targets established by the Committee.

2.31 "*Plan*" means this Accuray Incorporated 2007 Incentive Award Plan, as it may be amended from time to time.

2.32 "*Public Trading Date*" means the first date upon which Stock is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system.

2.33 "*Qualified Performance-Based Compensatio*n" means any compensation that is intended to qualify as "qualified performance-based compensation" as described in Section 162(m)(4)(C) of the Code.

2.34 "*Restricted Stock*" means Stock awarded to a Participant pursuant to Article 6 hereof that is subject to certain restrictions and may be subject to risk of forfeiture.

2.35 "*Restricted Stock Unit*" means an Award granted pursuant to Section 8.6 hereof.

2.36 "*Securities Act*" shall mean the Securities Act of 1933, as amended.

2.37 "*Stock*" means the common stock of the Company, no par value per share. "Stock" shall also include (i) the common stock of the surviving corporation in any consolidation, merger or reincorporation effected exclusively to change the domicile of the Company and (ii) such other securities of the Company that may be substituted for Stock pursuant to Article 11 hereof.

2.38 "*Stock Appreciation Right*" or *"SAR"* means a right granted pursuant to Article 7 hereof to receive a payment equal to the excess of the Fair Market Value of a specified number of shares of Stock on the date the SAR is exercised over the Fair Market Value on the date the SAR was granted as set forth in the applicable Award Agreement.

2.39 "*Stock Payment*" means (a) a payment in the form of shares of Stock, or (b) an option or other right to purchase shares of Stock, as part of any bonus, deferred compensation or other arrangement, made in lieu of all or any portion of the compensation, granted pursuant to Section 8.4 hereof.

2.40 "*Subsidiary*" means any "subsidiary corporation" as defined in Section 424(f) of the Code and any applicable regulations promulgated thereunder or any other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company.

ARTICLE 3.

SHARES SUBJECT TO THE PLAN

3.1 *Number of Shares.*

(a) Subject to Article 11 hereof and Section 3.1(b) hereof, the aggregate number of shares of Stock which may be issued or transferred pursuant to Awards under the Plan is 4,500,000. In addition to the foregoing, subject to Article 11 hereof, commencing on July 1, 2008 and on the first day of each fiscal year of the Company thereafter during the term of the Plan, the aggregate

number of shares of Stock which may be issued or transferred pursuant to Awards under the Plan shall be increased by that number of shares of Stock equal to the least of (i) three percent (3%) of the Company's outstanding shares on such date, (ii) 1,500,000 shares, or (iii) a lesser amount determined by the Board.

(b) To the extent that an Award terminates, expires, or lapses for any reason, any shares of Stock subject to the Award shall again be available for the grant of an Award pursuant to the Plan. To the extent permitted by applicable law or any exchange rule, shares of Stock issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company or any Subsidiary shall not be counted against shares of Stock available for grant pursuant to this Plan. To the extent that a SAR is exercised for or settled in Stock, only the actual number of shares issued upon such exercise or settlement shall be counted for purposes of calculating the aggregate number of shares of Stock available for issuance under the Plan as set forth in Section 3.1(a). To the extent that a SAR is exercised for or settled in cash, no shares underlying such SAR shall be counted for purposes of calculating the aggregate number of shares of Stock available for issuance under the Plan as set forth in Section 3.1(a). The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards shall not be counted against the shares available for issuance under the Plan. Notwithstanding the provisions of this Section 3.1(b), no shares of Stock may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

3.2 *Stock Distributed.* Any Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Stock, treasury Stock or Stock purchased on the open market.

3.3 *Limitation on Number of Shares Subject to Awards.* Notwithstanding any provision in the Plan to the contrary, and subject to Article 11 hereof, the maximum number of shares of Stock with respect to one or more Awards that may be granted to any one Participant during any calendar year shall be 500,000 and the maximum amount that may be paid in cash during any calendar year with respect to any Performance-Based Award (including, without limitation, any Performance Bonus Award) shall be $1,000,000; *provided, however,* that the foregoing limitations shall not apply prior to the Public Trading Date and, following the Public Trading Date, the foregoing limitations shall not apply until the earliest of: (a) the first material modification of the Plan (including any increase in the number of shares reserved for issuance under the Plan in accordance with Section 3.1 hereof); (b) the issuance of all of the shares of Stock reserved for issuance under the Plan; (c) the expiration of the Plan; (d) the first meeting of stockholders at which members of the Board are to be elected that occurs after the close of the third calendar year following the calendar year in which occurred the first registration of an equity security of the Company under Section 12 of the Exchange Act; or (e) such other date required by Section 162(m) of the Code and the rules and regulations promulgated thereunder.

ARTICLE 4.

ELIGIBILITY AND PARTICIPATION

4.1 *Eligibility.* Each Eligible Individual shall be eligible to be granted one or more Awards pursuant to the Plan.

4.2 *Participation.* Subject to the provisions of the Plan, the Committee may, from time to time, select from among all Eligible Individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No Eligible Individual shall have any right to be granted an Award pursuant to this Plan.

4.3 *Foreign Participants.* Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Subsidiaries operate or have Eligible Individuals, the Committee, in its sole discretion, shall have the power and authority to:

(i) determine which Subsidiaries shall be covered by the Plan; (ii) determine which Eligible Individuals outside the United States are eligible to participate in the Plan; (iii) modify the terms and conditions of any Award granted to Eligible Individuals outside the United States to comply with applicable foreign laws; (iv) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable (any such subplans and/or modifications shall be attached to this Plan as appendices); *provided, however*, that no such subplans and/or modifications shall increase the share limitations contained in Sections 3.1 and 3.3 hereof; and (v) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act, the Code, any securities law or governing statute or any other applicable law.

ARTICLE 5.

STOCK OPTIONS

5.1 *General.* The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) *Exercise Price*. The exercise price per share of Stock subject to an Option shall be determined by the Committee and set forth in the Award Agreement; *provided*, that, subject to Section 5.2(c) hereof, the per share exercise price for any Option shall not be less than 100% of the Fair Market Value of a share of Stock on the date of grant.

(b) *Time and Conditions of Exercise*. The Committee shall determine the time or times at which an Option may be exercised in whole or in part; *provided* that the term of any Option granted under the Plan shall not exceed ten years. The Committee shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) *Payment*. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation: (i) cash, (ii) shares of Stock held for such period of time as may be required by the Committee in order to avoid adverse accounting consequences and having a fair market value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, or (iii) other property acceptable to the Committee (including through the delivery of a notice that the Participant has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company upon settlement of such sale), and the methods by which shares of Stock shall be delivered or deemed to be delivered to Participants. Notwithstanding any other provision of the Plan to the contrary, after the Public Trading Date, no Participant who is a member of the Board or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to pay the exercise price of an Option, or continue any extension of credit with respect to the exercise price of an Option with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

(d) *Evidence of Grant*. All Options shall be evidenced by an Award Agreement between the Company and the Participant. The Award Agreement shall include such additional provisions as may be specified by the Committee.

5.2 *Incentive Stock Options.* Incentive Stock Options shall be granted only to Employees and the terms of any Incentive Stock Options granted pursuant to the Plan, in addition to the requirements of Section 5.1 hereof, must comply with the provisions of this Section 5.2.

(a) *Expiration*. Subject to Section 5.2(c) hereof, an Incentive Stock Option shall expire and may not be exercised to any extent by anyone after the first to occur of the following events:

(i) Ten years from the date it is granted, unless an earlier time is set in the Award Agreement;

(ii) Three months after the Participant's termination of employment as an Employee other than by reason of the Participant's death or Disability; and

(iii) One year after the date of the Participant's termination of employment or service on account of Disability or death. Upon the Participant's Disability or death, any Incentive Stock Options exercisable at the Participant's Disability or death may be exercised by the Participant's legal representative or representatives, by the person or persons entitled to do so pursuant to the Participant's last will and testament, or, if the Participant fails to make testamentary disposition of such Incentive Stock Option or dies intestate, by the person or persons entitled to receive the Incentive Stock Option pursuant to the applicable laws of descent and distribution.

(b) *Dollar Limitation*. The aggregate Fair Market Value (determined as of the time the Option is granted) of all shares of Stock with respect to which Incentive Stock Options are first exercisable by a Participant in any calendar year may not exceed $100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Stock Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Stock Options.

(c) *Ten Percent Owners*. An Incentive Stock Option may not be granted to any individual who, at the date of grant, owns stock possessing more than ten percent of the total combined voting power of all classes of Stock of the Company unless such Option is granted at a price that is not less than 110% of Fair Market Value on the date of grant and the Option is exercisable for no more than five years from the date of grant.

(d) *Notice of Disposition*. The Participant shall give the Company prompt notice of any disposition of shares of Stock acquired by exercise of an Incentive Stock Option within (i) two years from the date of grant of such Incentive Stock Option or (ii) one year after the transfer of such shares of Stock to the Participant.

(e) *Right to Exercise*. Except as set forth in Section 5.2(a)(iii) above, during a Participant's lifetime, an Incentive Stock Option may be exercised only by the Participant.

(f) *Failure to Meet Requirements*. Any Option (or portion thereof) purported to be an Incentive Stock Option, which, for any reason, fails to meet the requirements of Section 422 of the Code shall be considered a Non-Qualified Stock Option.

ARTICLE 6.

RESTRICTED STOCK AWARDS

6.1 *Grant of Restricted Stock*. The Committee is authorized to make Awards of Restricted Stock to any Participant selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. All Awards of Restricted Stock shall be evidenced by an Award Agreement.

6.2 *Issuance and Restrictions*. Restricted Stock shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of the Award or thereafter.

6.3 *Forfeiture.* Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of employment or service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited; *provided, however*, that, the Committee may (a) provide in any Restricted Stock Award Agreement that restrictions or forfeiture conditions relating to Restricted Stock will lapse in whole or in part in the event of terminations resulting from specified causes, and (b) provide in other cases for the lapse in whole or in part of restrictions or forfeiture conditions relating to Restricted Stock.

6.4 *Certificates for Restricted Stock.* Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing shares of Restricted Stock are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

ARTICLE 7.

STOCK APPRECIATION RIGHTS

7.1 *Grant of Stock Appreciation Rights*.

(a) A Stock Appreciation Right may be granted to any Participant selected by the Committee. A Stock Appreciation Right shall be subject to such terms and conditions not inconsistent with the Plan as the Committee shall impose and shall be evidenced by an Award Agreement.

(b) A Stock Appreciation Right shall entitle the Participant (or other person entitled to exercise the Stock Appreciation Right pursuant to the Plan) to exercise all or a specified portion of the Stock Appreciation Right (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount equal to the product of (i) the excess of (A) the Fair Market Value of the Stock on the date the Stock Appreciation Right is exercised over (B) the Fair Market Value of the Stock on the date the Stock Appreciation Right was granted and (ii) the number of shares of Stock with respect to which the Stock Appreciation Right is exercised, subject to any limitations the Committee may impose.

7.2 *Payment and Limitations on Exercise.*

(a) Subject to Section 7.2(b) below, payment of the amounts determined under Sections 7.1(b) above shall be in cash, in Stock (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised) or a combination of both, as determined by the Committee in the Award Agreement.

(b) To the extent any payment under Section 7.1(b) hereof is effected in Stock, it shall be made subject to satisfaction of all provisions of Article 5 above pertaining to Options.

ARTICLE 8.

OTHER TYPES OF AWARDS

8.1 *Performance Share Awards.* Any Participant selected by the Committee may be granted one or more Performance Share awards which shall be denominated in a number of shares of Stock and which may be linked to any one or more of the Performance Criteria or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular Participant.

8.2 *Performance Stock Units.* Any Participant selected by the Committee may be granted one or more Performance Stock Unit awards which shall be denominated in unit equivalent of shares of Stock and/or units of value including dollar value of shares of Stock and which may be linked to any one or more of the Performance Criteria or other specific performance criteria determined appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular Participant.

8.3 *Dividend Equivalents.*

(a) Any Participant selected by the Committee may be granted Dividend Equivalents based on the dividends declared on the shares of Stock that are subject to any Award, to be credited as of dividend payment dates, during the period between the date the Award is granted and the date the Award is exercised, vests or expires, as determined by the Committee. Such Dividend Equivalents shall be converted to cash or additional shares of Stock by such formula and at such time and subject to such limitations as may be determined by the Committee.

(b) Dividend Equivalents granted with respect to Options or SARs that are intended to be Qualified Performance-Based Compensation shall be payable, with respect to pre-exercise periods, regardless of whether such Option or SAR is subsequently exercised.

8.4 *Stock Payments.* Any Participant selected by the Committee may receive Stock Payments in the manner determined from time to time by the Committee; *provided*, that unless otherwise determined by the Committee such Stock Payments shall be made in lieu of base salary, bonus, or other cash compensation otherwise payable to such Participant. The number of shares shall be determined by the Committee and may be based upon the Performance Criteria or other specific performance criteria determined appropriate by the Committee, determined on the date such Stock Payment is made or on any date thereafter.

8.5 *Deferred Stock.* Any Participant selected by the Committee may be granted an award of Deferred Stock in the manner determined from time to time by the Committee. The number of shares of Deferred Stock shall be determined by the Committee and may be linked to the Performance Criteria or other specific performance criteria determined to be appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. Stock underlying a Deferred Stock award will not be issued until the Deferred Stock award has vested, pursuant to a vesting schedule or performance criteria set by the Committee. Unless otherwise provided by the Committee, a Participant awarded Deferred Stock shall have no rights as a Company stockholder with respect to such Deferred Stock until such time as the Deferred Stock Award has vested and the Stock underlying the Deferred Stock Award has been issued.

8.6 *Restricted Stock Units.* The Committee is authorized to make Awards of Restricted Stock Units to any Participant selected by the Committee in such amounts and subject to such terms and conditions as determined by the Committee. At the time of grant, the Committee shall specify the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, and may

specify such conditions to vesting as it deems appropriate. At the time of grant, the Committee shall specify the maturity date applicable to each grant of Restricted Stock Units which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the grantee. On the maturity date, the Company shall, subject to Section 10.5(b) hereof, transfer to the Participant one unrestricted, fully transferable share of Stock for each Restricted Stock Unit scheduled to be paid out on such date and not previously forfeited.

8.7 *Performance Bonus Awards.* Any Participant selected by the Committee may be granted a cash bonus (a "*Performance Bonus Award*") payable upon the attainment of Performance Goals that are established by the Committee and relate to one or more of the Performance Criteria or other specific performance criteria determined to be appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. Any such Performance Bonus Award paid to a Covered Employee may be a Performance-Based Award and be based upon objectively determinable bonus formulas established in accordance with Article 9 hereof.

8.8 *Term.* Except as otherwise provided herein, the term of any Award of Performance Shares, Performance Stock Units, Dividend Equivalents, Stock Payments, Deferred Stock or Restricted Stock Units shall be set by the Committee in its discretion.

8.9 *Exercise or Purchase Price.* The Committee may establish the exercise or purchase price, if any, of any Award of Performance Shares, Performance Stock Units, Deferred Stock, Stock Payments or Restricted Stock Units; *provided, however*, that such price shall not be less than the par value of a share of Stock on the date of grant, unless otherwise permitted by applicable state law.

8.10 *Exercise upon Termination of Employment or Service.* An Award of Performance Shares, Performance Stock Units, Dividend Equivalents, Deferred Stock, Stock Payments and Restricted Stock Units shall only be exercisable or payable while the Participant is an Employee, Consultant or a member of the Board, as applicable; *provided, however*, that the Committee in its sole and absolute discretion may provide that an Award of Performance Shares, Performance Stock Units, Dividend Equivalents, Stock Payments, Deferred Stock or Restricted Stock Units may be exercised or paid subsequent to a termination of employment or service, as applicable, or following a Change in Control of the Company, or because of the Participant's retirement, death or Disability, or otherwise; *provided, however*, that any such provision with respect to Performance Shares or Performance Stock Units shall be subject to the requirements of Section 162(m) of the Code that apply to Qualified Performance-Based Compensation.

8.11 *Form of Payment.* Payments with respect to any Awards granted under this Article 8 shall be made in cash, in Stock or a combination of both, as determined by the Committee.

8.12 *Award Agreement.* All Awards under this Article 8 shall be subject to such additional terms and conditions as determined by the Committee and shall be evidenced by an Award Agreement.

ARTICLE 9.

PERFORMANCE-BASED AWARDS

9.1 *Purpose.* The purpose of this Article 9 is to provide the Committee the ability to qualify Awards other than Options and SARs and that are granted pursuant to Articles 6 and 8 hereof as Qualified Performance-Based Compensation. If the Committee, in its discretion, decides to grant a Performance- Based Award to a Covered Employee, the provisions of this Article 9 shall control over any contrary provision contained in Articles 6 or 8 hereof; *provided, however*, that the Committee may in its discretion grant Awards to Covered Employees that are based on Performance Criteria or Performance Goals but that do not satisfy the requirements of this Article 9.

9.2 *Applicability.* This Article 9 shall apply only to those Covered Employees selected by the Committee to receive Performance-Based Awards. The designation of a Covered Employee as a Participant for a Performance Period shall not in any manner entitle the Participant to receive an

Award for the period. Moreover, designation of a Covered Employee as a Participant for a particular Performance Period shall not require designation of such Covered Employee as a Participant in any subsequent Performance Period and designation of one Covered Employee as a Participant shall not require designation of any other Covered Employees as a Participant in such period or in any other period.

9.3 *Procedures with Respect to Performance-Based Awards.* To the extent necessary to comply with the Qualified Performance-Based Compensation requirements of Section 162(m)(4)(C) of the Code, with respect to any Award granted under Articles 6 or 8 hereof which may be granted to one or more Covered Employees, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (a) designate one or more Covered Employees, (b) select the Performance Criteria applicable to the Performance Period, (c) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period, and (d) specify the relationship between Performance Criteria and the Performance Goals and the amounts of such Awards, as applicable, to be earned by each Covered Employee for such Performance Period. Following the completion of each Performance Period, the Committee shall certify in writing whether the applicable Performance Goals have been achieved for such Performance Period. In determining the amount earned by a Covered Employee, the Committee shall have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the Performance Period.

9.4 *Payment of Performance-Based Awards.* Unless otherwise provided in the applicable Award Agreement, a Participant must be employed by the Company or a Subsidiary on the day a Performance-Based Award for such Performance Period is paid to the Participant. Furthermore, a Participant shall be eligible to receive payment pursuant to a Performance-Based Award for a Performance Period only if the Performance Goals for such period are achieved. In determining the amount earned under a Performance-Based Award, the Committee may reduce or eliminate the amount of the Performance-Based Award earned for the Performance Period, if in its sole and absolute discretion, such reduction or elimination is appropriate.

9.5 *Additional Limitations.* Notwithstanding any other provision of the Plan, any Award which is granted to a Covered Employee and is intended to constitute Qualified Performance-Based Compensation shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as qualified performance-based compensation as described in Section 162(m)(4)(C) of the Code, and the Plan shall be deemed amended to the extent necessary to conform to such requirements.

ARTICLE 10.

PROVISIONS APPLICABLE TO AWARDS

10.1 *Stand-Alone and Tandem Awards.* Awards granted pursuant to the Plan may, in the discretion of the Committee, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

10.2 *Award Agreement.* Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event the Participant's employment or service terminates, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

10.3 *Limits on Transfer.* No right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Subsidiary, or

shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a Subsidiary. Except as otherwise provided by the Committee, no Award shall be assigned, transferred, or otherwise disposed of by a Participant other than by will or the laws of descent and distribution. The Committee by express provision in the Award or an amendment thereto may permit an Award (other than an Incentive Stock Option) to be transferred to, exercised by and paid to certain persons or entities related to the Participant, including but not limited to members of the Participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee may establish. Any permitted transfer shall be subject to the condition that the Committee receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a "blind trust" in connection with the Participant's termination of employment or service with the Company or a Subsidiary to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities.

10.4 *Beneficiaries.* Notwithstanding Section 10.3 hereof, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary with respect to more than 50% of the Participant's interest in the Award shall not be effective without the prior written consent of the Participant's spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

10.5 *Stock Certificates; Book Entry Procedures.*

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing shares of Stock pursuant to the exercise of any Award, unless and until the Board has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed or traded. All Stock certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply with federal, state, or foreign jurisdiction, securities or other laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted, or traded. The Committee may place legends on any Stock certificate to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Board may require that a Participant make such reasonable covenants, agreements, and representations as the Board, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Committee shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Committee.

(b) Notwithstanding any other provision of the Plan, unless otherwise determined by the Committee or required by any applicable law, rule or regulation, the Company shall not deliver to any Participant certificates evidencing shares of Stock issued in connection with any Award and

instead such shares of Stock shall be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator).

10.6 *Paperless Exercise.* In the event that the Company establishes, for itself or using the services of a third party, an automated system for the exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless exercise of Awards by a Participant may be permitted through the use of such an automated system.

ARTICLE 11.

CHANGES IN CAPITAL STRUCTURE

11.1 *Adjustments.*

(a) In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to stockholders, or any other change affecting the shares of Stock or the share price of the Stock, the Committee shall make proportionate adjustments to any or all of the following in order to reflect such change: (a) the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Sections 3.1 and 3.3 hereof); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per share for any outstanding Awards under the Plan. Any adjustment affecting an Award intended as Qualified Performance-Based Compensation shall be made consistent with the requirements of Section 162(m) of the Code.

(b) In the event of any transaction or event described in Section 11.1(a) hereof or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations or accounting principles, the Committee, in its sole and absolute discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such transaction or event and either automatically or upon the Participant's request, is hereby authorized to take any one or more of the following actions in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 11.1 the Committee determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Committee in its sole discretion;

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(iii) To make adjustments in the number and type of shares of Stock (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Stock or Deferred Stock and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding options, rights and awards and options, rights and awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Award Agreement; and

(v) To provide that the Award cannot vest, be exercised or become payable after such event.

11.2 *Acceleration Upon a Change in Control.* Notwithstanding Section 11.1 hereof, and except as may otherwise be provided in any applicable Award Agreement or other written agreement entered into between the Company and a Participant, if a Change in Control occurs and a Participant's Awards are not converted, assumed, or replaced by a successor entity, then immediately prior to the Change in Control such Awards shall become fully exercisable and all forfeiture restrictions on such Awards shall lapse. Upon, or in anticipation of, a Change in Control, the Committee may cause any and all Awards outstanding hereunder to terminate at a specific time in the future, including but not limited to the date of such Change in Control, and shall give each Participant the right to exercise such Awards during a period of time as the Committee, in its sole and absolute discretion, shall determine. In the event that the terms of any agreement between the Company or any Company subsidiary or affiliate and a Participant contains provisions that conflict with and are more restrictive than the provisions of this Section 11.2, this Section 11.2 shall prevail and control and the more restrictive terms of such agreement (and only such terms) shall be of no force or effect.

11.3 *No Other Rights.* Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Committee under the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Stock subject to an Award or the grant or exercise price of any Award.

ARTICLE 12.

ADMINISTRATION

12.1 *Committee.* Unless and until the Board delegates administration of the Plan to a Committee as set forth below, the Plan shall be administered by the full Board, and for such purposes the term "Committee" as used in this Plan shall be deemed to refer to the Board. The Board, at its discretion or as otherwise necessary to comply with the requirements of Section 162(m) of the Code, Rule 16b-3 promulgated under the Exchange Act or to the extent required by any other applicable rule or regulation, shall delegate administration of the Plan to a Committee. The Committee shall consist solely of two or more members of the Board each of whom is an "outside director," within the meaning of Section 162(m) of the Code, a Non-Employee Director and an "independent director" under the rules of The NASDAQ Global Market (or other principal securities market on which shares of Stock are traded), provided that any action taken by the Committee shall be valid and effective, whether or not members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership set forth in this Section 12.1 or otherwise provided in the charter of the Committee. Notwithstanding the foregoing: (a) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to all Awards granted to Independent Directors and for purposes of such Awards the term "Committee" as used in this Plan shall be deemed to refer to the Board and (b) the Committee may delegate its authority hereunder to the extent permitted by Section 12.5 hereof. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Rule 16b-3 under the Exchange Act or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole

discretion of the Committee. The governance of the Committee shall be subject to the charter of the Committee as approved by the Board.

12.2 *Action by the Committee.* Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

12.3 *Authority of Committee.* Subject to any specific designation in the Plan, the Committee has the exclusive power, authority and discretion to:

(a) Designate Participants to receive Awards;

(b) Determine the type or types of Awards to be granted to each Participant;

(c) Determine the number of Awards to be granted and the number of shares of Stock to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any reload provision, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines; *provided, however*, that the Committee shall not have the authority to accelerate the vesting or waive the forfeiture of any Performance-Based Awards;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and

(j) Make all other decisions and determinations that may be required pursuant to the Plan or as the Committee deems necessary or advisable to administer the Plan.

12.4 *Decisions Binding.* The Committee's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties.

12.5 *Delegation of Authority.* To the extent permitted by applicable law, the Committee may from time to time delegate to a committee of one or more members of the Board or one or more officers of the Company the authority to grant or amend Awards to Participants other than (a) senior executives of the Company who are subject to Section 16 of the Exchange Act, (b) Covered Employees, or (c) officers of the Company (or members of the Board) to whom authority to grant or amend Awards has been delegated hereunder. Any delegation hereunder shall be subject to the restrictions and limits that the Committee specifies at the time of such delegation, and the Committee may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 12.5 shall serve in such capacity at the pleasure of the Committee.

ARTICLE 13.

EFFECTIVE AND EXPIRATION DATE

13.1 *Effective Date*. The Plan is effective as of the date the Plan is approved by the Company's stockholders (the "*Effective Date*"). The Plan will be deemed to be approved by the stockholders if it receives the affirmative vote of the holders of a majority of the shares of stock of the Company in accordance with applicable law and the applicable provisions of the Company's bylaws.

13.2 *Expiration Date*. The Plan will expire on, and no Award may be granted pursuant to the Plan after, the tenth anniversary of the date the Plan is approved by the Board. Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

ARTICLE 14.

AMENDMENT, MODIFICATION, AND TERMINATION

14.1 *Amendment, Modification, and Termination.* Subject to Section 15.14 hereof, with the approval of the Board, at any time and from time to time, the Committee may terminate, amend or modify the Plan; *provided, however*, that (a) to the extent necessary and desirable to comply with any applicable law, regulation, or stock exchange rule, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required, and (b) stockholder approval shall be required for any amendment to the Plan that (i) increases the number of shares available under the Plan (other than any adjustment as provided by Article 11 hereof), (ii) permits the Committee to grant Options with an exercise price that is below Fair Market Value on the date of grant, or (iii) permits the Committee to extend the exercise period for an Option beyond ten years from the date of grant. Notwithstanding any provision in this Plan to the contrary, absent approval of the stockholders of the Company, no Option may be amended to reduce the per share exercise price of the shares subject to such Option below the per share exercise price as of the date the Option is granted and, except as permitted by Article 11 hereof, no Option may be granted in exchange for, or in connection with, the cancellation or surrender of an Option having a higher per share exercise price.

14.2 *Awards Previously Granted.* Except with respect to amendments made pursuant to Section 15.14 hereof, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

ARTICLE 15.

GENERAL PROVISIONS

15.1 *No Rights to Awards.* No Eligible Individual or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Committee is obligated to treat Eligible Individuals, Participants or any other persons uniformly.

15.2 *No Stockholders Rights.* Except as otherwise provided herein, a Participant shall have none of the rights of a stockholder with respect to shares of Stock covered by any Award until the Participant becomes the record owner of such shares of Stock.

15.3 *Withholding.* The Company or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local and foreign taxes (including the Participant's employment tax obligations) required by law to be withheld with respect to any taxable event concerning a Participant arising as a result of

this Plan. The Committee may in its discretion and in satisfaction of the foregoing requirement allow a Participant to elect to have the Company withhold shares of Stock otherwise issuable under an Award (or allow the return of shares of Stock) having a Fair Market Value equal to the sums required to be withheld. Notwithstanding any other provision of the Plan, the number of shares of Stock which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award within six months (or such other period as may be determined by the Committee) after such shares of Stock were acquired by the Participant from the Company) in order to satisfy the Participant's federal, state, local and foreign income and payroll tax liabilities with respect to the issuance, vesting, exercise or payment of the Award shall be limited to the number of shares which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income.

15.4 *No Right to Employment or Services.* Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employ or service of the Company or any Subsidiary.

15.5 *Unfunded Status of Awards.* The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company or any Subsidiary.

15.6 *Indemnification.* To the extent allowable pursuant to applicable law, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Certificate of Incorporation or bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

15.7 *Relationship to Other Benefits.* No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

15.8 *Expenses.* The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

15.9 *Titles and Headings.* The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

15.10 *Fractional Shares.* No fractional shares of Stock shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding up or down as appropriate.

15.11 *Limitations Applicable to Section 16 Persons.* Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any Participant who is then subject to Section 16

of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 under the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

15.12 *Government and Other Regulations.* The obligation of the Company to make payment of awards in Stock or otherwise shall be subject to all applicable laws, rules, and regulations, and to such approvals by government agencies as may be required. The Company shall be under no obligation to register pursuant to the Securities Act, as amended, any of the shares of Stock paid pursuant to the Plan. If the shares paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act, as amended, the Company may restrict the transfer of such shares in such manner as it deems advisable to ensure the availability of any such exemption.

15.13 *Governing Law.* The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of California.

15.14 *Section 409A.* To the extent that the Committee determines that any Award granted under the Plan is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Committee determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Committee may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

* * * * *

I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of Accuray Incorporated on , 2007.

* * * * *

I hereby certify that the foregoing Plan was approved by the stockholders of Accuray Incorporated on , 2007.

Executed on this day of , 2007.

Corporate Secretary

QuickLinks

Exhibit 10.6

ACCURAY INCORPORATED

2007 EMPLOYEE STOCK PURCHASE PLAN

Accuray Incorporated hereby adopts the Accuray Incorporated 2007 Employee Stock Purchase Plan (the "***Plan***"), effective as of the Effective Date (as defined herein).

1. *Purpose.* The purposes of the Plan are as follows:

(a) To assist employees of the Company and its Designated Subsidiaries (as defined below) in acquiring a stock ownership interest in the Company pursuant to a plan which is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423(b) of the Internal Revenue Code of 1986, as amended.

(b) To help employees provide for their future security and to encourage them to remain in the employment of the Company and its Designated Subsidiaries.

2. *Definitions.*

(a) "***Administrator***" shall mean the administrator of the Plan, as determined pursuant to Section 14 hereof.

(b) "***Board***" shall mean the Board of Directors of the Company.

(c) "***Code***" shall mean the Internal Revenue Code of 1986, as amended.

(d) "***Committee***" shall mean the committee appointed to administer the Plan pursuant to Section 14 hereof.

(e) "***Common Stock***" shall mean the common stock of the Company, no par value per share. "Common Stock" shall also include (i) the common stock of the surviving corporation in any consolidation, merger or reincorporation effected exclusively to change the domicile of the Company and (ii) such other securities of the Company that may be substituted for Common Stock pursuant to Section 19 hereof.

(f) "***Company***" shall mean Accuray Incorporated, a California corporation, or any successor corporation (including, without limitation, the surviving corporation in any consolidation, merger or reincorporation effected exclusively to change the domicile of the Company).

(g) "***Compensation***" shall mean all base straight time gross earnings and commissions, exclusive of payments for overtime, shift premium, incentive compensation, incentive payments, bonuses, expense reimbursements, fringe benefits and other compensation.

(h) "***Designated Subsidiary***" shall mean any Subsidiary which has been designated by the Administrator from time to time in its sole discretion as eligible to participate in the Plan. The Administrator may designate, or terminate the designation of, a subsidiary as a Designated Subsidiary without the approval of the stockholders of the Company.

(i) "***Effective Date***" shall mean the date on which the Company's Registration Statement on Form S-1 filed with respect to the Company's initial public offering becomes effective.

(j) "***Eligible Employee***" shall mean an Employee of the Company or a Designated Subsidiary: (i) who does not, immediately after the option is granted, own stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company, a Parent or a Subsidiary (as determined under Section 423(b)(3) of the Code); (ii) whose customary employment is for more than twenty (20) hours per week; and (iii) whose customary employment is for more than five (5) months in any calendar year. For purposes of clause (i), the rules of Section 424(d) of the Code with regard to the attribution of stock ownership shall apply in determining the stock ownership of an individual, and stock which an employee may purchase under outstanding options shall be treated as stock owned by the employee. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on

sick leave or other leave of absence approved by the Company or Designated Subsidiary and meeting the requirements of Treasury Regulation Section 1.421-7(h)(2). Where the period of leave exceeds ninety (90) days and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the ninety-first (91^{st}) day of such leave.

(k) "***Employee***" shall mean any person who renders services to the Company or a Subsidiary in the status of an employee within the meaning of Code Section 3401(c). "Employee" shall not include any director of the Company or a Subsidiary who does not render services to the Company or a Subsidiary in the status of an employee within the meaning of Code Section 3401(c).

(l) "***Enrollment Date***" shall mean the first Trading Day of each Offering Period. The Enrollment Date for the first Offering Period under the Plan shall be the Effective Date.

(m) "***Exercise Date***" shall mean the last Trading Day of each Purchase Period.

(n) "***Fair Market Value***" shall mean, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is traded on an exchange, its Fair Market Value shall be the closing sales price for a share of Common Stock as reported in *The Wall Street Journal* (or such other source as the Administrator may deem reliable for such purposes) for such date, or if no sale occurred on such date, the first trading date immediately prior to such date during which a sale occurred;

(ii) If the Common Stock is not traded on an exchange but is quoted on a quotation system, its Fair Market Value shall be the mean between the closing representative bid and asked prices for the Common Stock on such date, or if no sale occurred on such date, the first date immediately prior to such date on which sales prices or bid and asked prices, as applicable, are reported by such quotation system;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Administrator; or

(iv) For purposes of the first Offering Period under the Plan, the Fair Market Value on the Enrollment Date shall be the initial price to the public as set forth in the final prospectus included within the registration statement on Form S-1 filed with the Securities and Exchange Commission for the initial public offering of the Company's Common Stock (the "***Registration Statement***").

(o) "***Offering Period***" shall mean each period of approximately six (6) months commencing on any June 1 or December 1 and terminating on the last Trading Day on or before the next occurring November 30 or May 31, as applicable, except for the first Offering Period under the Plan, which shall commence on the Effective Date and end on November 30, 2007. The duration and timing of Offering Periods may be changed pursuant to Section 4 of this Plan, but in no event may an Offering Period have a duration in excess of twenty-seven (27) months.

(p) "***Parent***" means any corporation, other than the Company, in an unbroken chain of corporations ending with the Company if, at the time of the determination, each of the corporations other than the Company owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(q) "***Plan***" shall mean this Accuray Incorporated 2007 Employee Stock Purchase Plan.

(r) "***Purchase Period***" shall mean the approximately six (6) month period commencing on each Enrollment Date and ending with the next Exercise Date. Notwithstanding the foregoing, the first Purchase Period with respect to the initial Offering Period under the Plan shall commence on

the Effective Date and end on November 30, 2007, and such period may be more or less than six (6) months in duration.

(s) "***Purchase Price***" shall mean 85% of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower; *provided, however*, that the Purchase Price may be adjusted by the Administrator pursuant to Section 19 hereof; *provided, further*, that the Purchase Price shall not be less than the par value of a share of Common Stock.

(t) "***Subsidiary***" shall mean any corporation, other than the Company, in an unbroken chain of corporations beginning with the Company if, at the time of the determination, each of the corporations other than the last corporation in an unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(u) "***Trading Day***" shall mean a day on which national stock exchanges are open for trading.

3. *Eligibility.*

(a) Any Eligible Employee who shall be employed by the Company or a Designated Subsidiary on a given Enrollment Date for an Offering Period shall be eligible to participate in the Plan during such Offering Period, subject to the requirements of Section 5 hereof and the limitations imposed by Section 423(b) of the Code.

(b) Each person who, during the course of an Offering Period, first becomes an Eligible Employee subsequent to the Enrollment Date will be eligible to become a participant in the Plan on the first day of the first Purchase Period following the day on which such person becomes an Eligible Employee, subject to the requirements of Section 5 hereof and the limitations imposed by Section 423(b) of the Code.

(c) No Eligible Employee shall be granted an option under the Plan which permits his rights to purchase stock under the Plan, and to purchase stock under all other employee stock purchase plans of the Company, any Parent or any Subsidiary subject to the Section 423 of the Code, to accrue at a rate which exceeds $25,000 of fair market value of such stock (determined at the time the option is granted) for each calendar year in which the option is outstanding at any time. For purposes of the limitation imposed by this subsection, the right to purchase stock under an option accrues when the option (or any portion thereof) first becomes exercisable during the calendar year, the right to purchase stock under an option accrues at the rate provided in the option, but in no case may such rate exceed $25,000 of fair market value of such stock (determined at the time such option is granted) for any one calendar year, and a right to purchase stock which has accrued under an option may not be carried over to any option. This limitation shall be applied in accordance with Section 423(b)(8) of the Code and the Treasury Regulations thereunder.

4. *Offering Periods.* The Plan shall be implemented by consecutive Offering Periods which shall continue until the Plan expires or is terminated in accordance with Section 20 hereof. The Administrator shall have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings without stockholder approval if such change is announced at least five (5) days prior to the scheduled beginning of the first Offering Period to be affected thereafter.

5. *Participation.*

(a) Each Eligible Employee who is employed by the Company or a Designated Subsidiary on the calendar day immediately preceding the Effective Date shall automatically become a participant in the Plan with respect to the first Offering Period. Each such participant shall be granted an option to purchase shares of Common Stock and shall be enrolled in such first Offering Period to the extent of ten percent (10%) of his or her Compensation for the pay days during the first Offering Period (or, if less, the maximum amount of contributions permitted to be made by

such participant for such Offering Period by payroll deduction under the terms of this Plan). Participants wishing to purchase shares of Common Stock during the first Offering Period shall do so by making a lump sum cash payment to the Company not later than ten (10) calendar days before each Exercise Date of such Offering Period, and each such payment may be made in an amount not exceeding ten percent (10%) of such participant's Compensation for the pay days occurring during such Offering Period and occurring prior to such lump sum payment; provided, however, that such participant shall not be required to make such lump sum cash payments, or exercise all or any portion of such option to purchase shares of Common Stock by making such lump sum payments. Following the Effective Date, each such participant may, during the period designated from time to time by the Administrator for such purpose, elect to make such contributions (or a lesser amount of contributions) for the first Offering Period by payroll deductions in accordance with Section 6 hereof, in lieu of making contributions in such lump sum cash payments under this subsection (a), or may elect to make no contributions for such Offering Period; provided, however, that, to make contributions by payroll deductions, such participant must complete the form of subscription agreement provided by the Company for the first Offering Period under this Plan. If (i) during such Offering Period, such a participant elects to make contributions by payroll deduction, or elects to make no contributions for such Offering Period, or (ii) on or prior to the tenth (10^{th}) calendar day before the last Exercise Date of such Offering Period, such a participant fails to make any lump sum cash payment, such participant shall be deemed to have elected not to make contributions by lump sum payment with respect to such first Offering Period. Except as described in subsection (e) below, a participant may not make contributions by lump sum payment for any Offering Period other than the first Offering Period.

(b) Following the first Offering Period, an Eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deductions in a form acceptable to the Administrator and filing it with the Company's payroll office fifteen (15) days (or such shorter or longer period as may be determined by the Administrator, in its sole discretion) prior to the applicable Enrollment Date.

(c) Each person who, during the course of an Offering Period, first becomes an Eligible Employee subsequent to the Enrollment Date may become a participant in the Plan by completing a subscription agreement authorizing payroll deductions in a form acceptable to the Administrator and filing it with the Company's payroll office fifteen (15) days (or such shorter or longer period as may be determined by the Administrator, in its sole discretion) prior to the first day of any Purchase Period during the Offering Period in which such person becomes an Eligible Employee. The rights granted to such participant shall have the same characteristics as any rights originally granted during that Offering Period except that the first day of the Purchase Period in which such person initially participates in the Plan shall be the "Enrollment Date" for all purposes for such person, including determination of the Purchase Price.

(d) Except as provided in subsection (a) hereof, payroll deductions for a participant shall commence on the first payroll following the Enrollment Date and shall end on the last payroll in the Offering Period to which such authorization is applicable, unless sooner terminated by the participant as provided in Section 10 hereof.

(e) During a leave of absence approved by the Company or a Subsidiary and meeting the requirements of Treasury Regulation Section 1.421-7(h)(2), a participant may continue to participate in the Plan by making cash payments to the Company on each pay day equal to the amount of the participant's payroll deductions under the Plan for the pay day immediately preceding the first day of such participant's leave of absence. If a leave of absence is unapproved or fails to meet the requirements of Treasury Regulation Section 1.421-7(h)(2), the participant will cease automatically to participate in the Plan. In such event, the Company will automatically cease to deduct the participant's payroll under the Plan. The Company will pay to the participant his or

her total payroll deductions for the Purchase Period, in cash in one lump sum (without interest), as soon as practicable after the participant ceases to participate in the Plan.

(f) A participant's completion of a subscription agreement will enroll such participant in the Plan for each successive Purchase Period and each subsequent Offering Period on the terms contained therein until the participant either submits a new subscription agreement, withdraws from participation under the Plan as provided in Section 10 hereof or otherwise becomes ineligible to participate in the Plan.

(g) The subscription agreement(s) used in connection with the Plan shall be in a form prescribed by the Administrator, and the Administrator may, in its sole discretion, determine whether such agreement shall be submitted in written or electronic form.

6. *Payroll Deductions.*

(a) At the time a participant files his or her subscription agreement, he or she shall elect to have payroll deductions made on each pay day during the Offering Period in an amount from one percent (1%) to ten percent (10%) of the Compensation which he or she receives on each pay day during the Offering Period.

(b) All payroll deductions made for a participant shall be credited to his or her account under the Plan and shall be withheld in whole percentages only. Except as described in Section 5(a) hereof, a participant may not make any additional payments into such account.

(c) A participant may discontinue his or her participation in the Plan as provided in Section 10 hereof, or may increase or decrease the rate of his or her payroll deductions during the Offering Period by completing or filing with the Company a new subscription agreement authorizing a change in payroll deduction rate. The Administrator may, in its discretion, limit the number of participation rate changes during any Offering Period. The change in rate shall be effective with the first full payroll period following five (5) business days after the Company's receipt of the new subscription agreement (or such shorter or longer period as may be determined by the Administrator, in its sole discretion).

(d) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(c) hereof, a participant's payroll deductions may be decreased to zero percent (0%) at any time during a Purchase Period.

(e) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Employee.

7. *Grant of Option.* On the Enrollment Date of each Offering Period, each Eligible Employee participating in such Offering Period shall be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of shares of the Company's Common Stock determined by dividing such participant's payroll deductions accumulated prior to such Exercise Date and retained in the participant's account as of the Exercise Date by the applicable Purchase Price; *provided*, *however*, that in no event shall a participant be permitted to purchase during each Offering Period more than 2,500 shares of the Company's Common Stock (subject to any adjustment pursuant to Section 19 hereof) and during each Purchase Period more than 2,500 shares of the Company's Common Stock (subject to any adjustment pursuant to Section 19 hereof) (for the avoidance of doubt, in the event that the Offering Period and Purchase Period are approximately the same length, the participant shall only be entitled to purchase an aggregate of 2,500

shares during such period); and provided, further, that such purchase shall be subject to the limitations set forth in Sections 3(c) and 13 hereof. The Administrator may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of shares of the Company's Common Stock a participant may purchase during each Purchase Period and Offering Period. Exercise of the option shall occur as provided in Section 8 hereof, unless the participant has withdrawn pursuant to Section 10 hereof or otherwise becomes ineligible to participate in the Plan. The option shall expire on the last day of the Offering Period.

8. *Exercise of Option.*

(a) Unless a participant withdraws from the Plan as provided in Section 10 hereof or otherwise becomes ineligible to participate in the Plan, his or her option for the purchase of shares shall be exercised automatically on the Exercise Date, and the maximum number of full shares subject to the option shall be purchased for such participant at the applicable Purchase Price with the accumulated payroll deductions in his or her account. No fractional shares shall be purchased; any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full share shall be retained in the participant's account for the subsequent Purchase Period or Offering Period. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

(b) If the Administrator determines that, on a given Exercise Date, the number of shares with respect to which options are to be exercised may exceed (i) the number of shares of Common Stock that were available for sale under the Plan on the Enrollment Date of the applicable Offering Period, or (ii) the number of shares available for sale under the Plan on such Exercise Date, the Administrator may in its sole discretion (x) provide that the Company shall make a pro rata allocation of the shares of Common Stock available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Exercise Date, and continue all Offering Periods then in effect, or (y) provide that the Company shall make a pro rata allocation of the shares available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Exercise Date, and terminate any or all Offering Periods then in effect pursuant to Section 20 hereof. The Company may make pro rata allocation of the shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional shares for issuance under the Plan by the Company's stockholders subsequent to such Enrollment Date. The balance of the amount credited to the account of each participant which has not been applied to the purchase of shares of stock shall be paid to such participant in one lump sum in cash as soon as reasonably practicable after the Exercise Date, without any interest thereon.

9. *Deposit of Shares.* As promptly as practicable after each Exercise Date on which a purchase of shares occurs, the Company may arrange for the deposit, into each participant's account with any broker designated by the Company to administer this Plan, of the number of shares purchased upon exercise of his or her option.

10. *Withdrawal.*

(a) A participant may withdraw all but not less than all of the payroll deductions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by giving written notice to the Company in a form acceptable to the Administrator. All of the participant's payroll deductions credited to his or her account during the Offering Period shall be paid to such participant as soon as reasonably practicable after receipt of notice of withdrawal and such participant's option for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of shares shall be made for such Offering Period. If a

participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the succeeding Offering Period unless the participant delivers to the Company a new subscription agreement.

(b) A participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the participant withdraws.

11. *Termination of Employment.* Upon a participant's ceasing to be an Eligible Employee, for any reason, he or she shall be deemed to have elected to withdraw from the Plan and the payroll deductions credited to such participant's account during the Offering Period shall be paid to such participant or, in the case of his or her death, to the person or persons entitled thereto under Section 15 hereof, as soon as reasonably practicable and such participant's option for the Offering Period shall be automatically terminated.

12. *Interest.* No interest shall accrue on the payroll deductions or lump sum contributions of a participant in the Plan.

13. *Shares Subject to Plan.*

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof, the maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be 1,000,000 shares. In addition to the foregoing, subject to Section 19 hereof, commencing on July 1, 2008 and on the first day of each fiscal year of the Company thereafter during the term of the Plan, the number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be increased by that number of shares of the Company's Common Stock equal to the least of (i) one percent (1%) of the Company's outstanding shares on such date, (ii) 1,000,000 shares, or (iii) a lesser amount determined by the Board. The Company's fiscal year currently begins on July 1 and ends on June 30 of each year and, accordingly, the number of shares of the Company's Common Stock which shall be available for sale under the Plan shall be subject to automatic increase under the preceding sentence only on July 1, 2008 and on each subsequent July 1 through and including July 1, 2016 (provided that the Company's fiscal year remains the same). If any right granted under the Plan shall for any reason terminate without having been exercised, the Common Stock not purchased under such right shall again become available for issuance under the Plan. The stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

(b) With respect to shares of stock subject to an option granted under the Plan, a participant shall not be deemed to be a stockholder of the Company, and the participant shall not have any of the rights or privileges of a stockholder, until such shares have been issued to the participant or his or her nominee following exercise of the participant's option. No adjustments shall be made for dividends (ordinary or extraordinary, whether in cash securities, or other property) or distribution or other rights for which the record date occurs prior to the date of such issuance, except as otherwise expressly provided herein.

14. *Administration.*

(a) The Plan shall be administered by the Board unless and until the Board delegates administration to a Committee as set forth below. The Board may delegate administration of the Plan to a Committee comprised of two or more members of the Board, each of whom is a "non-employee director" within the meaning of Rule 16b-3 which has been adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and which is otherwise constituted to comply with applicable law, and the term "Committee" shall apply to any persons to whom such authority has been delegated, provided that any action taken

by the Committee shall be valid and effective, whether or not members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership set forth in this Section 14(a) or otherwise provided in the charter of the Committee. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise, subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The governance of the Committee shall be subject to the charter of the Committee as approved by the Board. References in this Plan to the "Administrator" shall mean the Board unless administration is delegated to a Committee or subcommittee, in which case references in this Plan to the Administrator shall thereafter be to the Committee or subcommittee.

(b) It shall be the duty of the Administrator to conduct the general administration of the Plan in accordance with the provisions of the Plan. The Administrator shall have the power to interpret the Plan and the terms of the options and to adopt such rules for the administration, interpretation, and application of the Plan as are consistent therewith and to interpret, amend or revoke any such rules. The Administrator at its option may utilize the services of an agent to assist in the administration of the Plan including establishing and maintaining an individual securities account under the Plan for each participant. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Administrator under the Plan.

(c) All expenses and liabilities incurred by the Administrator in connection with the administration of the Plan shall be borne by the Company. The Administrator may, with the approval of the Board, employ attorneys, consultants, accountants, appraisers, brokers or other persons. The Administrator, the Company and its officers and directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon all participants, the Company and all other interested persons. No member of the Board shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the options, and all members of the Board shall be fully protected by the Company in respect to any such action, determination, or interpretation.

15. *Designation of Beneficiary.*

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such participant of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to exercise of the option. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of a beneficiary may be changed by the participant at any time by written notice to the Company. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

16. *Transferability.* Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and

distribution or as provided in Section 15 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

17. *Use of Funds.* All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

18. *Reports.* Individual accounts shall be maintained for each participant in the Plan. Statements of account shall be given to participating Employees at least annually, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of shares purchased and the remaining cash balance, if any.

19. *Adjustments Upon Changes in Capitalization, Dissolution, Liquidation, Merger or Asset Sale.*

(a) *Changes in Capitalization*. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock which have been authorized for issuance under the Plan but not yet placed under option, the maximum number of shares each participant may purchase each Purchase Period (pursuant to Section 7 hereof), as well as the price per share and the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Administrator, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

(b) *Dissolution or Liquidation*. In the event of the proposed dissolution or liquidation of the Company, the Offering Period then in progress shall be shortened by setting a new Exercise Date (the "***New Exercise Date***"), and shall terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Administrator. The New Exercise Date shall be before the effective date of the Company's proposed dissolution or liquidation. The Administrator shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

(c) *Merger or Asset Sale*. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, any Purchase Periods then in progress shall be shortened by setting a New Exercise Date and any Offering Periods then in progress shall end on the New Exercise Date. The New Exercise Date shall be before the effective date of the Company's proposed sale or merger. The Administrator shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

20. *Amendment or Termination.*

(a) The Board may at any time and for any reason terminate or amend the Plan. Except as provided in Section 19 hereof, no such termination shall affect options previously granted, provided that an Offering Period may be terminated by the Board if the Board determines that the termination of the Offering Period or the Plan is in the best interests of the Company and its stockholders. Except as provided in Section 19 hereof and this Section 20, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant without the consent of such participant. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other applicable law, regulation or stock exchange rule), the Company shall obtain stockholder approval of any amendment in such a manner and to such a degree as required.

(b) Without stockholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Administrator shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Administrator determines in its sole discretion advisable which are consistent with the Plan.

(c) In the event the Board determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(i) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;

(ii) shortening any Offering Period so that the Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the Administrator action; and

(iii) allocating shares.

Such modifications or amendments shall not require stockholder approval or the consent of any Plan participants.

21. *Notices.* All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. *Conditions to Issuance of Shares.* The Company shall not be required to issue or deliver any certificate or certificates for shares of Common Stock purchased upon the exercise of options prior to fulfillment of all the following conditions:

(a) The admission of such shares to listing on all stock exchanges, if any, on which the Common Stock is then listed; and

(b) The completion of any registration or other qualification of such shares under any state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable; and

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable; and

(d) The payment to the Company of all amounts which it is required to withhold under federal, state or local law upon exercise of the option; and

(e) The lapse of such reasonable period of time following the exercise of the option as the Administrator may from time to time establish for reasons of administrative convenience.

23. *Term of Plan.* Subject to approval by the Company's stockholders, the Plan shall become effective as of the Effective Date. The Plan shall be deemed to be approved by the Company's stockholders if it receives the affirmative vote of the holders of a majority of the shares of stock of the Company in accordance with applicable law and the applicable provisions of the Company's bylaws. Subject to approval by the stockholders of the Company in accordance with this Section 23, the Plan shall be in effect until the tenth (10^{th}) anniversary of the date of the initial adoption of the Plan by the Board, unless sooner terminated under Section 20 hereof.

24. *Equal Rights and Privileges.* All Eligible Employees of the Company (or of any Designated Subsidiary) will have equal rights and privileges under this Plan so that this Plan qualifies as an "employee stock purchase plan" within the meaning of Section 423 of the Code or applicable Treasury regulations thereunder. Any provision of this Plan that is inconsistent with Section 423 or applicable Treasury regulations will, without further act or amendment by the Company, the Board or the Administrator, be reformed to comply with the equal rights and privileges requirement of Section 423 or applicable Treasury regulations.

25. *Section 409A.* The options to purchase shares of Common Stock under the Plan are not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code. However, if at any time the Administrator determines that the options may be subject to Section 409A of the Code, the Administrator shall have the right, in its sole discretion, to amend the Plan and any outstanding options as it may determine is necessary or desirable either to exempt the options from the application of Section 409A of the Code or to cause the options to comply with the requirements of Section 409A of the Code.

26. *No Employment Rights.* Nothing in the Plan shall be construed to give any person (including any Eligible Employee or participant) the right to remain in the employ of the Company, a Parent or a Subsidiary or to affect the right of the Company, any Parent or any Subsidiary to terminate the employment of any person (including any Eligible Employee or participant) at any time, with or without cause.

27. *Notice of Disposition of Shares.* Each participant shall give prompt notice to the Company of any disposition or other transfer of any shares of stock purchased upon exercise of an option if such disposition or transfer is made: (a) within two (2) years from the Enrollment Date of the Offering Period in which the shares were purchased or (b) within one (1) year after the Exercise Date on which such shares were purchased. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by the participant in such disposition or other transfer.

28. *Governing Law.* The validity and enforceability of this Plan shall be governed by and construed in accordance with the laws of the State of California without regard to otherwise governing principles of conflicts of law.

* * * * *

I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of Accuray Incorporated on , 2007.

* * * * *

I hereby certify that the foregoing Plan was approved by the stockholders of Accuray Incorporated on , 2007.

Executed on this day of , 2007.

Corporate Secretary

QuickLinks

ACCURAY INCORPORATED 2007 EMPLOYEE STOCK PURCHASE PLAN

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.21

NON-EXCLUSIVE SYSTEM PARTNER AGREEMENT

This Non-Exclusive System Partner Agreement ("Agreement") is made and entered into this 23rd day of September, 2005 (the "Effective Date"), by and between KUKA Robotics Corporation, a Michigan corporation (hereinafter "KUKA"), having its principal place of business located at 22500 Key Drive, Clinton Township, Michigan 48036, and ACCURAY Incorporated, a California corporation (hereinafter "ACCURAY"), having its principal place of business located at 1310 Chesapeake Terrace, Sunnyvale, California 94089.

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[*] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

TABLE CONTENTS

RECITALS

WHEREAS:

KUKA is involved in the design, manufacture, sales and service of industrial robots;

ACCURAY is involved in the design, manufacture, sale and service of stereotactic radiosurgery and radiotherapy systems, including but not limited to the CyberKnife, which integrated systems use, as a component part, industrial robots obtained by ACCURAY from third parties;

On March 15, 2001, KUKA and ACCURAY entered into a Non-Exclusive System Partner Agreement ("SPA") whereby KUKA sold to ACCURAY industrial robots to be used by ACCURAY in its stereotactic radiosurgery and radiotherapy systems;

Paragraph 19.9 of the SPA states that, "No modification of this Agreement will be binding on either Party unless in writing and signed by an authorized representative of each Party."

The Parties desire to simultaneously terminate the March 15, 2001 SPA and enter into this new Non-Exclusive System Partner Agreement.

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

1. ***DEFINITIONS.***

The following capitalized terms will have the following meanings throughout this Agreement:

1.1 "*ACCURAY Products*" means ACCURAY stereotactic radiosurgery and radiotherapy systems, including but not limited to the CyberKnife. Some of the ACCURAY software included in the ACCURAY Products interfaces with the Software that will incorporate the Products as a component, which system will be marketed and sold to End Users by ACCURAY and its distributors.

1.2 "*Application*" means an integrated and working set of equipment, controls, hardware and software combined with the Products to perform a useful and desired task. All integration of the Products into the Application shall be exclusively performed by ACCURAY.

1.3 "*Delivery Date*" means the date specified in a Purchase Order for the delivery of Products by KUKA to the destination set forth in the Purchase Order.

1.4 "*Documentation*" means the user and technical manuals and other documentation that KUKA will provide to ACCURAY with the Products.

1.5 "*Effective Date*" has the meaning set forth on the cover page of this Agreement.

1.6 "*End User*" means the ultimate user of the Application—a customer of ACCURAY.

1.7 "*Forecast*" means ACCURAY's quarterly estimate of its purchase requirements for Products as described in Paragraph 3.3, below.

1.8 "*Intellectual Property Rights*" means all rights and patents, copyrights, moral rights, trade secrets, mask works, Marks, and other similar rights.

1.9 "*Lead Time*" means the time between the date a Purchase Order is received by KUKA and the Delivery Date.

1.10 "*Marks*" means the trademarks, service marks, trademark and service mark applications, trade dress, trade names, logos, insignia, symbols, designs, or other marks identifying a Party or its products.

1.11 "*Non-conforming Products*" means any Product received by ACCURAY that does not conform with the Specifications or otherwise does not comply with the requirements of a Purchase Order or other provision of this Agreement.

1.12 "*Parties*" means ACCURAY and KUKA.

1.13 "*Parts*" means the replacement parts, components, consumables or other products that may be supplied in conjunction with or as an addition to the Products.

1.14 "*Product(s)*" means the industrial robots of KUKA and all related Controllers, Software, Documentation, Parts and other deliverables provided pursuant to this Agreement as listed in **SCHEDULE A**; Schedule A may be updated from time to time.

1.15 "*Purchase Order*" means a written or electronic order issued by ACCURAY to KUKA for purchase of the Products.

1.16 "*Shipment Date*" means the date on which KUKA has placed the Product into the hands of the common carrier chosen by ACCURAY.

1.17 "*Software*" means any software or firmware included or bundled with the Products or otherwise provided pursuant to this Agreement, including but not limited to the software designated in the description of the Products in **SCHEDULE A**.

1.18 "*SPA*" means the Non-Exclusive System Partner Agreement between the Parties dated March 15, 2001.

1.19 "*Specifications*" means the technical and functional requirements for the Products as specified or referenced in **SCHEDULE B**.

1.20 "*Subsidiary*" means any entity controlled by a Party, through ownership or control of more than fifty percent (50%) of the voting power of the shares or other means of ownership or control, provided that such control continues to exist.

1.21 "*Support*" means the technical support available to ACCURAY for the Products provided by KUKA as more fully described in **SCHEDULE C**.

2. *SCOPE OF AGREEMENT.*

The SPA is terminated as of the Effective Date and shall be replaced by this Agreement in its entirety. This Agreement shall cover any Product ordered by ACCURAY prior to the Effective Date but not yet delivered by KUKA.

2.1 *General.*

(a) This Agreement specifies the terms and conditions by which KUKA will sell to ACCURAY the Products listed in **SCHEDULE A** to this Agreement.

(b) The Products will be incorporated by ACCURAY into ACCURAY Products for resale worldwide under the ACCURAY label. Except as otherwise expressly provided herein or as otherwise agreed to in a signed writing executed by the Parties, KUKA shall have no responsibility for the incorporation or integration of the Products into the ACCURAY Products.

(c) The Products and ACCURAY Products will be marketed, serviced, and supported by ACCURAY's field organization, subject to the service and support obligations of KUKA set forth in this Agreement.

(d) This Agreement shall enable ACCURAY to purchase Products from KUKA under the terms of this Agreement by issuance of a written Purchase Order. Unless a written

addendum between the Parties specifically refers to and amends a specific term of this Agreement, or is otherwise agreed to in a signed writing executed by the Parties, the terms and conditions of this Agreement will control and take precedence over any conflicting term in any Purchase Order or any acceptance notification of a Purchase Order by KUKA.

(e) KUKA assumes the obligation to supply ACCURAY with the Products listed in **SCHEDULE A** so long as ACCURAY only uses and incorporates those Products in the ACCURAY Products.

(f) This Agreement will commence as of the Effective Date and continue until terminated either under the specific terms of this Agreement or, when a Party provides one (1) year prior written notice of its intent to terminate to the other Party.

(g) This Agreement does not provide ACCURAY with the authority to act as an agent or dealer of the Products on behalf of KUKA and similarly does not give KUKA the authority to act as an agent or on behalf of ACCURAY. The relationship of the Parties under this Agreement is that of independent contractors and neither Party is a partner, employee, agent or joint venturer of or with the other. Under no circumstance is ACCURAY entitled to resell the Products unless such Products are first integrated into the ACCURAY Products.

(h) This Agreement is not exclusive and, therefore, KUKA has the right to supply third parties other than ACCURAY with Products in similar markets. KUKA hereby acknowledges and agrees that at the time of this Agreement and until such time as an authorized representative of ACCURAY informs KUKA otherwise in writing, that KUKA is a sole supplier of industrial robots to ACCURAY, as such KUKA and ACCURAY often operate in a manner that encourages their respective employees to engage in an open and cooperative manner with one another and even though those engagements are governed by the Confidentiality Agreement attached hereto as **SCHEDULE F**, the Parties may wish to re-evaluate the manner in which they are engaged if KUKA were to engage with a third party in similar markets and therefore KUKA agrees to promptly notify ACCURAY in writing if KUKA engages with (including but not limited to entering discussions with, providing a quotation to, or otherwise begins the pursuit of a business relationship with) any other party in the stereotactic radiosurgery and/or radiotherapy market.

2.2 *ACCURAY Responsibilities*. ACCURAY agrees to the following responsibilities in support of its relationship with KUKA under this Agreement:

(a) ACCURAY is purchasing Products solely for incorporation and integration into Applications for sale to End Users.

(b) All marketing, Product selection, sales, ordering, installation, incorporation and integration (as noted in subparagraph 2.3(a), above), warranty service, post installation support and Application support required by ACCURAY's customers are the responsibility of ACCURAY, except as otherwise provided in Section 2.4.

(c) ACCURAY agrees that it is ACCURAY's responsibility to determine the appropriateness of a Product for use in any Application under consideration by ACCURAY, including the potential addition and use of safety devices in addition to those already provided by KUKA with the Products as noted in **SCHEDULE B** or as may be developed by KUKA in their pursuit of safer industrial robots.

(d) ACCURAY agrees to maintain appropriately trained employees in the marketing, Product selection, sales, ordering, installation, incorporation, integration, warranty service and ongoing support and service of the Products.

(e) ACCURAY agrees that it is responsible to ensure that ACCURAY's employees and employees of any of ACCURAY's customers who will use the Products as incorporated and integrated into the ACCURAY Products are trained in the safe operation of the Products in accordance with the training and safety documentation provided to ACCURAY by KUKA.

(f) ACCURAY agrees to use its best efforts to inform KUKA of all of its customers' complaints which relate to any of the Products. ACCURAY also agrees to promptly report to KUKA all suspected Product safety problems and to assist KUKA in implementation of any safety changes deemed necessary as a result thereof.

(g) ACCURAY agrees that all maintenance and service on the Products shall be conducted by appropriately trained individuals in accordance with any and all instructions and manuals regarding same provided to ACCURAY by KUKA.

(h) ACCURAY will maintain for a period of ten (10) years from the date of the sale of each Product, a record of the customer, its address at the time of the sale, and the serial number of the ACCURAY Product installed at such customer's location. Further, ACCURAY agrees to make such records and other necessary information available to KUKA upon reasonable notice, to assist KUKA in Product recall or mandatory safety changes. ACCURAY shall provide KUKA an update on Product sales (that is ACCURAY Products installed by ACCURAY, incorporating Products) on no less than a quarterly basis.

(i) ACCURAY will obtain all required approvals and will otherwise comply with all applicable federal, state, and local laws and regulations in making, selling, leasing or otherwise distributing the ACCURAY Products including, without limitation: (1) the export regulations of the United States applicable to any export of Products and (2) the regulations or other requirements of the FDA and other similar bodies in countries outside the United States to which ACCURAY exports ACCURAY Products.

(j) ACCURAY will, at all times, conduct business in a manner which will reflect favorably on the Products, and the good name and reputation of KUKA. In particular, ACCURAY will not make any representations concerning the Specifications, features or capabilities of the Products other than those representations specifically set forth in the Product materials provided to ACCURAY by KUKA, or make, publish, cause to be published, encourage or approve of any advertising or practice related to the Products which might mislead or deceive the public or might be detrimental to the good name, the goodwill or reputation of KUKA, or the KUKA trademarks. ACCURAY agrees to discontinue any advertising or practice which KUKA may deem to have such effect of violating this Paragraph 2.3 (j).

(k) ACCURAY agrees to provide KUKA with any required exemption certificate or other documentation necessary to exempt KUKA from the payment of sales or use tax on the Products sold to ACCURAY pursuant to this Agreement where such exemption is available to KUKA and ACCURAY is notified in writing by KUKA of such exemption. ACCURAY shall be solely responsible for collecting any required sales or use tax on the sale of Applications or ACCURAY Products incorporating Products to End Users and ACCURAY shall to the fullest extent permitted by law indemnify and hold KUKA harmless from and against any and all sales or use tax liability resulting from such sales.

(l) ACCURAY acknowledges that safe use of the Products cannot be overemphasized. ACCURAY also acknowledges that the Products are industrial robots and that such Products were not designed or intended to operate with humans in the working range of the robot. The Application and incorporation and integration of the Products into the ACCURAY Products is solely the concept of ACCURAY and, therefore, ACCURAY has agreed to be responsible for safety issues regarding human contact with the Product, except as otherwise expressly provided in this Agreement.

(m) In addition to its Forecast obligations under Paragraph 3.3, below, during the term of this Agreement ACCURAY agrees to notify KUKA of all its actual needs for purchase of industrial robots and, assuming KUKA's ability to be competitive with regard to quality, pricing and delivery, provide KUKA preferred status as supplier of industrial robots to ACCURAY, consistent with ACCURAY's need to avoid having a sole or single source for industrial robots.

(n) ACCURAY agrees to notify KUKA of the facts and circumstances surrounding any claim involving property damage, personal injury or death allegedly caused by the ACCURAY Products in so far as such claim relates to the Products.

(o) ACCURAY will continue to keep KUKA apprised of any change in the function or form of the ACCURAY Products and shall provide KUKA with any risk analysis it performs or has performed on the ACCURAY Products in so far as such relates to the Products.

(p) If ACCURAY has not entered into a maintenance agreement for the Products with KUKA, then, at the written request of KUKA, ACCURAY will use its best efforts to arrange an opportunity for KUKA to inspect the Products (at KUKA's sole expense) in conjunction with the planned preventive maintenance of an End User, for each year the Products (as incorporated into the ACCURAY Products) are being used by an End User.

(q) ACCURAY shall, no later than one (1) week after receiving notice of a suspected Product safety issue from KUKA (pursuant to Paragraph 2.4(g) below), contact KUKA and fully cooperate by providing all reasonable assistance to KUKA to eliminate or rectify the safety issue with regard to the Products.

2.3 *KUKA Responsibilities*.

KUKA agrees to the following responsibilities in support of its relationship with ACCURAY under this Agreement:

(a) The Products will conform to the Specifications and the material listed in **SCHEDULE B**; Schedule B may be updated from time to time.

(b) KUKA will use its best efforts to inform ACCURAY as far in advance of shipment as possible of any changes, alterations, upgrades, and enhancements to the Products which will either alter the functional Specifications or materially impact the integration of the Products into the ACCURAY Products. Such information by KUKA shall be transmitted via a KUKA "Notice of Product or Equipment Change Form".

(c) KUKA acknowledges that ACCURAY has indicated that KUKA is a sole source of supply of robots to ACCURAY and any failure to supply would greatly impact ACCURAY's business, therefore, KUKA agrees to use its best efforts in fulfilling the forecast and upside in a timely and consistent manner and providing prompt written notification to ACCURAY when KUKA may not be able to do so.

(d) KUKA acknowledges that they are aware ACCURAY is incorporating the Products into a medical device, however, KUKA represents that the Products are industrial robots and

that such Products were not designed or intended to operate with humans in the working range of the robot. KUKA also acknowledges that ACCURAY has agreed that the Application and incorporation and integration of the Products into the ACCURAY Products is solely the concept of ACCURAY and, therefore, ACCURAY has agreed to be responsible for safety issues regarding human contact with the Product as incorporated into the ACCURAY Products. However, if KUKA enters into an agreement with another party pursuant to which it assumes liability for an application that is substantially similar to the ACCURAY Products, then, as of the effective date of such agreement, KUKA shall automatically be deemed to have assumed an identical degree of liability with respect to the Products under this Agreement.

(e) KUKA agrees to maintain appropriately-trained employees in the sales, ordering, installation, warranty service, and its Support obligations regarding the Products.

(f) KUKA agrees to provide assistance to ACCURAY when necessary for maintenance and service of the Products, when requested by ACCURAY at KUKA's then current service rates (unless ACCURAY has entered a service agreement or other contractual arrangement with KUKA for maintenance or service), in a timely manner. KUKA acknowledges that timeliness is important because ACCURAY provides the End User with an uptime guarantee with respect to the ACCURAY Products.

(g) KUKA agrees to use its best efforts to report promptly to ACCURAY all suspected Product safety problems solely with respect to the Products and any safety problems with the Products that KUKA may become aware of as a result of the Products being incorporated and integrated into the ACCURAY Products, discovered by KUKA, and to assist ACCURAY in implementation of any safety changes deemed necessary as a result thereof.

(h) KUKA will maintain for a period of ten (10) years from the date of the shipment of each Product the production records of said Product. Further, KUKA agrees to make such records and other necessary information available for inspection by ACCURAY upon reasonable notice.

(i) KUKA agrees to comply with all federal, state, local and foreign laws, rules and regulations applicable to its performance of this Agreement and its manufacture of the Products.

(j) KUKA will obtain all required approvals and will otherwise comply with all applicable federal, state, and local laws and regulations in making, selling, leasing or otherwise distributing the Products including, without limitation: (1) the export regulations of the United States applicable to any export of Products and (2) the regulations or other requirements of countries outside the United States to which KUKA exports the Products on ACCURAY's behalf.

(k) KUKA will, at all times, conduct business in a manner which will reflect favorably on the ACCURAY Products, and the good name and reputation of ACCURAY. In particular, KUKA will not make any representations concerning the Specifications, features or capabilities of the ACCURAY Products other than those representations specifically set forth in the materials as provided by ACCURAY to KUKA, or make, publish, cause to be published, encourage or approve of any advertising or practice related to the Products or ACCURAY Products which might mislead or deceive the public or might be detrimental to the good name, the goodwill or reputation of ACCURAY, or the ACCURAY Marks. KUKA agrees to discontinue any advertising or practice which ACCURAY may deem to have such effect of violating this Paragraph 2.4 (k).

(l) KUKA shall, no later than one (1) week after receiving notice of a suspected Product safety issue from ACCURAY, contact ACCURAY and fully cooperate by providing all reasonable assistance to ACCURAY to eliminate or rectify the safety issue with regard to the Products.

3. *ORDER AND SHIPMENT OF PRODUCTS.*

3.1 *Purchase Orders*. Each delivery of a Product will be initiated by a Purchase Order issued by ACCURAY to KUKA. Each Purchase Order will include, at least, the following information:

(a) Product identity quantity;

(b) unit price;

(c) shipping destination;

(d) requested Delivery Date;

(e) KUKA part numbers/references; and

(f) other instructions or requirements pertinent to the Purchase Order.

3.2 *Order Acknowledgement*. A Purchase Order will be deemed to have been placed as of the date of receipt of the Purchase Order by KUKA. KUKA will promptly confirm the receipt of a Purchase Order electronically or through facsimile to ACCURAY within two (2) business days after receipt. Purchase Orders within Forecast, Lead Time and other requirements consistent with the terms of this Agreement will be deemed accepted upon receipt by KUKA. For Purchase Orders exceeding Forecast, shortening Lead Time or materially varying any other term of this Agreement ("Conflicting Terms"), KUKA will have two (2) additional business days in which to reject the Purchase Order in writing with respect to such Conflicting Terms. If an ACCURAY Purchase Order exceeds the Forecast or shortens the Lead Time, KUKA will use its best efforts to fill such excess or accommodate such shorter Lead Time, or shall have the right to reject any such Purchase Order in writing.

3.3 *Forecasts*. Certain sales goals need to be established to meet the market goals and strategies individually set by KUKA and ACCURAY. Therefore, ACCURAY shall supply to KUKA, on a quarterly basis, a rolling Forecast of its projected Product order requirements. Quantities listed in any Forecast or other correspondence between the Parties are non-binding estimates made as an accommodation for planning purposes and do not constitute a commitment on ACCURAY's part to purchase, or KUKA's part to sell, such quantity.

3.4 *Lead Time*. KUKA will determine the Lead Time for each Product, which in no event will exceed sixteen (16) weeks without ACCURAY's prior written consent. Should ACCURAY request air freight, the Lead Time will not exceed twelve (12) weeks. ACCURAY acknowledges that any request to shorten the Lead Time or expedite shipment of Products may result in an increase in the purchase price of the Products to cover such request; however, any such increase shall be reasonable and based upon an increase in KUKA's actual expenditures to meet such request.

3.5 *Order Changes*. ACCURAY may without charge cancel any Purchase Order by notice to KUKA at least thirty (30) days prior to the Delivery Date. If, however, ACCURAY cancels a Purchase Order after such time period, KUKA will be entitled to be reimbursed a percentage

of the purchase price of the Purchase Order (or the portion thereof cancelled) by ACCURAY according to the following Schedule:

Days from cancellation to Scheduled Delivery Date	Percentage of cancelled item
23-30	[*]%
16-22	[*]%
9-15	[*]%
Less than 9 days	[*]%

ACCURAY may without charge postpone or delay for up to a maximum of forty-five (45) days any Purchase Order by notice to KUKA. Should ACCURAY find it necessary to request a longer postponement or delay, the Parties shall in good faith negotiate a mutually agreeable and amicable settlement in writing of any monies owed by ACCURAY to KUKA as a result thereof, if any.

3.6 *Shipment Requirements*. All Products are required to be shipped complete. KUKA will give ACCURAY immediate notice if it knows that it cannot meet a Delivery Date or that only a portion of the Products will be available for shipment to meet a Delivery Date. For partial shipments, KUKA will ship the available Products unless directed by ACCURAY to reschedule shipment. ACCURAY may utilize drop shipment options to any ACCURAY designated delivery destination. If ACCURAY designates a drop shipment location outside North America, ACCURAY agrees to pay any actual additional costs associated with such shipment.

3.7 *Meeting Delivery Dates*. If, due to KUKA's failure to make a timely shipment, the specified method of transportation would not permit KUKA to meet the Delivery Date, the Products affected will be shipped by the most expedient means. KUKA will pay for any resulting increase in the freight costs over that which ACCURAY would have been required to pay for the specified method of transportation.

3.8 *Shipment Date*. Upon receipt of a Purchase Order, KUKA shall notify ACCURAY of a proposed Shipment Date for each Product. Orders for any Products may not be cancelled, for any reason whatsoever, by ACCURAY after the Shipment Date.

3.9 *Shipment Terms*. All Products are to be ordered directly from KUKA, Clinton Township, Michigan USA. However, in some instances, Products may be directly shipped from KUKA's parent company, KUKA Roboter GmbH located in Augsburg, Germany. ACCURAY will be advised if shipment will be F.O.B., Clinton Township, Michigan USA or if the shipment will be made C.I.F. directly from Germany. The Product price will not be affected and KUKA will be responsible for the difference in shipping costs if shipped from Germany instead of Michigan, unless a specific request is made by ACCURAY for an expedited shipment.

3.10 *Title and Risk of Loss*. Title to a Product ordered under this Agreement will pass from KUKA to ACCURAY upon KUKA's receipt of one hundred percent (100%) of the purchase price for the Product. Until such time KUKA shall retain a purchase money security interest in the Products, which security interest shall be superior to any other security interest created or granted by ACCURAY prior to the date KUKA receives full payment of the purchase price for the Products which interest shall be a first lien on the Products. ACCURAY agrees to execute and deliver, and KUKA may file, all documents which may be necessary to perfect

[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

and assure retention of title to the Products in KUKA until such one hundred percent (100%) payment is made by ACCURAY. This Agreement shall serve as a security agreement in favor of KUKA regarding such Products. If default is made in any of the payments, in either the manner, form or at the time herein specified, KUKA shall be entitled to the immediate possession of said Product and shall be free to enter the premises where such Product may be located and remove the same as its property, without prejudice to any further damages which KUKA may suffer by reason of ACCURAY's refusal or failure to surrender the Product when so required. In case notes are accepted under this Agreement they shall be mere evidence of indebtedness and not payment, and if any note is not paid when due, then such note shall, at the option of the holder, become immediately due and payable. All collection and exchange charges shall be payable by ACCURAY. Delivery of Product and renewal of notes hereunder, if any, are contingent upon ACCURAY's financial condition being at all times satisfactory to KUKA. ACCURAY agrees that any renewal of notes shall not waive any lien that KUKA has upon the Products. Risk of loss or damage for Products ordered under this Agreement will pass from KUKA to ACCURAY upon KUKA's delivery of the Products to the common carrier specified by ACCURAY.

3.11 *Packing Lists*. Each delivery of a Product to ACCURAY must include a packing list that contains at least:

(a) the Purchase Order number;

(b) the quantity of Products shipped;

(c) the serial numbers of the Products shipped; and

(d) the date of shipment.

3.12 *Packaging*. KUKA must preserve, package, handle and pack all Products so as to protect the Products from loss or damage, in conformance with good commercial practice, the Specifications, government regulations, and other applicable standards.

4. *PRICES AND PAYMENT TERMS.*

4.1 *Product Prices*. KUKA's prices for the Products are listed in attached **SCHEDULE D**, in United States currency (unless otherwise agreed) and are valid for one (1) year after the Effective Date. The prices for Parts will be KUKA's then published prices, less any applicable discounts, unless the Parties, in writing, agree to a price Schedule for Parts. Products and Parts will be subject to any applicable prompt payment discounts. KUKA and ACCURAY agree to review Product prices on an annual basis. Prices cannot increase more often than annually or by more than [*] of the Consumer Price Index for All Urban Consumers (CPI-U): U.S. City average, All Items, or successor index. The Parties may agree from time to time on special pricing but any such agreements must be made in a writing signed by the Parties.

4.2 *Changed Prices*. If during the term of this Agreement changed prices or price formulas are put into effect by mutual agreement of the Parties, such prices or price formulas will only apply to all Purchase Orders issued by ACCURAY after the effective date of such prices or price formulas, unless otherwise mutually agreed to in a writing signed by the Parties.

4.3 *Payment Procedure*. Payment for the Products will be made net thirty (30) days after receipt of the Products by ACCURAY. Except as otherwise provided in this Agreement, all associated

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freight expenses and duties will be paid directly by ACCURAY. ACCURAY will not be liable for costs related to or payments for unordered or Non-conforming Products.

4.4 *Sales Taxes and Duties*. Prices as listed on **SCHEDULE D** are exclusive of all taxes or duties after delivery to the destination designated in the purchase order (other than taxes levied on KUKA's income) that KUKA may be required to collect or pay upon shipment of the Products. Any such taxes or duties must appear as a separate item on KUKA's invoice. ACCURAY agrees to pay such taxes or duties unless ACCURAY is exempt from such taxes or duties.

5. ***NON-CONFORMING PRODUCTS.***

5.1 *Notice/Discovery*. ACCURAY shall have ninety (90) days after receipt of a Product to test the Product to determine conformity and compliance with the Specifications and the Purchase Order ("Test Period"); provided, however, that ACCURAY shall use commercially reasonable efforts during the Test Period to promptly determine whether the Product conforms to and complies with the Specifications and/or the Purchase Order. In the event that, during the Test Period, ACCURAY determines that a Product does not conform to and/or comply with the Specifications and/or the Purchase Order, then ACCURAY will use its best efforts to notify KUKA of such noncompliance and/or nonconformity within forty-eight (48) hours from the date that such nonconformity is discovered by ACCURAY.

5.2 *Repair Period*. If, prior to the expiration of the Test Period, ACCURAY notifies KUKA in writing that a Product does not perform in accordance with the Specifications, KUKA shall, within thirty (30) days after receipt of such notice from ACCURAY, work with ACCURAY to test the Product and if it is determined that the Product, with proper handling by ACCURAY, does not perform in accordance with the Specifications then KUKA shall, at its own cost, repair, replace, or modify such Non-conforming Product. If, however, it is determined by KUKA that the Product cannot be made to perform in accordance with the Specifications, ACCURAY shall have the right to return the Non-conforming Product to KUKA (at KUKA's expense) upon which KUKA shall at ACCURAY's option, either: (i) replace the Non-conforming Product with a conforming Product at KUKA's expense or (ii) reimburse the purchase price paid (including any actual shipping and insurance costs paid by ACCURAY) for the Product to ACCURAY. These shall be the exclusive remedies available to ACCURAY in the case of any Non-conforming Product.

5.3 *Return Charges*. All Non-conforming Products returned by ACCURAY to KUKA pursuant to Paragraph 5.2, above, as well as any replacement or repaired Products shipped by KUKA to ACCURAY to replace all or part of the Non-conforming Products, will be at KUKA's risk and expense, including transportation charges.

6. ***WARRANTIES.***

6.1 *Product Warranties*. KUKA warrants that:

(a) all Products will be free from defects in design, material, and workmanship, and will operate in accordance with the Specifications;

(b) all Products will be manufactured, processed and assembled by KUKA or an affiliated company;

(c) all Products will conform to the Specifications;

(d) all Products will be new, except as otherwise agreed to by the Parties;

(e) except as provided in paragraph 3.10, above, all Products will be free and clear of all liens, encumbrances, restrictions and other claims against title or ownership;

(f) that KUKA has the right to sell the Products and enter into this Agreement;

(g) all Products will be of merchantable quality.

6.2 *Survival of Warranties*. All warranties specified in Paragraph 6.1, above, will survive any inspection, delivery, acceptance or payment by ACCURAY and be in effect for a period of twenty four (24) months following the shipment from the point of origin for the Product, with a maximum of twelve (12) months of the warranty assignable to the End User. The warranties provided under this Agreement cover defects in materials and workmanship on components which are utilized in the manufacture of the Products. The warranties are only valid if the Products are operated within the capacities given, and are maintained and serviced according to the maintenance and service instructions as outlined and provided by KUKA. Damages and injuries due: (i) to collisions not caused by Product malfunction, (ii) to misapplication/misuse, (iii) to improper installation and service or repair are excluded from the Product warranty. Abuse, misuse, alteration or modification other than incorporating and integrating the Product into the ACCURAY Products, shall result in the warranties noted in this Section 6 to be null and void.

6.3 *Intellectual Property Rights Warranty*. KUKA represents and warrants that the Products do not and will not violate or infringe any third party's Intellectual Property Rights. KUKA further warrants that it is currently not aware of any facts upon which such a claim for Intellectual Property Rights can be made. If KUKA learns of any claims or any facts upon which claims for violation of Intellectual Property Rights of others could be made, it will promptly notify ACCURAY of this information. KUKA will at its own expense and as set forth herein, defend any action brought against ACCURAY in respect to any claim that the design or manufacture of any Product, constitutes an infringement of any patents or other intellectual property rights of a third party. KUKA will pay all damages and costs either awarded in a suit or paid by way of settlement, which are based on such claim of infringement, provided that ACCURAY promptly notifies KUKA in writing of such claim of infringement and gives KUKA full authority, information and assistance in settling or defending such claim, and KUKA will, in its sole discretion and at its own expense, either (i) procure a license which will protect ACCURAY against such claim without cost to ACCURAY, (ii) replace said Product with a non-infringing Product with substantially similar form, fit, and function, or if neither (i) or (ii) are available as remedies (iii) remove said Product and refund the price paid by ACCURAY and aid ACCURAY in securing a substitute product for any affected End User. KUKA shall have no liability whatsoever hereunder with respect to any claims settled by ACCURAY without KUKA's prior written consent. KUKA EXPRESSLY EXCLUDES from and ACCURAY waives any liability hereunder and ACCURAY shall hold KUKA harmless from and against any expense, loss, costs, damages or liability resulting from claimed infringement of patents, trademarks, copyrights or any other intellectual property rights in the proportional level or amount that such infringement: (1) arises from a use of or a combination of said Product with other equipment, processes, programming applications or materials not furnished under this contract, (2) based on items used together with the Product not furnished by KUKA. **THE FOREGOING STATES KUKA'S ENTIRE LIABILITY FOR ANY CLAIM BASED UPON OR RELATED TO ANY ALLEGED INFRINGEMENT OF ANY PATENT OR OTHER INTELLECTUAL PROPERTY RIGHTS**.

6.4 *ACCURAY Warranties*. ACCURAY warrants and represents:

(a) It is not restricted from entering into this Agreement with KUKA, and ACCURAY covenants that it will not enter into any agreement which will, in any way, be in conflict with the terms of this Agreement.

(b) It is financially able and willing to meet the payment terms of this Agreement. ACCURAY shall notify KUKA in writing prior to any Shipment Date if ACCURAY has reason to believe it may become unable to meet its payment obligations under this Agreement for any reason.

(c) ACCURAY shall indemnify, defend and hold KUKA harmless from and against any claim or charge of infringement, contributory infringement or inducement or infringement arising from any combination by ACCURAY of any Product with any other apparatus, or from the Application by ACCURAY of any Product to the proportional level that such claim is based upon the combination, including, without limitation, the items comprising the "value added kit" described in greater detail in Section 6.1 of Schedule A to this Agreement.

6.5 *KUKA Warranties*. KUKA warrants and represents:

(a) It is not restricted from entering into this Agreement with ACCURAY, and KUKA covenants that it will not enter into any agreement which will, in any way, be in conflict with the terms of this Agreement.

(b) It is financially able and willing to meet the terms and conditions of this Agreement. KUKA shall notify ACCURAY in writing if it has any reason to believe that it may become unable to meet its obligations under this Agreement for any reason.

6.6 ***DISCLAIMER OF ALL OTHER WARRANTIES*.** **THE PARTIES AGREE THAT, EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY MAKES (AND THE OTHER PARTY SPECIFICALLY WAIVES) ANY OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, WHETHER AT EQUITY OR IN LAW, INCLUDING, BUT NOT LIMITED TO, FITNESS FOR ANY PARTICULAR PURPOSE.**

7. *SUPPORT SERVICES.*

7.1 *General*. KUKA will provide ACCURAY with Support for the Products as specified in the attached **SCHEDULE C**. KUKA will maintain such number of qualified personnel as is necessary to provide timely and knowledgeable Support to ACCURAY. KUKA warrants that all Support will be provided in a professional and workmanlike manner.

7.2 *Survival of Support Obligations*. KUKA's Support obligations, including but not limited to the stocking of spare parts, will run for a period of seven (7) years after ACCURAY takes delivery of the last Product sold by KUKA to ACCURAY under this Agreement.

8. *OBSOLESCENCE AND DESIGN CONTROL.*

8.1 *Lifetime Buy Rights*. KUKA acknowledges its obligation to manufacture, supply and Support the Products without interruption during the term of this Agreement. If, however, KUKA seeks to discontinue the supply or Support of any Product listed on **SCHEDULE A** (a "Discontinued Product"), KUKA will give notice to ACCURAY no less than twelve (12) months in advance of the last date the Discontinued Product can be ordered by ACCURAY.

8.2 *Design Changes*. KUKA shall not change the Products in form, fit or function ("Design Change") without prior written notice to ACCURAY, and KUKA will give notice to ACCURAY no less than twelve (12) months in advance of the last date the Product can be ordered by ACCURAY prior to the implementation of any such Design Changes.

9. *TRAINING.*

9.1 *Consulting*. In support of Product Documentation conveyed by KUKA to ACCURAY, KUKA will provide consulting services in accordance with the terms set forth in attached **SCHEDULE E**. KUKA representatives shall be available for technical consultation on individual Products. If ACCURAY makes a request for consulting services that KUKA deems will result in a cost to ACCURAY other than as set forth in **SCHEDULE E**, KUKA will inform ACCURAY and obtain written approval prior to commencing the consultation.

9.2 *Technical Training*. KUKA will provide to ACCURAY technical training on the Products. All technical training on the Products will typically be completed at a KUKA facility in Michigan. ACCURAY shall bear all travel and lodging expenses associated with such training. KUKA reserves the right to reject training any ACCURAY employee if their qualifications are deemed inadequate.

9.3 *Upgrades*. ACCURAY may further request and KUKA will provide additional training at no charge as reasonably necessary to inform ACCURAY personnel of upgraded, enhanced or new versions of the Product. Other training, however, will be provided upon mutually agreeable terms and conditions.

9.4 *Other Training*. ACCURAY may conduct training, provide customer service and supply KUKA Parts only for service organizations with which ACCURAY has had a long-standing relationship, which training, customer service and supply must otherwise be in accordance with the terms of this Agreement. It is not contemplated by this Agreement that KUKA will be involved in the training of ACCURAY customers or End Users.

10. *MARKETING.*

10.1 *Marketing Authority*. ACCURAY will have the authority to market the Products only if and when they are incorporated and integrated in the ACCURAY Products.

10.2 *Restrictions*. ACCURAY agrees not to sell Products directly to any third party unless and until the Products are incorporated and integrated in the ACCURAY Products. Specifically, ACCURAY may not sell Products to, without limitation, nameplate auto/truck manufacturers or specified Tier I suppliers in the automotive market.

10.3 *Resale*. ACCURAY may not resell or remarket the Products to third parties unless and until the Products are incorporated and integrated in the ACCURAY Products.

10.4 *Press Releases and Other Marketing Materials*. ACCURAY and KUKA shall have the right to approve each other's press releases and marketing materials in so far as such materials are either specifically related to the relationship of the Parties herein or relate only to the other Party. KUKA shall have all rights to market the Products and ACCURAY shall have all rights to market the ACCURAY Products separately without the consent of the other.

11. *INTELLECTUAL PROPERTY CLAIMS NOTICE.*

11.1 *Claims Notice*. With respect to claims under Paragraph 6.3, above, ACCURAY agrees to:

(a) Promptly deliver to KUKA all infringement notices and other related papers received by or served upon ACCURAY related to the Products;

(b) Promptly turn over to KUKA control of any resulting litigation, including settlement negotiations; and

(c) If requested and at KUKA's expense, assist KUKA in the conduct of the defense to litigated infringement claims.

If ACCURAY fails to perform any of the activities described in paragraphs (a), (b) or (c) above, and KUKA is damaged by, or subjected to liability as a result of such failure, the warranty set forth in Paragraph 6.1(f), above, shall be void to the extent of said damage or liability so caused. ACCURAY may be represented by and actively participate through its own counsel at its own cost in any such claim or proceeding if it so desires. KUKA agrees not to make any settlement that may adversely affect the business and/or good will of ACCURAY or the ACCURAY Products, without prior written consent of ACCURAY, such consent not to be unreasonably withheld.

12. ***FORCE MAJEURE.***

12.1 *Causes*. Neither Party will be liable to the other for any delay in performance under this Agreement caused by any "act of God" or any other cause beyond the Parties' reasonable control and without the Parties' fault or negligence (a "Delaying Cause") such as, by way of example but not by way of limitation: fires, civil disobedience, war, acts of terrorism, riots, strikes, lockouts, work stoppages, floods, unavailability of suitable transport, changes in governmental requirements, unforeseeable local conditions, inadequate site preparation, or uncompleted site civil engineering work.

12.2 *Notice*. A Party asserting a delay in performance under Paragraph 12.1, above, will immediately give the other Party notice of any delay (and cause thereof) and its best estimate of the expected duration of such cause. In the event of a delay and cause, a Party may cancel any Purchase Order so affected if the cause is not rectified or removed within sixty (60) days of receiving such notice from the other Party.

13. ***DEFAULT.***

13.1 *Notice*. If either Party is in breach of any material provision of this Agreement, the non-breaching Party may by notice to the breaching Party, except as otherwise prohibited by the United States bankruptcy laws, immediately give notice of its intent to terminate this Agreement or any Purchase Order unless the breaching Party cures the breach [other than other Paragraph 13.2(c)] within thirty (30) days after receiving such notice or other timeline as mutually agreed to in writing by the Parties.

13.2 *Causes of Breach*. For purposes of Paragraph 13.1, above, the term "breach" includes, without limitation, any:

(a) proceeding whether voluntary or involuntary in bankruptcy or insolvency by or against a Party;

(b) appointment with or without a Party's consent of a receiver or an assignee for the benefit of creditors;

(c) proceeding for reorganization under any federal or state insolvency or bankruptcy law; any involuntary proceeding, appointment or proceeding under (a), (b) or (c) shall not be a breach if dismissed within sixty (60) days;

(d) material and repeated failure by KUKA to make a delivery of a Product in accordance with the requirements of this Agreement or any Purchase Order;

(e) failure by KUKA to replace or repair Non-conforming Products in a timely manner as required by Section 5, above; or

(f) other failure by a Party to comply with any material provision of this Agreement with additional failure to provide the non-breaching Party, upon request, with reasonable assurances of future performance.

Termination of the Agreement, for any or no reason shall not relieve ACCURAY of any of its payment obligations hereunder or KUKA of any of its delivery obligations under accepted purchase orders, unless the cause of the termination is ACCURAY's inability to pay.

14. ***CONFIDENTIAL INFORMATION.***

14.1 *Purpose*. In performing this Agreement the Parties have (and will) disclose to each other certain information that the disclosing Party considers to be proprietary or confidential, or both, and which the disclosing Party desires to keep confidential ("Confidential Information").

14.2 *Definition of Confidential Information*. "Confidential Information" includes, but is not limited to: trade secrets, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, diagrams, data, computer programs, business activities and operations, customer lists, reports, business records and plans, financial statements, products, inventions, product design information, pricing structure, discounts, costs, source codes and/or object codes, copyrights, patents and other intellectual property, proprietary information, studies and other technical and business information. Confidential Information also includes descriptions, the existence or progress of this Agreement. The confidentiality obligations set forth in this Section 14, below, shall not apply to disclosed information which the receiving Party can prove: (a) the receiving Party knew of at the time of disclosure, free of any obligation to keep it confidential, as evidenced by written records; or (b) is or becomes generally publicly known through authorized disclosure; or (c) the receiving Party independently developed without the use of any Confidential Information as evidenced by written records; or (d) the receiving Party rightfully obtains from a third party who has the right to transfer or disclose it; or (e) information disclosed by operation of law; or (f) any other information that both Parties agree in writing is not confidential.

14.3 *Protection of Confidential Information*. The receiving Party understands and acknowledges that the Confidential Information has been developed or obtained by the disclosing Party by the investment of significant time, effort and expense, and that the Confidential Information is a valuable, special and unique asset of the disclosing Party which provides the disclosing Party with a significant competitive advantage, and needs to be protected from improper disclosure. In consideration for the disclosure of the Confidential Information, the receiving Party agrees to hold in confidence and to not disclose the Confidential Information to any person or entity without the prior written consent of the disclosing Party. In addition, the receiving Party agrees that:

(a) *No Copying/Modifying*. The receiving Party will not copy or modify any Confidential Information without the prior written consent of the disclosing Party.

(b) *Application to Employees*. The receiving Party shall not disclose any Confidential Information to any employees of the receiving Party, except those employees who are required to have the Confidential Information in order to perform their job duties in connection with the Purpose of this Agreement. Each permitted employee to whom Confidential Information is disclosed shall sign a non-disclosure agreement substantially the same as this Agreement.

(c) *Unauthorized Disclosure of Information*. If it appears that the receiving Party has disclosed (or has threatened to disclose) Confidential Information in violation of this Agreement, the disclosing Party shall be entitled to injunctive relief to restrain the receiving Party from disclosing, in whole or in part, the Confidential Information. The disclosing Party shall not be prohibited by this provision from pursuing other remedies, including a claim for losses and damages.

(d) *Legal Action*. If the receiving Party faces legal action or is subject to legal proceedings requiring disclosure of Confidential Information, then, before disclosing any such Confidential Information, the receiving Party will immediately notify the disclosing Party and, upon the disclosing Party's request, cooperate with the disclosing Party in contesting such request.

14.4 *Return of Confidential Information*. All Confidential Information furnished under this Agreement shall remain the sole property of the disclosing Party and shall be returned to it or destroyed or purged promptly upon expiration of this Agreement or earlier at its request. All documents, memoranda, notes and other tangible embodiments whatsoever prepared by the receiving Party based on or which includes Confidential Information shall be destroyed to the extent necessary to remove all such Confidential Information. All destruction under this Paragraph 14.4 shall be certified in writing to the disclosing Party by an authorized officer of the receiving Party.

14.5 *No Warranty*. Except as expressly set forth in this Agreement, no license under any patent, copyright, mask right or other proprietary right is granted or conveyed by one Party's transmittal of Confidential Information or other information to the other Party under this Agreement.

14.6 *Independent Development*. Each Party understands that the receiving Party may currently or in the future be developing information internally, or receiving information from other parties that may be similar to the disclosing Party's Confidential Information. Accordingly, nothing in this Agreement will be construed as a representation or inference that the receiving Party will not develop products, or have products developed for it, that, without violation of this Agreement, will compete with the products or systems contemplated by the disclosing Party's Confidential Information.

14.7 *Equitable Relief*. Each Party acknowledges that its breach of this Section 14 may result in immediate and irreparable harm to the disclosing Party, for which there will be no adequate remedy at law, and the disclosing Party shall therefore be entitled to equitable relief to compel the receiving Party to cease and desist all unauthorized use and disclosure of the disclosing Party's Confidential Information.

15. *INSURANCE REQUIREMENTS.*

15.1 *Insurance Coverage by ACCURAY*. ACCURAY agrees to maintain during the term of this Agreement and thereafter until the conclusion of the warranty period set forth herein with a carrier rated not less than A by A.M. Best & Co. insurance coverage as follows: (a) Commercial general liability, including broad form vendors' liability, participants, product liability, personal and advertising injury, broad form contractual and completed operations coverage with limits of no less than ten million dollars ($10,000,000) combined single limit for bodily injury, death and property damage; and (b) Statutory workers' compensation and employer's liability coverage meeting all state and local requirements, but in no case with limits of less than one million dollars ($1,000,000).

(a) *Certificates/Cancellation*. Within ten (10) days of the Effective Date and on an annual basis thereafter ACCURAY shall furnish to KUKA evidence that the insurance described in Paragraph 15.1, above, continues to be in full force and effect. Each such certificate shall include provision for thirty (30) days prior notice of cancellation to the Parties by the insurer.

(b) *Additional Insured*. All insurance purchased by ACCURAY, pursuant to Paragraph 15.1, above, shall name KUKA, its affiliates, employees, agents, representatives and assigns, as additional insureds under the policies.

(c) *Primary Coverage*. The policies of insurance purchased by ACCURAY pursuant to Paragraph 15.1, above, shall act as primary coverage in the event of a dispute, claim or lawsuit arising out of the use of an ACCURAY Products, whether one or both of the Parties is a party to the dispute, claim or lawsuit.

(d) *Claims Made Coverage*. All policies should have per occurrence coverage. However, if any of the policies of insurance purchased by ACCURAY contain "claims made" coverage, with respect to such policies, maintain such coverage with KUKA named as an additional insured for a minimum of ten (10) years after termination of this Agreement.

(e) *Deductibles*. All deductibles on the insurance policies referred to in Paragraph 15.1 will be paid by ACCURAY. ACCURAY shall assure that in no event shall the coverage or limits provided by any insurance policy required under this Agreement, or the availability or unavailability of any other insurance, be deemed to limit or diminish ACCURAY's obligations or liabilities to KUKA under this Agreement.

15.2 *Insurance Coverage by KUKA*. KUKA agrees to maintain during the term of this Agreement and thereafter until the conclusion of the warranty period set forth herein with a carrier rated not less than A by A.M. Best & Co., insurance coverage as follows: (a) Commercial general liability, including broad form vendors' liability, participants, product liability, personal and advertising injury, broad form contractual and completed operations coverage with limits of no less than five million dollars ($5,000,000) combined single limit for bodily injury, death and property damage; and (b) Statutory workers' compensation and employer's liability coverage meeting all international, state and local requirements, but in no case with limits of less than one million dollars ($1,000,000).

(a) *Certificates/Cancellation*. Within ten (10) days of the Effective Date and on an annual basis thereafter KUKA shall furnish ACCURAY evidence that the insurance described in Paragraph 15.2, above, continues to be in full force and effect. Each such certificate shall include the provision for thirty (30) days prior notice of cancellation to the Parties by the insurer.

(b) *Additional Insured*. All insurance purchased by KUKA, pursuant to Paragraph 15.2, above, shall name ACCURAY, its affiliates, employees, agents, representatives and assigns, as additional insureds under the policies.

(c) *Claims Made Coverage*. All policies should have per occurrence coverage. However, if any of the policies of insurance purchased by KUKA contain "claims made" coverage, with respect to such policies, maintain such coverage with ACCURAY named as an additional insured for a minimum of ten (10) years after termination of this Agreement.

(d) *Deductibles*. All deductibles on the insurance policies referred to in Paragraph 15.2, above, will be paid by KUKA. KUKA shall assure that in no event shall the coverage or limits provided by any insurance policy required under this Agreement, or the availability

or unavailability of any other insurance, be deemed to limit or diminish KUKA's obligations or liabilities to ACCURAY under this Agreement.

15.3 All insurance policies required under this Section 15 shall be written as a standard form (or ISO equivalent) and contain no unusual or extraordinary exclusions.

16. *INDEMNIFICATION.*

16.1 *Indemnification by KUKA*. KUKA shall only indemnify ACCURAY and hold ACCURAY harmless from and against any and all claims, loss, damage, causes of action, suits, and liabilities of every kind (including reasonable attorneys fees and expenses incurred in the defense or settlement of any claim or suit or for the payment of any judgment) for injuries to or death of any person, and damages to and destruction of property by whomsoever owned if and only to the extent caused by malfunction of the Products sold by KUKA to ACCURAY or a failure of the Products to meet the Specifications. Such indemnification obligation shall not extend to personal injuries and property damage if and to the extent caused either by the Application or as a result of integration of the Products into the ACCURAY Products. However, KUKA's indemnification obligations hereunder shall be reduced to a proportional level of fault if the Product, after it left the control of KUKA, was:

(a) modified (except for incorporation into the ACCURAY Products);

(b) changed;

(c) altered;

(d) misused;

(e) abused;

(f) not serviced or maintained properly; or

(g) not operated by properly trained personnel

and the enumerated items (a) through (g) were an element to the resulting personal injuries and property damage.

16.2 *Indemnification by ACCURAY*. ACCURAY shall indemnify KUKA and hold KUKA harmless from and against any and all claims, loss, damage, causes of action, suits, and liabilities of every kind (including reasonable attorneys fees and expenses incurred in the defense or settlement of any claim or suit or for the payment of any judgment) for injuries to or death of any person, and damages to and destruction of property by whomsoever owned if and only to the extent caused by either incorporation of the Products into the ACCURAY Products or the Application, with the exception of the indemnification obligations of KUKA in Section 16.1 above.

16.3 *Limitation of Liability*. Notwithstanding anything else contained in this Agreement to the contrary, under no circumstance will either Party be liable to the other Party for any consequential, punitive, special or exemplary damages arising out of the performance of this Agreement or in furtherance of the provisions or objectives of this Agreement regardless of whether such damages were foreseeable, whether based on tort, warranty, contract or any other legal theory.

17. *TERM/TERMINATION.*

17.1 *Term*. This Agreement will become effective as of the Effective Date and shall continue until terminated pursuant to the terms of this Agreement.

17.2 *Termination*. This Agreement may be terminated by either Party without cause by providing the other Party one (1) year prior written notice, or with cause pursuant to Section 13 (Default), above.

17.3 *Outstanding Purchase Orders*. All Purchase Orders issued prior to the expiration or termination of this Agreement must be fulfilled pursuant to and subject to the terms of this Agreement, even if the Delivery Date is after expiration or termination.

17.4 *Surviving Provisions*. Notwithstanding the expiration or early termination of this Agreement, the provisions regarding ACCURAY payment obligations and KUKA shipment, delivery and price maintenance in Sections 2, 3 and 4, return of Non-conforming Products in Section 5, Warranties in Section 6, Support in Section 7, Intellectual Property in Section 11, Confidentiality in Section 14, Insurance Requirements in Section 15, Indemnification and Limitation of Liability in Section 16, and the Miscellaneous provisions below will each survive in accordance with their terms.

18. ***NON-COMPETITION.***

18.1 *By ACCURAY*. ACCURAY agrees to refrain from any competition with KUKA either directly or indirectly as either as a partner, owner, shareholder, joint venturer, agent or financer in regard to current or future development, design, manufacture, sales and service of industrial robots. This applies to its own development, design, manufacture, sales and service or participation in the development, design, manufacture, sales and service or other promotion of products competing with any industrial robots manufactured by KUKA for any use other than for incorporation into the ACCURAY Products. This Paragraph 18.1 does not, however, restrict ACCURAY from designing, manufacturing, selling, servicing, promoting, or integrating of competing brands of industrial robots into the ACCURAY Products.

18.2 *By KUKA*. Except as otherwise provided for in this Agreement, KUKA agrees to refrain from any competition with ACCURAY either directly or indirectly as either as a partner, owner, shareholder, joint venturer, agent or financer, in regard to current or future development, design, manufacture, sales and service of products competitive with the ACCURAY Products.

19. ***MISCELLANEOUS.***

19.1 *Notices*. All notices to be given under this Agreement must be in writing addressed to the receiving Party's designated recipient specified in **SCHEDULE G**. Notices are validly given upon the earlier of confirmed receipt by the receiving Party or three (3) days after dispatch by courier, or certified mail, postage prepaid, properly addressed to the receiving Party. Either Party may change its address for purposes of notice by giving notice to the other Party in accordance with these provisions.

19.2 *Schedules*. Each Schedule attached to this Agreement is deemed a part of this Agreement and incorporated herein wherever reference to it is made. All Schedules must be signed or initialed by an authorized representative of each Party.

19.3 *Assignment*. Neither this Agreement nor any right, privilege or obligation provided herein may be assigned, transferred or shared by either Party without the other Party's prior written consent, and any attempted assignment or transfer is void; provided, however, that neither Party shall unreasonably withhold, condition or delay such consent. Notwithstanding the foregoing, KUKA may assign any of its rights or obligations under this Agreement to any IWKA AG controlled company which has at least equivalent robotics expertise. In the event ACCURAY wishes to assign this Agreement to an affiliate or successor or acquirer, as the case may be, in connection with a merger or acquisition, or the sale of all or substantially all

of Accuray's assets or the sale of that portion of Accuray's business to which this Agreement relates, KUKA shall use its best efforts to respond to any such request from ACCURAY within the requested time period, such time period to be reasonable, failure to do so will be deemed consent to such assignments. Additionally, notwithstanding the foregoing, either KUKA or ACCURAY by merger into a wholly owned subsidiary or entity with similar ownership or a KUKA merger into another IWKA AG controlled company. This Agreement will be binding on the successors and permitted assigns of the Parties and the name of the Party appearing herein will be deemed to include the names of such Party's successors or permitted assigns to the extent necessary to carry out the intent of this Agreement.

19.4 *No Waiver*. The waiver of any term, condition, or provision of this Agreement must be in writing and signed by an authorized representative of the waiving Party. Any such waiver will not be construed as a waiver of any other term, condition, or provision except as provided in writing, nor as a waiver of any subsequent breach of the same term, condition, or provision.

19.5 *Reference To Days*. All references in this Agreement to "days" will, unless otherwise specified herein, mean calendar days.

19.6 *Headings*. The section headings used in this Agreement are for convenience and reference only, and will neither limit or extend the meaning of any provision of this Agreement, nor be relevant in interpreting any provision of this Agreement.

19.7 *No Publication*. Neither Party may publicize or disclose to any third party, without the written consent of the other Party, the terms of this Agreement.

19.8 *Severability*. If any provision in this Agreement is held invalid or unenforceable by a court of competent jurisdiction, such provision will be construed, limited or, if necessary, severed to the extent necessary to eliminate such invalidity or unenforceability. The Parties agree to negotiate in good faith a valid, enforceable substitute provision that most nearly effects the Parties' original intent in entering into this Agreement or to provide an equitable adjustment in the event no such provision can be added. However, in such a case the remaining provisions of this Agreement will remain in full force and effect.

19.9 *Entire Agreement*. This Agreement, and the Schedules attached hereto, comprise the entire understanding between the Parties with respect to its subject matter and supersede any previous communications, representations, or agreements between the Parties, whether oral or written including, specifically the Non-Exclusive System Partner Agreement between the Parties dated March 15, 2001. For purposes of construction, this Agreement will be deemed to have been drafted by both Parties. No modification of this Agreement will be binding on either Party unless in writing and signed by an authorized representative of each Party. For Accuray an authorized representative must be any of the following: CEO, COO, CFO or General Counsel.

19.10 *Cooperation*. The Parties shall carry out this Agreement in the true spirit of mutual cooperation and good faith.

19.11 *Dispute Resolution*. Should any difference, dispute, claim or controversy arise under this Agreement between the Parties, the Parties shall attempt, in good faith, to negotiate a mutually agreeable resolution within sixty (60) days after the dispute arises. Should any difference, dispute, claim or controversy be unresolvable by the Parties within such sixty (60) day period, the Presidents of both Parties shall attempt to amicably resolve the matter in dispute over the next thirty (30) day period. Should the difference, dispute, claim or controversy be unresolved by the Presidents of the Parties within such thirty (30) day period, then the difference, dispute, claim or controversy will be settled legally and amicably in any

federal or state court with appropriate jurisdiction in the state where the defending Party has its principal place of business as stated on the cover page of this Agreement.

19.12 *Governing Law*. The validity of this Agreement, the construction and enforcement of its terms, and the interpretation of the rights and duties of the Parties shall be governed by the laws of the State of Michigan, without regard to its conflict of laws rules.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the Effective Date by their duly authorized representatives.

ACCURAY INCORPORATED		**KUKA ROBOTICS CORPORATION**	
By:	/s/ CHRIS RAANES	By:	/s/ LEROY RODGERS
Name:	Chris Raanes	Name:	Leroy Rodgers
Title:	Chief Operating Officer	Title:	President, KUKA Robotics Corp.
Date:	10/20/05	Date:	9/30/05
Address:	1310 Chesapeake Terrace	Address:	22500 Key Drive
City/State/Zip:	Sunnyvale, CA 94089	City/State/Zip:	Clinton Township, MI 48036
By:	/s/ DARREN J. MILLIKEN	By:	/s/ BRYAN CERMAK
Name:	Darren J. Milliken	Name:	Bryan Cermak
Title:	General Counsel	Title:	Secretary, KUKA Robotics Corp.
Date:	10/19/05	Date:	9-26-05
Address:	1310 Chesapeake Terrace	Address:	2855 Coolidge Highway, Suite 107
City/State/Zip:	Sunnyvale, CA 94089	City/State/Zip:	Troy, MI 48084

LIST OF SCHEDULES

Schedule A	List of Products
Schedule B	Specifications
Schedule C	Support
Schedule D	Pricing
Schedule E	Consulting Services
Schedule F	Confidential Disclosure Agreement
Schedule G	Notices

ACCURAY INCORPORATED

SCHEDULE "A"

—LIST OF PRODUCTS—

Purpose

The purpose of this document is to establish a listing of robot products based on current and approved potential use involving all KUKA articulated arm robots, controllers, software, documentation, parts and other deliverables supplied to Accuray, Inc. of Sunnyvale, California.

The KUKA industrial robots and KR C2 robot controller currently supplied to Accuray are a critical component of their CyberKnife Radiosurgery treatment system. Therefore it must be noted that any and all devations from the currently established and approved robot configuration can directly impact the performance and validation of the current CyberKnife system.

No changes or deviations of any major component or line item can be made without prior written Approval of both KUKA Robotics Corporation, USA and Accuray, inc.

Table of Contents

PRIMARY CUSTOMER HEADQUARTERS:

Accuray Incorporated
1310 Chesapeake Terrace
Sunnyvale, CA 94089
(408) 716-4600

ROBOT APPLICATION SEGMENT:

Medical / Radiological

***NOMINAL* WORKING ENVIRONMENT REQUIREMENTS:**

Temperature: $65^{\circ F}$ - $82^{\circ F}$

Relative Humidity: 35% to 45%

1 Robot Mechanical Manipulator

Robot Model #1: KR 210/1, Floor Mounted — Article No. 00-107-295

Robot Model #2: KR 210/2, Floor Mounted — Article No. 00-122-540

Robot Model #3: KR 240/2, Floor Mounted — Article No. 00-124-194

Accuray Selected Options:

- Robot "Absolute Accuracy" Calibration — Article No. 970-01-000
- Robot Special Color—Traffic White -RAL 9016 — Article No. 12-400-050
- Energy Supply A1-A3 (70mm empty conduit) — Article No. 00-111-767
- Energy Supply A3-A6 (70mm empty conduit) — Article No. 00-128-428
- 15 meter Cable Set—Robot to Controller — Article No. 00-110-572

Available Reference Documentation:

- KR 210 Technical Data.pdf
- KR 210 Description Manipulator.pdf
- KR 240 Technical Data.pdf
- KR 240 Description Manipulator.pdf
- KUKA Robot Paint Instruction.pdf
- Please DO NOT paint these areas.doc
- ES axis 1-3 description.pdf
- ES axis 1-3 parts list.pdf
- ES axis 3-6 description.pdf
- ES axis 3-6 parts list.pdf
- Connecting cables.pdf

2 Robot Controller (current version KR C2)

KR C2 Robot Controller — Article No. 00-123-963

2.1 U.S Standard Cabinet — Article No. 00-115-004

(Sub-component of above)

Accuray Selected Options:

- Transformer 11 /13kVA—220V/400V/120V — Article No. 00-123-632
- KCP 2 Control Panel with 20 m Cable & Key Switch — Article No. 00-107-263

***Available Reference Documentation*:**

- KRC2 Components.pdf
- Remove keyswitch WI.doc
- Transformer 208VAC-400 120.pdf

3 Robot I/O Configuration

3.1 Accuray I/O package installed by KUKA Robotics

- Includes requirements for:

  (16) Digital Inputs
  (16) Digital Outputs
  (6) Analog Inputs
  (4) Analog Outputs

***Available Reference Documentation*:**

- WAGO 1-0 Spec.doc
- 750-306.pdf
- 750-600.pdf
- 750-468.pdf
- 750-550.pdf
- 750-408.pdf
- 750-504.pdf

4 Robot Control System Software

4.1 *Originally Supplied Software Version (2001-early 2005) including:*

- Microsoft Windows 95 License
- KR C2 Robot Control System Software Version 4.1.4 SP-02

4.2 *2005 Currently Supplied Software Version including:*

- Microsoft Windows 95 License
- KR C2 Robot Control System Software Version 4.1.7 SP-05

4.3 *2006 Planned Software Version including:*

- Microsoft Windows XP Embedded (License only—CD-ROM not Included)
- KR C2 Robot Control System Software Version 5.4 (2005 new release)

Note: The above requires KUKA to also provide our new "Edition 2005" version robot control cabinet hardware yet to be tested and validated by Accuray.

Accuray Selected Option:

- RSI & Ethernet-RSI sensor interface and communications package to support current and planned software versions.

Available Reference Documentation:

- KR C2 Controller Operating handbook

5 Parts Availability

Spare parts are available either from stock at KUKA Robotics facility in Clinton Township, Michigan, or can be special ordered from our manufacturing headquarters KUKA Roboter GmbH located in Augsburg, Germany.

Recommended spare parts lists are available for all KUKA robot models on request.

6 Other Deliveries

6.1 KUKA Robotics has also been requested to provide Accuray with a "value added kit" with each robot delivery. This value added package includes, but is not limited to the supply and mounting of the following Accuray designed components required for the CyberKnife system:

- X-ray head mounting kit
- Gun box mounting kit
- Dose mag mounting kit
- Manipulator process mounting bracket
- Complete cable management assembly
- Support brackets and miscellaneous mounting hardware
- I/O cable hamesses
- Shipping crates and packing materials for the robot and controller

In addition, KUKA will download proprietary software provided by Accuray onto the Manipulator unit and run the Manipulator unit through maneuvers in order to verify that the Manipulator unit and the software are operating correctly.

6.2 We are also currently providing a special bundled parts and components "kit" for the "Robocouch" development project consisting of the following major component items from the KR 240/2 robot model:

- Complete KR 240/2 wrist assembly
- Gearbox assemblies from KR 240/2 axis 1, 2, and 3
- Specifically sized KUKA standard servo drive motors for each axis
- Complete current technology KR C2 control cabinet hardware.
- Version 4.1.7 SP 05 operating system software with Windows 95 user interface
- Cables and cable harnesses as specified.

Note: the above component package is being provided indirectly through "others" who are the "Robocouch" system supplier as selected by Accuray

ACCURAY INCORPORATED

SCHEDULE "B"

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ACCURAY INCORPORATED

SCHEDULE "C"

KUKA Support Services

The following support services are available to Accuray through KUKA Robotics:

1) *Product consultation and selection*

2) *Service*

- Warranty services
- On-site services for tech support and repair.
- Preventative maintenance planning and implementation
- Spare parts recommendations
- Repair and reconditioning

3) *Technical assistance*

- 24 hour technical assistance and support Hotline (800-459-6691)
- Email support with Hotline@kukarobotics.com

4) *Engineering and Support*—see attached rate sheet

- Application Engineering
- Development Engineering
- Project management

5) *Spare Parts*

- Recommended spare parts lists and pricing
- Spare parts availability and management
- Parts repair/exchange service

6) *Training*

- Standard Basic Operations to customized on-site classes are available
- See the attached rate sheet or KUKA Robotics web-site for course descriptions and enrollment information KUKA

KUKA Contact Phone Numbers

The following is a list of direct contact phone numbers for the various KUKA Robotics support departments and services:

Toll Free Main Phone:	(866) USE-KUKA (873-5852)
Toll Free Main Fax:	(866) FAX-KUKA (329-5852)
Service:	(586) 569-2099
Service Fax:	(866) 329-5852
Spare Parts:	(586) 569-2028
Spare Parts Fax:	(586) 569-2091
Repair Department:	(586) 569-2034
Repair Department Fax:	(586) 569-2090
Training Department:	(866) 406-1281
Training Department Fax:	(586) 569-2095
24 Hour Support Hotline:	(800) 459-6691
Sales Account Manager:	Mike Beaupre

1) KUKA Engineering and Support Rates

A. Standard Rates for Service Engineers

Hourly rate—standard time		$[*]
Daily rate—(8) hour day		$[*]
Overtime rate, weekdays after (40) hours		$[*]
Saturdays (up to 8 hours)		$[*]
Saturdays (after 8 hours)		$[*]
Sundays and Holidays hourly		$[*]
Travel time, point-to-point hourly		$[*]
Preparation and Report Writing (when applicable)		$[*]
Travel and Living Expenses:	[*]	
Minimum billing time:	up to (4) hours = (4) hours (5) to (8) hours = (8) hours	

B. Standard Rates for Application Engineering

Hourly rate—standard time	$[*]

C. Standard Rates for Development Engineering

Hourly rate—standard time	$[*]

D. Standard Rates for Remote Diagnostics Support

Activation fee	$[*]
Hourly rate	$[*]
Pre-buy 10hrs	$[*]
Pre-buy 30hrs	$[*]
Pre-buy 60hrs	$[*]
Pre-buy 120hrs	$[*]

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2) KUKA Robotics 2005 Training Rates

- The following is a price list of courses available with rates effective as of 6/1/05.
- Course descriptions can be downloaded from our web-site at www.kukarobotics.com

The following rates would apply for training conducted at the KUKA Robotics training facility in Clinton Township, Michigan, or Fox Valley Technical College in Appleton, WI.

Course		Course Length	Class Size	Unit Price
Basic Programming	(301)	4 days	4 - 10 min/max	$1700/person
Electrical Maint.	(302)	4 days	4 - 10 min/max	$1700/person
Advanced Prog.	(303)	4 days	4 - 10 min/max	$1700/person
Advanced Specific	(304)	4 days	4 - 10 min/max	$1700/person
Mech. Maint.	(305)	3 days	4 - 6 min/max	$1700/person
Mech. Maint.	(305MOD)	2 days	4 - 6 min/max	$1400/person

The following rates would apply for training conducted at the customer's facility*.

Course		Course Length	Class Size	Unit Price
Basic Programming	(301)	4 or 5 days	2 to 3 per robot	$8000/class
Electrical Maint.	(302)	4 or 5 days	2 to 3 per robot	$8000/class
Advanced Prog.	(303)	4 or 5 days	2 to 3 per robot	$8000/class
Advanced Specific	(304)	4 or 5 days	2 to 3 per robot	$8000/class
Mech. Maint.	(305)	N/A	N/A	N/A
Mech. Maint.	(305MOD)	N/A	N/A	N/A

NOTE: Basic Robot Programming (301) is a prerequisite to any other class. Reference documentation is provided in all classes; one set per student. Please verify rates at time of scheduling as they are subject to change without prior notification.

For On-Site training please review the required specifics on our Web Site at www.kukarobotics.com Trainer expenses and any shipment or rental of training equipment is an additional cost over the specified course fee.

Training Cancellation:

- Cancellation of a registration is done at no charge if KUKA is notified with a minimum of two weeks advance notice.
- In the event of a cancellation by the customer, no charge will be made if notice of withdrawal is received at least 14 days before the start of the course. In the event of cancellation at shorter notice, the full course fee will be charged (50% of the fee will be credited for participation in another course within 90 days from date of invoice).
- The full fee will be charged for students who fail to attend the class without any advance notice.

Training Rescheduling

- Rescheduling is done at no charge if KUKA is notified with a minimum of (14) days notice prior to start date of scheduled training.
- A 50% fee will be charged for notice of less than two weeks prior to start date of scheduled training.

KUKA reserves the right to refuse any training candidates whom we feel are not qualified, or to cancel, postpone, or otherwise delay training due to circumstances beyond its control.

ACCURAY INCORPORATED

SCHEDULE "D"—ADDENDUM

KUKA Pricing for Robots and Accessories
Reference Q-050412-MEB-01-B
(Effective April 1, 2005 through December 31, 2006)

1.0 ROBOTS WITH CONTROLS

1.1 **KUKA KR 210-1 "Series 2000" Floor Mounted Robot**
(KUKA #00-107-295 & Accuray ref. #018142)

Including the following standard features:

- Mechanical arm having 2700 mm reach at 210 Kg payload.
- US Version KR C2 control cabinet
- Standard US Isolation transformer rated at 11/13 kVA.
- CD ROM and Floppy disc controller inside cabinet.
- Standard 7 meter robot to control cabinet cables.
- KCP 2 with mode selector switch (non ANSI/RIA version) with standard 10 m cable length.
- KCP holder (KUKA part #00-108-492 /Accuray ref. #018691)
- X-11 jumper plug (Accuray ref. #018710)
- Windows 95® license for user interface.
- KUKA v4.1.x operating system software. (Accuray ref. #018157)

A. Single order quantity of (1) to (24) $[*] each

B. Single order quantity of (25) or more $[*] each

1.2 **KUKA KR210-2 Floor Mounted Robot (2004 enhanced version)**
(KUKA #00-122-540 & Accuray ref. #TBD)

Including same standard features as earlier version KR 210/1 above:

A. Single order quantity of (1) to (24) $[*] each

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B. Single order quantity of (25) or more $[*] each

1.3 **KUKA KR 240-2 Floor Mounted Robot**
(KUKA #00-124-194 & Accuray ref. #TBD)

Including same standard features as KR 210/2, but with 240 Kg payload

A. Single order quantity of (1) to (24) $[*] each

B. Single order quantity of (25) or more $[*] each

2.0 **KR C2 Control Cabinet ONLY**—Basic cabinet only w/KCP, less robot cables.
(KUKA #00-123-963 & Accuray ref. #020689)

Price each $[*]

3.0 **Mechanical Robot Arm ONLY**
(Including standard 7m cable set—less options)

KR 210/1 (00-107-295) $[*]

KR 210/2 (00-122-540) $[*]

KR 240/2 (00-124-194) $[*]

4.0 **STANDARD KUKA OPTIONS** (provided with each Accuray robot)

4.1 ***Robot utilities dress package** (70mm empty tube from axes 1-3 & 3-6) (KUKA #s 00-111-767 & 00-128-428 & Accuray ref. #018142)

Price per robot $[*]

4.2 ***Special "2K" paint finish**—color RAL 9016 "Traffic White" (KUKA #12-400-050 & Accuray ref. #018150)

Price per robot $[*]

4.3 ***"Absolute Accuracy" factory robot calibration**
(KUKA #970-01-000 & Accuray ref. #018144)

Price per robot $[*]

Note: *designates items included under Accuray reference #018142

4.4 **KCP 2.0 with extended cable to 20 meters total length**
(KUKA #00-107-263 & Accuray ref. #020221)

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Price per robot $[*]

4.5 **Robot to controller extended cable set—15 meters total length**
(KUKA cable set #00-110-572 consisting of: #00-104-743 power cable w/ Accuray ref. #018147 & #00-108-947 w/ Accuray ref. #018148)

Price per robot set $[*]

4.6 ***Special 11/13 kVA isolation transformer—208 VAC primary voltage**
(KUKA #00-123-632 & Accuray ref. #020691)

Price per robot $[*]

4.7 **Discrete I/O configuration inside KR C2 cabinet including:**
(KUKA #N/A & Accuray ref. #018159)

- (6) Analog Inputs
- (4) Analog Outputs
- (16) Digital Inputs
- (16) Digital outputs

Price per robot $[*]

Note: * designates items included under Accuray reference #018142

5.0 **SOFTWARE OPTIONS** (required for CyberKnife "Synchrony" feature)

5.1 **RSI application software** (Remote Sensor Interface)
(KUKA #00-112-546) Including KUKA Robotics/KDL
Ethernet-RSI software (for remote PC communication)

Total price per robot $[*]

NOTE: Included with this special reduced software price KUKA will also waive the cost for the quantity of (20)+ copies which are already in service with Synchrony at user sites. In doing so we will require is a list of user sites with applicable KUKA robot & controller serial numbers so that a license waiver can be applied to these sites.

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6.0 OTHER OPTIONS (on request as needed)

6.1 Robot frame mounting kit (KUKA #00-107-618 & Accuray #018188)

Price per robot $[*]

6.2 EMT—robot electronic mastering tool (KUKA #00-109-835)

Price per robot $[*]

6.3 Adjustable hard stops

Axis 1—15° increments (KUKA #00-111-990)
Axis 2—15° increments (KUKA #02-261-354)
Axis 3—15° increments (KUKA #00-112-052)

Price per robot axis $[*]

6.4 Extended warranties available

6.4.1 Additional (24) months each robot $[*]

6.4.2 Additional (36) months each robot $[*]

Note: Standard included warranty is (18) months from date of receipt at KUKA Robotics USA facility from KUKA Germany.

7.0 SPECIAL SERVICES OPTION

7.1 Accuray Acceptance Testing (ATP) at KUKA Robotics
(Based on Accuray written "Work Instruction" requirements)

7.1.1 Initial one time facilities set-up and preparation cost $[*]

7.1.2 Cost for cables and harness installation currently not included as part of the KUKA "cable management" package which would be purchased by KUKA Robotics and shipped from MC Electronics (estimated cost—to be confirmed) $[*]

7.1.3 ATP labor cost per robot $[*]

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PAYMENT TERMS:

In accordance with the current non-exclusive System Partner Agreement effective March 15, 2001.

Payment will be due Net 30 days from the date of shipment from KUKA Robotics Michigan facility to the Accuray specified point of delivery.

Freight costs between KUKA Robotics facilities in Clinton Township, Michigan and the Accuray designated delivery point will be the responsibility of Accuray. Freight will be arranged and prepaid by KUKA Robotics and then invoiced at our cost with each robot shipment.

DELIVERY:

Normal robot delivery time is approximately (16) weeks from date of order, F.O.B KUKA Robotics site in Clinton Township, Michigan USA. This is based on robots coming by standard containerized sea-freight from our manufacturing site in Augsburg, Germany.

With a volume order of up to (10) robots KUKA Robotics will maintain an inventory for the deliveries from Germany until shipment to Accuray is specified at no additional cost.

With volume orders over (10) robots there will be a $[*] per robot monthly storage fee applicable. This is based on a floor space requirement of approximately (50) square feet for each robot.

With your submitted purchase order an anticipated delivery schedule will be required, with updates as needed reflecting adjustments in your schedule to meet your just-in-time robot delivery requirements.

KUKA Robotics Corporation

/s/ MIKE BEAUPRE

Mike Beaupre
Director, New Market Development

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KUKA ROBOTICS CORPORATION
STANDARD TERMS AND CONDITIONS OF SALE

1. ***Terms of Sale***

These Standard Terms and Conditions ("Terms") govern all sales of products (the "Products") by KUKA to Buyer regardless of whether Buyer purchases the Products through the medium of written purchase orders or electronic orders via EDI (collectively, "Purchase Orders"). Upon receipt by Buyer of an express acceptance by KUKA or upon commencement of performance by KUKA, these Terms, the Purchase Order, as modified by KUKA's acceptance or Order Acknowledgment become a binding contract between Buyer and KUKA on the terms reflected in those documents (the "Sales Agreement"). In case of a conflict between these Terms and the Purchase Order, these Terms prevail except where KUKA has expressly agreed to the conflicting term in the Purchase Order in its acceptance or Order Acknowledgment. In case of conflict between the Purchase Order and KUKA's acceptance or Order Acknowledgment, the acceptance or Order Acknowledgment prevails.

2. ***Quotations and Changes***

Any proposal or quotation issued by KUKA is void unless accepted in writing by Buyer within thirty (30) days from date issued and, if accepted by the Buyer, shall constitute an order on the part of the Buyer which shall not become binding however, on the part of KUKA, until it is approved by any officer of KUKA. All changes requested by the Buyer occurring after original acceptance will require an additional Purchase Order or revision of original Purchase Order, before the change will be considered by KUKA.

3. ***Price***

The price of the Products, as set forth in the Purchase Order, does not include sales, use, excise or any other taxes or assessments levied by any federal, state, municipal or other governmental authority, unless KUKA agrees, in writing, otherwise.

4. ***Payment***

Payments must be made to KUKA in U.S. dollars within thirty days of Buyer's receipt of the Products or invoice, whichever is sooner. Prorated payments shall become due as shipments are made. Payments not received when due shall bear interest at the lower of 12 percent per annum or the maximum rate allowed by applicable law. KUKA reserves the right to limit or cancel the credit of Buyer, and KUKA may require or demand payment or adequate assurances of performance from Buyer prior to taking any preparatory steps for performing the Sales Agreement or beginning the manufacture of the Products. If the Buyer delays shipments, payments shall become due from date when KUKA is prepared to make shipment. If Buyer delays manufacture, payment shall be based on the contract price and percent of completion.

5. ***Materials for Testing***

All materials, parts or equipment including hydraulic fluid, welding wire, and welding flux required for tryout or special testing at KUKA's facility shall be furnished by Buyer without cost to KUKA.

6. ***Packaging***

KUKA will attempt to comply with Buyer's packaging specifications, if any, including without limitation, unitizing, palletizing, boxing, and bundling, but KUKA reserves the right to substitute

any other methods of packaging that are reasonably comparable to the specification furnished by Buyer, both with respect to cost and to the risk to which the Products are subject.

7. ***Shipment***

Unless otherwise agreed, KUKA shall deliver the Products F.O.B. KUKA's facility, Clinton Township, Michigan. Buyer must pay all loading and transportation costs of the Products. KUKA may make partial shipments at KUKA's sole discretion. Shipping dates are approximate. KUKA shall endeavor to meet the shipping date specified by Buyer. If KUKA is unable to meet that date, Buyer shall have no claim for damages resulting from any such delay in delivery. All Products shall be installed by and at the expense of the Purchaser unless otherwise expressly agreed to by KUKA in writing.

8. ***Title and Risk of Loss***

Legal title to the Products shall pass to Buyer when the Products are fully paid for. KUKA is not responsible for damage or loss in transit. All risk of loss to the Products passes to Buyer as the Products are loaded onto the carrier. Buyer must obtain adequate insurance to cover the Products from the time risk of loss has passed from KUKA. KUKA warrants that the Products, when delivered, shall not be subject to any defects in title. Notwithstanding anything contained herein to the contrary, Buyer hereby grants to KUKA, and KUKA shall retain, a purchase money security interest in the Products and their proceeds (including accounts receivable), which security interest shall be superior to any other security interest granted or created by Buyer prior or subsequent to the date KUKA receives full payment of the purchase price of the Products and shall be a first lien on the Products. Buyer hereby agrees to execute and deliver, and KUKA may file in any appropriate public office, such documents as may be necessary to perfect KUKA's security interest, including a security agreement and Uniform Commercial Code financing statements. Without limitation on the foregoing, Buyer hereby irrevocably appoints KUKA its attorney-in-fact to take any action and execute any instrument necessary or advisable to perfect the security interest granted herein. Until full payment Buyer shall segregate those Products for which payment is due from other products in Buyers inventory and shall carry such insurance on the Products as KUKA requires. The security interest granted KUKA in this paragraph shall not be affected even if the Products are attached to realty or other personal property.

9. ***Default***

If default is made in any of the payments by Buyer, KUKA shall be entitled to the immediate possession of the Products and shall be free to enter the premises where such Products may be located and remove the same as its property, without prejudice to any further damages which KUKA may suffer by reason of the Buyers refusal or failure to surrender the Products when so required. If notes are accepted by KUKA, that shall be mere evidence or indebtedness and not payment, and if any note is not paid when due, all outstanding notes shall, at the option of the holder, become immediately due and payable. All collection and exchange charges shall be paid the Buyer. Delivery of the Products and renewal of notes hereunder, if any, are contingent upon Buyer's financial condition being at all times satisfactory to KUKA. Buyer agrees that any renewal of notes shall not waive any lien that KUKA has upon the Products.

10. ***Warranty***

KUKA WARRANTS THAT FOR TWELVE (12) MONTHS AFTER DELIVERY (OR EIGHTEEN (18) MONTHS AFTER SHIPMENT, WHICHEVER IS FIRST TO OCCUR) THE PRODUCTS WILL MEET THE SPECIFICATIONS ("PRODUCT WARRANTY"). KUKA DISCLAIMS ALL OTHER REPRESENTATIONS AND WARRANTIES OF ANY KIND (WHETHER ARISING BY

IMPLICATION OR BY OPERATION OF LAW) WITH RESPECT TO THE PRODUCTS, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OR REPRESENTATIONS AS TO MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE OR ANY OTHER MATTER. IN ORDER FOR THE WARRANTY PROVIDED UNDER THIS PARAGRAPH BUYER MUST, WITHIN THIRTY (30) DAYS AFTER RECEIPT OF THE PRODUCT, COMPLETE AND RETURN TO KUKA A WARRANTY REGISTRATION FORM.

11. ***Conditions of Applicability or Warranty***

KUKA's Product Warranty shall be void if: (i) the Product is not stored or handled appropriately; or (ii) the defect of the Product resulted from damages occurring after delivery of the Product; or (iii) the defect of the Product has not been reported to KUKA within ninety (90) days after delivery.

12. ***Defective Products***

If a Product does not conform to the Product Warranty and the warranty is not otherwise excluded as provided herein, then Buyer must notify KUKA within ninety (90) days from the date of shipment of such non-conformance. Upon receipt of such a report KUKA will schedule an inspection of the defective Product. If KUKA determines that the Product does not comply with the Product Warranty, then KUKA must repair or replace the defective Product at no cost to Buyer. SUCH REPAIR OR REPLACEMENT IS THE ONLY REMEDY OF BUYER FOR ANY BREACH OF THE PRODUCT WARRANTY.

13. ***Returns / Liquidated Damages***

No Products may be returned to KUKA without KUKA's prior written consent. Returned Products must be securely packed by Buyer to reach KUKA without damage. Buyer must obtain a Return Authorization Number from KUKA prior to returning any Products. Buyer is soley responsible for the costs of returning the Products without being damaged. If KUKA agrees to a return of the Product by Buyer. KUKA's liability for such a return shall not in any case exceed the cost of accepting the Product F.O.B. KUKA's factory floor for full credit of the purchase price Buyer's Purchase Order, when accepted by KUKA, shall not for any reason, be cancelled by Buyer without KUKA's prior written consent. If KUKA consents to such a cancellation, Buyer shall pay KUKA liquidated damages as follows: All engineering expense, work in process, an any raw materials or supplies used, or for which commitments have been made by KUKA in connection with such cancelled order will be paid for on the basis of KUKA's full cost plus fifteen (15%) percent. Orders are not subject to cancellation after they are ready for shipment.

14. ***Exclusion of Certain Damages***

IN NO EVENT SHALL KUKA BE LIABLE TO BUYER FOR ANY PUNITIVE, INCIDENTAL, SPECIAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, ALL DIRECT AND INDIRECT LOST PROFITS, REGARDLESS OF WHETHER THOSE DAMAGES WERE FORESEEABLE.

15. ***Termination***

In the event of a breach by Buyer, KUKA may terminate any Sales Agreement upon giving Buyer ten (10) days' written notice of termination. If the Sales Agreement is terminated by KUKA because of Buyer's breach, KUKA is entitled to recover from Buyer the cost of any labor, material or other expenses incurred in connection with the Sales Agreement, plus a reasonable amount for overhead and profit.

16. ***Excusable Delays***

KUKA is not liable or responsible for delay or failure to perform any of KUKA's obligations under any Purchase Order or to make delivery of Products occasioned by: (i) any cause beyond its reasonable control, including, but not limited to: a labor dispute, industry disturbance, fires, unusually severe weather conditions, earthquakes, floods, declared or undeclared war, acts of terrorism, epidemics, computer malfunctions, civil unrest, military authority, acts of terrorism, insurrection, embargoes, riots, lack of supplies, delay in transportation, governmental, regulatory or legal action, act of God; or (ii) by acts or omission of Buyer, including, but not limited to, Buyer's failure to promptly comply with the terms of payment—(collectively, "Excusable Delays"). The date of delivery shall be extended for a period equal to the time lost by reason of any of the Excusable Delays.

17. ***Proprietary Information***

The proposal and all technical information concerning patents and other intellectual property, processes, devices, machines, systems, techniques, know-how, designs, drawings and specifications, or special purpose manufacturing prototypes or samples ("Proprietary Information") supplied to Buyer by KUKA are, and shall remain, the sole and exclusive property of KUKA. KUKA grants no rights to Buyer under any Proprietary Information except as may be necessary to fulfill KUKA's obligations under Buyer's Purchase Order.

18. ***Indemnification***

To the fullest extent permitted by law, Buyer shall defend and indemnify KUKA and its employees and agents against all sums, costs, liabilities, losses, obligations, suits, actions, damages, penalties, fines, interest and other expenses (including investigation expenses and attorneys' fees) that KUKA may incur or be obligated to pay as a result of: (i) Buyer's negligence, use, ownership, maintenance, transfer, transportation or disposal of the Products; (ii) any infringement or alleged infringement of the industrial and intellectual property rights of others arising from Buyer's plans, specifications (including Buyer's trademarks and brand names) or production of the Products ordered by Buyer; (iii) Buyers violation or alleged violation of any federal, state, county or local laws or regulation, including without limitation, the laws and regulation governing product safety, labeling, packaging and labor practices; and (iv) Buyer's breach of these Terms or any Purchase Order.

19. ***Entire Agreement***

These Terms and any Purchase Order accepted by KUKA comprise the complete and final agreement between KUKA and Buyer and supersede all prior negotiations, proposals, representations, commitments, understandings or agreements between KUKA and Buyer, either written or oral, on its subject. No other agreement, proposal, quotation, or acknowledgment in any way purporting to modify any of these Terms is binding upon KUKA unless made in writing and signed by KUKA's authorized agent. These Terms may not be altered or modified except by written agreement of KUKA and Buyer. Any other representations or warranties made by any person, including employees or other agents a KUKA, that are inconsistent with these Terms are not binding upon KUKA.

20. ***Governing Law***

The validity, construction and performance of any Sales Agreement between the parties is governed by, and shall be construed in accordance with, the law of the state of Michigan, without regard to is conflicts of law provisions. The parties agree that the U.N. Convention on Contracts

for the International Sales of Goods does not apply to any Purchase Order or agreement between the parties regarding the sale of Products.

21. ***Installation and Service***

KUKA will furnish adequate instructions for the use of the Buyer in installing and operating the Products. If the Buyer requests KUKA to furnish individuals to supervise this work and KUKA does so, KUKA may at its option, charge for such services according to its then existing service charge plus traveling and living expenses.

22. ***Jurisdiction and Venue***

Buyer irrevocably submits and agrees to the jurisdiction of the state and federal courts of the state of Michigan in any action, suit or proceeding related to, or in connection with, any Sales Agreement between the parties and, to the extent permitted by applicable law, Buyer waives and agrees not to assert as a defense in any such action, suit or proceeding any of the following claims and defenses: (i) that Buyer is not personally subject to the jurisdiction of the state and federal courts of Michigan; (ii) that the venue of the action, suit or proceeding is improper; (iii) that the action, suit or proceeding is brought in an inconvenient forum; or (iv) that the subject matter of any Sales Agreement may not be enforced in or by the state or federal courts of the state of Michigan. Without prejudice to any other mode of service, Buyer consents to service of process relating to any such proceedings by personal service or prepaid mailing (air mail if international) in registered or certified form a copy of the process to the Buyer.

23. ***Waiver***

The waiver by KUKA of any breach by Buyer or any provision of any Purchase Order or these Terms may not be construed to be either a waiver of the provision itself as to subsequent application or enforcement or any other provision of any Purchase Order or these Terms.

24. ***Severability***

If any provision of any Purchase Order or these Terms is held by a court of competent jurisdiction to be contrary to law or public policy, the remaining provisions of any Purchase Order or these Terms remain in full force and effect.

25. ***Infringement***

Except as otherwise expressly provided herein, KUKA warrants that, to the best of its current knowledge, information and belief, the Products, their sale, possession and intended use do not infringe on any United States or foreign Letters Patent. This warranty extends only to infringement claims which pertain to the Products and to methods performed by the Products. This warranty does not extend to any charge of infringement which pertains to an article of manufacture or which arises by reason of use of the Products in conjunction with other machinery not manufactured by KUKA or which arise from use of the Products in the practice of any process involving more than the inherent mode of operation of the Products. When Products are made to Buyer's specifications, the Buyer guarantees that no valid patent has been or will be infringed by sale or use of such manufactured Products. KUKA reserves the right to discontinue the delivery of any Product, the manufacture, sale or use of which, in our opinion, would infringe upon any letters of patent now or hereafter issued and under which KUKA is not licensed.

26. ***Construction***

The headings of the sections in these Terms are provided for convenience only and may not be considered in the interpretation of any Sales Agreement or these Terms. The parties agree that the provisions of any Purchase Order or these Terms may not be construed in favor of or against either party by reason of the extent to which a party or its professional advisors participated in the preparation of any Sales Agreement or these Terms.

ACCURAY INCORPORATED

SCHEDULE E

1) KUKA Consulting Services

KUKA Robotics Corporation and KUKA Roboter GmbH will provide the necessary commercial and technical support to Accuray with regard to standard KUKA Products selection and use on a limited basis at no additional cost.

An exception will be for direct engineering and service support where application development is required for enhancement of the standard KUKA product to meet with Accuray special requirements or requests directly related to the enhancement of the CyberKnife system.

When exceptional support is needed the following rates would apply:

A. Standard Rates for Application Engineering

Hourly rate—standard time	$ [*]

B. Standard Rates for Development Engineering

Hourly rate—standard time	$ [*]

C. Standard Rates for Service Engineers

Hourly rate—standard time	$ [*]
Daily rate—(8) hour day	$ [*]
Overtime rate, weekdays after (40) hours	$ [*]
Saturdays (up to 8 hours)	$ [*]
Saturdays (after 8 hours)	$ [*]
Sundays and Holidays hourly	$ [*]
Travel time, point-to-point hourly	$ [*]
Preparation and Report Writing (when applicable)	$ [*]

Travel and Living Expenses: [*]

Minimum billing time: up to (4) hours = (4) hours
(5) to (8) hours = (8) hours

[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

CONFIDENTIALITY AGREEMENT

This confidentiality agreement (the "Agreement") is made as of September 25, 2000, by and between Accuray, Incorporated, a California corporation having a principal place of business at Sunnyvale, California ("Company") and Kuka Robotics Corp., a Michigan corporation with its principal place of business in 6600 Center Drive, Sterling Heights, MI 48312 ("Vendor").

RECITALS:

A. Company and Vendor are engaged in discussions in contemplation of a business relationship or in furtherance of a business relationship.

B. In the course of dealings between the Company and Vendor, each party may have access to or have disclosed to it information which is of a confidential nature as that term is later defined in this Agreement.

C. Company and Vendor each desire to establish and set forth their individual obligations with respect to the other's Confidential Information.

AGREEMENT:

In consideration of the foregoing, Company and Vendor mutually agree as follows:

1. "Confidential Information" as used in this Agreement shall mean any and all technical and non-technical information including patent, copyright, trade secret, and proprietary information, techniques, sketches, drawings, models, inventions, know-how, processes, apparatus, equipment, algorithms, software programs, software source documents, and formulae related to the current, future and proposed products and services of each of the parties, and includes, without limitation, their respective information concerning research, experimental work, development, design details and specifications, engineering, financial information, procurement requirements, purchasing, manufacturing, customer lists and information, business forecasts, sales and merchandising, and marketing plans and information. In order to be Confidential Information, information which is in writing must be marked "Confidential."

2. Each of the parties agrees that it will not make use of, disseminate, or in any way circulate within its own organization any Confidential Information of the other party which is supplied to or obtained by it in writing, orally or by observation, except to the extent necessary for negotiations, discussions, and consultations with personnel or authorized representatives of the other party; and any purpose the other party to whom such information is confidential may hereafter authorize in writing.

3. Each of the parties agrees that it shall disclose Confidential Information of the other party only to those of its employees who need to know such information in furtherance of the business relationship between the parties. Each party agrees that its employees will be bound to the terms of this agreement.

4. Each of the parties agrees that it shall treat all Confidential Information of the other party with the same degree of care as it accords to its own Confidential Information, and each of the parties represents that it exercises reasonable care to protect its own Confidential Information.

5. Each of the parties further agrees that it shall not publish, copy or disclose any Confidential Information of the other party to any third party and that it shall use best efforts to prevent inadvertent disclosure of such Confidential Information to any third party.

6. Each party's obligations under Paragraphs 2, 3, 4 and 5 with respect to any portion of the other party's Confidential Information shall terminate ten (10) years from the date of disclosure of

such Confidential Information or at such earlier time when the party seeking to avoid its obligations under such paragraphs (the "disclosing party") regarding the Confidential Information:

(a) it was in the public domain at the time it was communicated to the disclosing receiving party by the other party;

(b) it entered the public domain subsequent to the time it was communicated to the disclosing receiving party by the other party through no fault of the disclosing receiving party;

(c) it was in the disclosing receiving party's possession free of any obligation of confidence at the time it was communicated to the disclosing receiving party by the other party;

(d) it was rightfully communicated to the disclosing receiving party free of any obligation of confidence subsequent to the time it was communicated to the disclosing receiving party by the other party;

(e) it was developed by employees or agents of the disclosing receiving party independently of and without reference to any information communicated to the disclosing receiving party by the other party;

(f) it was communicated by the other disclosing party to an unaffiliated third party free of any obligation of confidence; or

(g) the communication was in response to a valid order by a court or other governmental body, was otherwise required by law, or was necessary to establish the rights of either party under this Agreement provided that the disclosing party has been afforded the opportunity to oppose the communication before it is made or to require that the Information communicated be sealed by the court or governmental body.

7. All materials (including, without limitation, documents, drawings, models, apparatus, sketches, designs and lists. Confidential Information furnished to one party by the other, and which are is designated in writing to be the property of such party, shall remain the property of such party and shall be returned to it promptly at its request, together with any copies thereof.

8. Neither party shall communicate any information to the other in violation of the proprietary rights of any third party.

9. Neither party shall export, directly or indirectly, any technical data acquired from the other pursuant to this Agreement or any product utilizing any such data to any country for which the U.S. Government or any agency thereof at the time of export requires an export license or other government approval without first obtaining such license or approval.

10. Since unauthorized disclosure of Confidential Information will diminish the value to the parties of the proprietary interests that are the subject of this Agreement, if either party breaches any of its obligations hereunder, the other shall be entitled to equitable relief to protect its interests therein, including but not limited to injunctive relief, as well as money damages.

11. This Agreement shall govern all communications between the parties that are made during the period from the effective date of this Agreement to the date on which either party receives from the other written notice that subsequent communications shall not be so governed, provided, however, that each party's obligations under Paragraphs 2, 3, 4 and 5 with respect to Confidential Information of the other party which it has previously received shall continue until terminated pursuant to paragraph 6.

12. This Agreement shall be construed in accordance with the laws of the State of California, without giving effect to principles of choice of law or conflict of laws.

13. This Agreement is the complete and exclusive statement of the agreement between the parties, and supersedes all prior written and oral communications and agreements relating to the subject matter hereof.

14. Any notice required to be given under this Agreement shall be deemed received upon personal delivery (including delivery by commercial courier) or confirmed facsimile transmission, or three (3) days after mailing if sent by registered or certified mail, to the addresses of the parties set forth below, or to such other address as either of the parties shall have furnished to the other in writing. Confidential Information shall not be transmitted by any insecure means, such as facsimile or unencrypted e-mail.

15. In the event of invalidity of any provision of this Agreement, the parties agree that such invalidity shall not affect the validity of the remaining portions of this Agreement, and further agree to substitute for the invalid provision a valid provision which most closely approximates the intent and economic effect of the invalid provision.

IN WITNESS WHEREOF, the parties have executed this Agreement in duplicate as of the date first written above.

Accuray, Inc.	KUKA Robotics Corp.
	(Company)
By:	By: /s/
Title: President	Title: V.P. Finance/Operations
570 Del Rey Avenue	6600 Center Drive
	(Address)
Sunnyvale, CA 94086	Sterling Heights, MI 48312

ACCURAY INCORPORATED

SCHEDULE "G"

—NOTICES—

At this time there have been no notices provided or in effect with regard to this agreement originating from either Accuray, Inc. or KUKA Robotics Corporation.

QuickLinks

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Exhibit 10.25

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT, effective as of December 29, 2004 (this "Agreement"), between President Medical Technologies Co., Ltd., a Taiwan corporation ("PMTC") and Cowealth Medical Science & Biotechnology Inc., a Taiwan corporation ("Cowealth").

RECITALS

A. PMTC and Accuray, Inc., a California corporation ("Accuray") entered into that certain Amended and Restated International Distributor Agreement (the "Distributor Agreement"), dated as of June 1, 2004, under which PMTC agrees, among other things, to act as Accuray's exclusive Asia distributor of Accuray's Products (the "Product"), namely, CyberKnife Stereotactic Radiosurgery System for the purposes stated in the Distributor Agreement.

B. PMTC wishes to assign to Cowealth all of PMTC's interest in and to the Distributor Agreement with respect to the territory of the People's Republic of China, and Cowealth agrees to accept such assignment and assume all obligations of PMTC under the Distributor Agreement in the People's Republic of China.

AGREEMENT

NOW, THEREFORE, the parties hereto, in consideration of the premises, the covenants herein set forth, and intending to be legally bound, agree as follows:

1. ***Assignment.*** PMTC hereby assigns, sets over and transfers to Cowealth all of PMTC's right, title and interest in, to and under the Distributor Agreement in the territory of the People's Republic of China (excluding Hong Kong and Macau SAR) (collectively, the "Chinese Territory") and all of PMTC's rights to any benefits thereunder. Cowealth agrees that in Shenzhen and Zhuhai, Cowealth shall be limited to provide only quotations to customers and not to install any unit in these two cities prior to December 31, 2006

2. ***Assumption.*** Cowealth hereby accepts the within assignment and agrees to assume, perform and comply with and to be bound by all of the terms, covenants, agreements, provisions and conditions of the Distributor Agreement to be performed from and after the date hereof with respect to the Chinese Territory.

3. ***Consideration.*** As consideration for PMTC's assignment of the Chinese Territory under the Distributor Agreement to Cowealth, Cowealth agrees to pay to PMTC, immediately upon execution hereof, a lump sum cash payment in the amount of US$[*] (the "Consideration").

4. ***Execution of Cowealth Agreement.*** It is a condition that PMTC, Accuray and Cowealth shall execute and deliver the International Distributor Agreement for the Chinese

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[*] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

Territory in a form attached hereto as *Exhibit "A"*("Cowealth Agreement") within 30 days of execution of this Agreement and PMTC's receipt of the Consideration. As of the date of the Cowealth Agreement, Cowealth will diligently pursue its obligation under the terms and conditions of Cowealth Agreement. It is a condition to this assignment that the duration of the Cowealth Agreement shall have been from the Effective Date to July 31, 2009 or four (4) years from the date of receipt of provisional product' registration under section 3.5.1 of the Cowealth Agreement, whichever is later.

5. ***Non-Refundable Consideration.*** The Consideration shall be nonrefundable, except upon termination of the Cowealth Agreement without cause or termination upon change of control by Accuray prior to expiration of the Term of the Cowealth Agreement. Upon occurrence of the foregoing events, PMTC shall refund the Consideration at a rate as follows:

Termination without Cause **Period in Which Termination Occurs**	**Amount to be Refunded**
Effective Date—Month 15	$ [*]
Month 16 - Month 21.	$ [*]
Month 22 - Month 24	$ [*]

Termination upon Change of Control **Period in Which Termination Occurs**	**Amount to be Refunded**
Effective Date—Month 15	$ [*]
Month 16 - Month 21.	$ [*]
Month 22 - Month 27	$ [*]
Month 28 - Month 33	$ [*]
Month 34 - Month 39	$ [*]
Month 40 - Month 45	$ [*]
Month 46 - Month 51	$ [*]
Month 52 - Month 57	$ [*]
No refund thereafter	$ 0

Upon PMTC's receipt of written notice from Cowealth, PMTC shall have 30 days from the date of receipt thereof to refund the prorated Consideration.

6. ***Termination of PMTC's Distributorship in the Chinese Territory.*** Effective as of the date hereof and upon PMTC's receipt of the Consideration, the Distributor Agreement shall be terminated with respect to PMTC's distributorship in the Chinese Territory, and any and all rights and obligations of PMTC under the Distributor Agreement for the Chinese Territory shall be released.

7. ***Representations and Warranties.*** Cowealth and PMTC hereby each represent and warrants to each other as follows:

[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(a) It is duly organized, validly existing and in good standing under the laws of the Republic of China and has all requisite power and authority to enter into and perform this Agreement and the transactions contemplated hereby to be performed by it.

(b) The execution, delivery and performance of this Agreement, have been duly authorized by all necessary corporate action. This Agreement constitutes a valid and binding agreement enforceable against it in accordance with its terms.

(c) Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor compliance with any of the provisions hereof, will (i) violate any statute, law, rule or regulation or any order, writ, injunction or decree of any court or governmental authority (as hereinafter defined), or (ii) violate any provision of the articles of incorporation or bylaws or similar organizational documents or violate or conflict with or constitute a default under (or give rise to any right of termination, cancellation or acceleration under) the terms or conditions or provisions of any note, bond, lease, mortgage, obligation, agreement, understanding, arrangement or restriction of any kind to which it is a party or by which they or any of their property is bound.

(d) No permits, registrations, approvals, consents, satisfaction of waiting periods, or waivers thereof of any court or agency of any jurisdiction or Governmental Authority, or of any other person whatsoever, are necessary to allow it to consummate the transactions contemplated in this Agreement in compliance with, and not in breach of all applicable orders of any court or governmental or other agency directives, or the provisions of any contract, legal requirement or obligation binding upon it, its business, properties or assets.

(e) Neither it, nor any of its respective directors, officers, or, to each of their knowledge, any of its employees or agents, has employed any investment banker, broker or finder in connection with the transactions contemplated hereby.

8. ***Further Assurance.***

8.1 *Further Action.* Each Party agrees to take any further action reasonably requested by the other Party to facilitate the consummation of the assignment contemplated by this Agreement. Each Party shall use its commercial best efforts to obtain promptly all necessary waivers, consents and approvals from any governmental authority or any other person for any exercise of their respective rights under this Agreement and to take such other actions after the date hereof as may reasonably be requested by the other Party to effect the purposes of this Agreement.

8.2 *Transition.* In accordance with Cowealth's reasonable requested time table, during the three (3) months period after the Effective Date of the Cowealth Agreement, PMTC shall use its reasonable commercial efforts to transit to Cowealth the market information and data of the Territory to the extent of PMTC's actual knowledge and possession in a prompt manner. There is no material fact within PMTC's actual knowledge and possession that has not been disclosed in the documents or information provided to Cowealth pursuant to this Section 8.2, which would reasonably and necessarily be expected to have a material adverse effect on Cowealth's ability to perform its obligations pursuant to the Cowealth Agreement, in light of the totality of circumstances, history and documents released. Concurrently upon PMTC's receipt of

the Consideration, PMTC shall provide Cowealth with sub-distributor or customer project reports, sales leads, books, records and accounts on hand which relates to the distribution of the Products in the Chinese Territory as outlined under the section of "Duties of Distributor" of the Distributor Agreement. PMTC shall submit lists of the prospective customers who are currently under discussion with PMTC for purchase of the Products as identified in *Exhibit "B"*. PMTC agrees to provide to Cowealth all such necessary and reasonable assistance toward orderly transition of the prospective customers from PMTC to Cowealth. Non-compliance of this Section 8.2 shall be deemed a material breach, giving rise to termination of this Agreement by Cowealth, upon occurrence of which Cowealth may reserve and shall have the right to seek remedies and indemnification from PMTC and President International Development Corp. ("PIDC"), PMTC's parent company, for damages caused by PMTC's material breach of this Section 8.2.

8.3 *Non-Solicitation:* PMTC agrees that from the Effective Date of the Cowealth Agreement and for its duration, PMTC shall not intentionally, selectively and specifically distribute any of its promotional material, mailing or e-mail addresses, phone or fax numbers to any active customer of Cowealth; or intentionally, selectively and specifically engage in commerce competitively with Cowealth as specifically related to the Cowealth Agreement in the Territory; additionally PMTC agrees not to hire, solicit nor attempt to hire or solicit the services of any employee, sub-distributor of Cowealth to engage in commerce competitive with Cowealth. Cowealth agrees to bind its respective employees to adhere to the provisions of this Agreement. Non-compliance of this Section 8.3 shall be deemed a material breach, giving rise to termination of this Agreement by Cowealth, upon occurrence of which Cowealth may reserve and shall have the right to seek remedies and indemnification from PMTC and PIDC for damages caused by PMTC's material breach of this Section 8.3.

9. ***Right of First Offer.*** PIDC, shall have the right of first offer to participate in Cowealth's next round of capital financing in the form of equity to the extent of shares which the original shareholders give up their first right to subscribe in accordance with the laws of the Republic of China, or convertible debt financing, subject to mutual consent

10. ***Assistance to Financing.*** PIDC shall use its reasonable best efforts to assist Cowealth to arrange financing with a third party financing institution for Cowealth's first sale or distribution of the Product, at prevailing interest rate. Cowealth shall bear the interest expenses of such financing.

11. ***Confidentiality.*** The terms of this Agreement are confidential. Cowealth agrees not to disclose to any third party or use for any purpose any such information without the express written consent of PMTC, except for any information which ceases to be confidential without any fault on the part of Cowealth.

12. ***Governing Law.*** This Agreement shall be governed by the laws of the Republic of China, excluding its choice of laws provisions. This Agreement is the entire agreement between the parties relating to the subject matter and supersedes all prior or simultaneous written or oral representations, discussions, negotiations, understandings and agreements relating to such subject matters. No provision of this Agreement may be waived unless in writing signed by both parties, and any such waiver will not operate or be construed as a waiver of any other provision or any subsequent breach by the other party. This Agreement shall be binding and inure to the

benefit of the parties, their successors, representatives, and assigns. This Agreement may be executed in multiple counterparts, each shall be an original but all of which constitute one and the same instrument. This Agreement will not be binding upon either party until it has been signed by both parties.

13. ***Non-Circumvention.*** Cowealth hereby irrevocably agrees not to circumvent, avoid, bypass, or obviate, directly or indirectly, the intent of this Agreement and payment of the Consideration. Discussion and negotiation of the Cowealth Agreement has been and will be undertaken by PMTC on behalf of Cowealth with Accuray.

14. ***Assignment.*** This Agreement, except the right to receive the Consideration, may not be assigned by any party hereto without mutual consent.

15. ***Severability.*** The parties agree that if one or more provisions contained in this Agreement shall be deemed or held to be invalid, illegal or unenforceable in any respect; under any applicable law, this Agreement shall be construed with the invalid, illegal or unenforceable provision deleted, and the validity, legality and enforceability of the remaining provisions contained herein shall not be affected or impaired thereby.

16. ***Expenses.*** Each party shall bear its own expenses and legal fees (and expenses and disbursements of its legal counsel) incurred on its behalf with respect to this Agreement.

WITNESS the due execution hereof as of the date first written.

PRESIDENT MEDICAL TECHNOLOGIES CO., LTD. INC.	COWEALTH MEDICAL SCIENCE & BIOTECHNOLOGY INC.
By: /s/ signature illegible 29/12/04	By: /s/ signature illegible
Its: *General Manager*	Its: on behalf of [name illegible]

December 29, 2004

QuickLinks

ASSIGNMENT AGREEMENT

Exhibit 10.46

EXCLUSIVE MANUFACTURING AGREEMENT

This Exclusive Manufacturing Agreement ("Agreement") is effective November 29, 2006 ("Effective Date"), by and between Forte Automation Systems, Inc. ("FORTE"), an Illinois corporation, and Accuray Incorporated ("ACCURAY"), a California corporation.

RECITALS

A. Each of FORTE and ACCURAY have developed technology relating to the design, apparatus, and method for a Robocouch Manipulator (the "Manipulator" or sometimes "Unit" or, when more than one, "Units"), the specifications for which are attached hereto as Exhibit A (the "Specifications").

B. ACCURAY desires to contract with FORTE for FORTE to be the exclusive third party (but not as to Accuray) manufacturer of the Manipulator in accordance with the Specifications.

C. FORTE desires to be the exclusive third-party manufacturer of the Manipulator in consideration for the payments and other obligations of ACCURAY contained herein.

D. ACCURAY is willing to grant certain rights to ACCURAY's patent and trademarks (ACCURAY Intellectual Property listed in Exhibit B), in connection with the Manipulator, to FORTE.

AGREEMENT

In consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, FORTE and ACCURAY agree as follows:

1. ***Incorporation of Recitals***. The recitals set forth above are incorporated herein by reference.

2. ***Purchase Order***. This Agreement will enable ACCURAY to purchase Manipulators from FORTE under the terms of this Agreement by issuance of a written purchase order. Unless the parties otherwise agree in writing, the terms and conditions of this Agreement will control and take precedence over any other conflicting term in any purchase order.

3. ***Term***. The term of this Agreement shall be for a period of five (5) years beginning on the Effective Date ("Term"). The Term shall automatically renew for additional one (1) year periods, unless either party has given notice to the other not less than ninety (90) days prior to the end of the Term (or any extended Term) that they do not desire to extend the Term.

4. **Accuray Commitments**

4.1 ***Exclusivity***. During the Term of this Agreement, ACCURAY shall utilize FORTE as the exclusive, except as to Accuray: (a) manufacturer of the Manipulator; and (b) the manufacturer of replacement parts or repair services for the Manipulator supplied by FORTE. However, nothing in this Section 4.1 shall limit ACCURAY from manufacturing the Manipulator on its own. After the first [*] Units shipped by Forte, Accuray and Forte agree to a price reduction to cost plus (x)%, with a price not to exceed $[*] for the six axis robotic arm and the Kuka robot controller (currently $[*]) wherein such percentage shall be negotiated in good faith based upon the then current cost of goods, determined within 30 days of the shipment date of the [*] Unit and reviewed and adjusted on an annual basis thereafter for the remainder of the Term. A similar cost reduction shall also apply to all other components for the Manipulator.

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[*] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

4.2 ***Commitment to Order***. If ACCURAY terminates this Agreement for any reason other than material default by FORTE, then ACCURAY shall pay FORTE, within fourteen (14) business days of such termination, 100% of the price (as defined in Section 7 below) for each Manipulator ordered by ACCURAY, plus $[*] per Unit for each Unit not ordered by ACCURAY up to [*] Units. If ACCURAY fails to order at least [*] Units during the initial five year contract Term of this Agreement, then ACCURAY shall pay FORTE, within fourteen (14) business calendar days of the expiration of the initial 5 year contract Term, 100% of the price (as defined in Section 7 below) for each Manipulator ordered by ACCURAY, plus $[*] per Unit for Units not ordered by ACCURAY for up to [*] Units. To the extent that ACCURAY timely pays FORTE for Units manufactured by ACCURAY in accordance with Section 4.3, ACCURAY shall not be required to pay the $[*] per Unit required by this section.

4.3 Notwithstanding anything contained herein to the contrary, ACCURAY and FORTE agree that ACCURAY may, during the Term hereof, manufacture Unit(s) on the following terms:

(a) provided that ACCURAY has not ordered the [*] required Units of Section 4.2 above, then for each Unit manufactured by ACCURAY, ACCURAY shall pay FORTE $[*] within fourteen (14) business days of the first to occur of the following: (i) the date on which the Unit is shipped; or (ii) the date on which ACCURAY enters it into ACCURAY's inventory. For each Unit ACCURAY makes a payment under this Section 4.3, then a corresponding number of Units subsequently delivered by FORTE that fulfill the [*] Units will then have a price reduction of $[*] per Unit, such price reduction to be included on the back end of the [*] Units.

(b) ACCURAY shall keep accurate records and books with respect to the Unit(s) it manufactures during the exclusive Term, showing in sufficient detail all facts necessary for the determination of compliance with this paragraph. FORTE shall have the right, during the Term of this Agreement and for a period of one (1) year thereafter, but no more frequently than once each calendar year, to have such records and books examined at FORTE's expense by an independent public accountant appointed by FORTE. No information gained by such audit may or shall be disclosed to FORTE or any third party by any accountant at any time, other than required to verify whether ACCURAY has complied with the provisions under this paragraph.

5. ***Forecasting***. ACCURAY will supply FORTE, on a monthly basis, a rolling twelve (12) month forecast of its projected requirements for the Manipulator. Quantities listed in any such forecast are estimates made as an accommodation made for planning purposes and do not constitute a firm commitment by ACCURAY.

6. ***Orders and Preferential Supply***.

(a) The Manipulators are delivered to ACCURAY F.O.B. Rockford. The lead time for orders shall be at least nineteen (19) weeks from the date the order is received by FORTE. FORTE's standard Terms, Conditions, and Warranty apply to all purchase orders for Manipulators issued after the date hereof, a copy of which is attached hereto as Exhibit C. Notwithstanding the foregoing, the terms and conditions provided in this Agreement supersede any conflicting terms of FORTE's standard Terms, Conditions, and Warranty.

(b) FORTE agrees to meet its obligations to ACCURAY before any other contracting entity for the Manipulator by committing [*]% of all available supply to ACCURAY's orders, provided that ACCURAY has submitted a purchase order in accordance with the terms and conditions of this Agreement.

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[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

7. ***Price and Payment Terms***. ACCURAY shall pay FORTE for each Manipulator based on the Price List attached as Exhibit D, and on the following terms: [*] due with the purchase order; [*], net 30, upon FORTE's notice to ACCURAY of completion of a Manipulator; and [*], net 30, from the date of shipment of the Manipulator. The price may be subject to reasonable changes based on quantity discounting, due to inflationary changes, or due to design changes.

[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

8. ***Product Liability Insurance*.** Each party shall maintain in full force and effect product liability insurance for the Manipulator in a form satisfactory to the other in amounts of at least $[*]. Each party shall provide the other Certificates of Insurance upon written request. All insurance policies required under this section will be written as a standard form (or ISO equivalent) and shall contain no unusual or extraordinary exclusions.

9. ***Representations and Warranties***.

(a) Each party represents and warrants to the other that:

(1) It has the right, power and authority to enter into this Agreement and to perform its obligations hereunder; and

(2) As of the Effective Date of this Agreement, it has not received notice of any claim that any technology related to the Manipulator infringes a patent or misappropriates a trade secret of any third party.

(3) Any changes in the design of the Manipulator by either party shall be subject to the written approval of the other, which may not be unreasonably withheld;

(b) FORTE represents and warrants as follows:

(1) FORTE shall maintain manufacturing capability to fill orders for each Manipulator;

(2) FORTE will meet ACCURAY's quality system requirements as listed in Exhibit G, and including performance of the Manipulator Acceptance Test Procedure described in Exhibit H, prior to shipment of the Units to ACCURAY, and upon reasonable advanced written notice, to be subject to on-site quality audits by ACCURAY personnel during the term of this Agreement;

(3) FORTE will to be ISO 9001-2000 certified by July 1, 2007 and will maintain such certification for the duration of this Agreement;

(4) Its manufacturing processes for the Manipulator are not represented in any FORTE intellectual property rights for manufacturing the Manipulator. If it is found that FORTE's manufacturing processes for the Manipulator do amount to intellectual property rights, FORTE grants to ACCURAY a royalty-free non-sublicensable license to use FORTE's intellectual property rights; and

(5) FORTE provides the following product warranties:

(i) the Manipulator will be free from defects in material and workmanship, and will operate in accordance with the Specifications for a minimum of one (1) year from the date of installation at an ACCURAY customer site;

(ii) the Manipulator, except for traditionally outsourced components, will be manufactured, processed, and assembled by FORTE;

(iii) the Manipulator will conform to the Specifications;

(iv) the Manipulator will be new, except as otherwise agreed to in writing by authorized representatives of the Parties; and

(v) the Manipulator will be free and clear of all liens, encumbrances, restrictions and other claims against title or ownership.

[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

10. ***Non-Warranty Issues.*** Support for non-warranty issues requested by ACCURAY will be billed to ACCURAY at FORTE's service rates as of the date of the service provided, including reasonable travel-related expenses, net 30 from date of invoice.

11. ***Indemnification***

(a) ACCURAY will indemnify, defend and hold FORTE harmless, including reasonable costs and attorney's fees, from and against any claims, loss, damage, causes of action, suits, and liabilities of every kind (including reasonable attorney's fees and expenses incurred in the defense or settlement of any claim or suit or for the payment of any judgment) for injuries to or death of any person, and damages to and destruction of property by whomsoever owned if and only to the extent caused by ACCURAY's design or manufacture of the Manipulator, claim or charge of infringement, contributory infringement, or inducement or infringement arising from any combination by ACCURAY of the Manipulator with any other apparatus, to a proportional level that such claim is based upon the combination.

(b) FORTE will indemnify ACCURAY and hold ACCURAY harmless from and against any and all claims, loss, damage, causes of action, suits, and liabilities of every kind (including reasonable attorney's fees and expenses incurred in the defense or settlement of any claim or suit or for the payment of any judgment) for injuries to or death of any person, and damages to and destruction of property by whomsoever owned if and only to the extent caused by failure of the Manipulator manufactured by FORTE to meet the Specifications. FORTE's indemnification obligations hereunder will be reduced to a proportional level of fault if the Manipulator, after it left the control of FORTE, was:

(i) modified (except for incorporation into the ACCURAY Products);

(ii) changed;

(iii) altered;

(iv) misused;

(v) abused; or

(vi) not serviced or maintained properly

12. ***LIMITATION OF LIABILITY AND DAMAGES***. NOTWITHSTANDING ANYTHING ELSE CONTAINED IN THIS AGREEMENT TO THE CONTRARY, UNDER NO CIRCUMSTANCE WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY PUNITIVE, OR EXEMPLARY DAMAGES ARISING OUT OF THE PERFORMANCE OF THIS AGREEMENT OR IN FURTHERANCE OF THE PROVISIONS OR OBJECTIVES OF THIS AGREEMENT REGARDLESS OF WHETHER SUCH DAMAGES WERE FORESEEABLE, WHETHER BASED ON TORT, WARRANTY, CONTRACT OR ANY OTHER LEGAL THEORY.

13. ***Intellectual Property, Technology and Patent Rights.***

(a) ACCURAY has granted FORTE, on even date herewith, a license pursuant to the terms of the Patent and Trademark License Agreement (the "**License Agreement**") dated November 29, 2006;

(b) Except as to ProCure Treatment Centers, Inc., or a substitute thereof in the medical device area, FORTE agrees that during the term of this Agreement, it will not enter into discussions, develop, manufacture, or sell the Manipulator or any system which has at least 5 axes (including rotation and translation motion) for the purpose of patient positioning in the medical field; and

(c) Notwithstanding anything to the contrary in Section 13(e), if FORTE is approached with potential new business regarding the Manipulator, FORTE agrees to bring any such potential new business related to the Manipulator to ACCURAY's attention. If ACCURAY secures additional orders for the Manipulator, based on FORTE's business leads, ACCURAY will increase the exclusivity provisions with FORTE, thereby using FORTE as the supplier for such new business.

14. ***Reporting of Safety Problems***. Each party agrees to provide the other with a written communication of all suspected safety problems which may exist with regard to the Manipulator within twenty-four (24) hours of discovery and to assist one another in implementation of any safety changes deemed necessary as a result thereof. The parties further agree that such changes may result in reasonable changes to the pricing.

15. ***Production Records***. Each party will maintain production records for each Manipulator for a period of ten (10) years from the date of delivery by FORTE of each Manipulator.

16. ***Compliance with Laws***. Each party agrees to comply with all federal, state, local and foreign laws, rules and regulations applicable to its performance of its obligations under this Agreement. ACCURAY agrees that it will obtain all required approvals (including ownership of the 510(k) and the CE mark for the product) and will otherwise comply with all applicable federal, state and local laws and regulations in making, selling, leasing or otherwise distributing products containing a Manipulator, including, without limitation: (a) the export regulations of the United States applicable to any export of goods; and (b) the regulations or requirements of the FDA and/or other similar bodies in the United States or countries outside of the United States to which ACCURAY may export its goods.

17. ***Change in Function or Form***. ACCURAY will promptly advise FORTE of any change in design, function or form of the Manipulator or the products as to which the Manipulator will be integrated and will promptly provide FORTE with any risk analysis it performs or has performed. FORTE reserves the right to terminate this Agreement upon fourteen (14) business days written notice to ACCURAY in the event FORTE deems any such changes materially adverse as to pricing or materially risk adverse.

18. ***Title and Risk of Loss***. Title to a Manipulator will pass from FORTE to ACCURAY upon FORTE's receipt of 100% of the purchase price for the product. Risk of loss or damage for a Manipulator will pass from FORTE to ACCURAY F.O.B. FORTE.

19. ***Document Delivery***. FORTE will deliver to ACCURAY all documentation ("Design Package") for the Manipulator as listed in Exhibit E, including but not limited to user and technical manuals, design documentation, service manuals, and other documentation within thirty (30) days of ACCURAY's request, in English and in an electronically reproducible format.

20. ***Change Control***. FORTE will not make any significant changes to design manufacturability, parts, or suppliers of significant parts (as determined solely by ACCURAY) without the prior written approval from ACCURAY, which may not be unreasonably withheld. Such changes must also comply with ACCURAY's Engineering Change Order ("ECO") process and must be delivered to ACCURAY within thirty (30) days of ACCURAY's approval.

21. ***Confidentiality***.

(a) The parties have executed a Mutual Confidentiality Agreement ("**Confidentiality Agreement**"), dated on even date herewith, a copy of which is attached (Exhibit F) and incorporated by reference herein. The terms and conditions of the Confidentiality Agreement are binding to this Agreement.

(b) With the exception of Section 13(b) of this Agreement, this Agreement and all information contained herein (and Exhibits attached hereto) constitutes "Confidential Information."

22. ***Assignment***. Neither party may assign this Agreement without the other party's prior written consent (which may not be unreasonably withheld), except that a party may assign this Agreement, without the other party's consent, to a successor or acquirer that is not a competitor of the other party, as the case may be, in connection with a merger or acquisition, or the sale of all or substantially all of a party's assets or the sale of that portion of a party's business to which this Agreement relates. Subject to the foregoing, this Agreement will bind and inure to the benefit of the parties' permitted successors and assigns.

23. ***Surviving Provisions***. Notwithstanding the expiration or early termination of this Agreement, the provisions of Sections 4.2, 4.3, 7, 8, 9, 11, 12, 14, 15, 16, 21, 22, 23, and 25 will each survive in accordance with their terms.

24. ***Default***. A party under this Agreement shall be in default of its obligations hereunder in the event it fails to fulfill a material obligation of this Agreement ("Material Breach") which failure continues for a period of fourteen (14) business days from the date of written notice provided by the non-breaching party (the "Cure Period"), such notice to delineate the breach. As used herein, a Material Breach shall be deemed to include, but not be limited to, any one of the following:

(a) failure by FORTE for two (2) consecutive three (3) month periods to meet delivery dates at least ninety percent (90%) of the time (a delivery shall be deemed untimely in the event one (1) or more Manipulators are delivered more than one (1) week early or one (1) week late);

(b) failure by FORTE to deliver goods within fourteen (14) business days of the due date for delivery of Manipulators, where FORTE has failed to provide within seven (7) days of the failure to so deliver, a plan to cure such failure to deliver with such cure to have been completed within thirty (30) days of the original delivery date;

(c) failure by ACCURAY to pay in accordance with the terms of this Agreement or failure by ACCURAY to pay in accordance with the terms of FORTE's invoices for the fourteen (14) Units previously ordered by ACCURAY;

(d) failure by FORTE to be ISO 9001-2000 certified by July 1, 2007 and maintain such certification for the duration of this Agreement;

(e) failure by ACCURAY to abide by the exclusivity provision of Section 4.1;

(f) failure by FORTE to meet ACCURAY's quality system requirements as listed in Exhibit G, including performance of the Acceptance Test Procedure as described in Exhibit H, prior to shipment of the Units to ACCURAY;

(g) failure by ACCURAY to abide by the provisions of Section 4.3; and

(h) In the event of a Material Breach, in addition to all other rights and remedies available under the law to the non-breaching party, the non-breaching party may terminate this Agreement after the Cure Period, which termination shall be effective immediately upon the date of written notice to the breaching party.

25. ***Miscellaneous provisions*.**

(a) All notices required hereunder shall be in writing and shall be sent by U.S. mail (first class) or nationally-recognized courier service (e.g., Federal Express), with all postage or delivery charges prepaid, or may be sent via facsimile, subject to confirmation via U.S. mail or nationally-recognized courier service, and shall be addressed to the parties at their addresses set forth below or to such other address(es) as may be furnished by written notice in the

manner set forth herein. Notices shall be deemed to have been served when delivered or, if delivery is not performed as a result of the addressee's fault, when tendered.

Notices to FORTE:

Toby Henderson
Forte Automation Systems, Inc.
8155 Burden Road
Machesney Park, IL 61115

With Copy To:

Jamie S. Cassel, Esq.
Reno & Zahm LLP
2902 McFarland Road, Suite 400
Rockford, IL 61107

Notices to ACCURAY:

Accuray Incorporated
Attn: Chief Operating Officer
1310 Chesapeake Terrace
Sunnyvale, CA 94089

With Copy To:

General Counsel

(b) This Agreement shall not be construed as creating an agency, partnership or any other form of legal association between the parties other than as expressly set forth herein. Neither party shall have any right or authority to assume or create any obligation of any kind or to make any representation or warranty on behalf of the other party, whether express or implied, or to bind the other party in any respect whatsoever.

(c) Except for the obligation to pay money, neither party shall be liable to the other party for any failure or delay in performance caused by any acts of God or other natural disasters or by other reasons beyond such party's reasonable control.

(d) Any litigation relating to or concerning this Agreement shall be brought only in the federal court sitting in Chicago, Illinois, and in no other place. FORTE and ACCURAY hereby consent to the jurisdiction of such court or courts and agree to appear in any such action upon written notice thereof.

(e) If either party commences any action or proceeding against the other party to enforce this Agreement or any of its rights hereunder, the prevailing party in such action or proceeding shall be entitled to recover from the other party the reasonable attorneys' fees and related costs and expenses incurred by such prevailing party in connection with such action or proceeding and in connection with enforcing any judgment or order thereby obtained.

(f) No failure or delay by either party in exercising any right, power, or remedy under this Agreement shall operate as a waiver of any such right, power, or remedy. No waiver of any provision of this Agreement shall be effective unless in writing and signed by the party against whom such waiver is sought to be enforced.

(g) No amendment to or modification of this Agreement (or any provision hereof) is determined by a court of competent jurisdiction to be illegal, invalid or otherwise unenforceable, such provision (or part thereof) shall be enforced to the extent possible consistent with the stated intention of the parties, or, if incapable of such enforcement, shall be deemed to be deleted from this Agreement, while the remainder of this Agreement shall continue in full force and remain in effect according to its stated terms and conditions.

(h) In the event that any provision of this Agreement (or any portion hereof) is determined by a court of competent jurisdiction to be illegal, invalid or otherwise unenforceable, such provision (or part thereof) shall be enforced to the extent possible consistent with the stated intention of the parties, or, if incapable of such enforcement, shall be deemed to be deleted from this Agreement, while the remainder of this Agreement shall continue in full force and remain in effect according to its stated terms and conditions.

(i) No provisions of this Agreement, whether express or implied, are intended or shall be construed to confer upon or give to any person or entity other than the specific parties hereto any rights, remedies or other benefits under this Agreement.

(j) All amounts due under this Agreement are quoted and are to be paid in United States Dollars.

(k) The section headings used in this Agreement are intended primarily for reference and shall not by themselves determine the construction or interpretation of this Agreement or any portion hereof.

(l) This Agreement including all exhibits hereto, constitutes the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous correspondence, negotiations, agreements and understandings between the parties, and any representations and warranties, both oral and written. The exhibits may be updated or new exhibits may be added to this Agreement upon the written agreement by authorized representatives of the parties.

(m) This Agreement shall be fairly interpreted in accordance with its terms and without any strict construction in favor of or against either of the parties.

(n) As of the date of this Agreement, the parties agree that there is no Material Breach that would qualify as a default under Section 24 above.

[Signature Page to Follow]

REMAINDER OF PAGE LEFT BLANK INTENTIONALLY

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

Accuray Incorporated		**Forte Automation Systems, Inc.**	
By:	/s/ Chris A. Raanes	By:	/s/ Toby Henderson
Name:	Chris A. Raanes	Name:	Toby Henderson
Title:	SVP, Chief Operating Officer	Title:	President
Date:	11/29/06	Date:	11/29/06

Exhibit A
Specifications

[*]

[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit B
Accuray Intellectual Property

Patent

United States Patent Application Serial No. [*] entitled, "[*]," filed [*].

Trademarks

ACCURAY™
ROBOCOUCH™
ACCURAY LOGO

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FORTE AUTOMATION SYSTEMS, INC. ("FORTE")
Terms, Conditions & Warranty

1. ***Applicable Terms***. Any order resulting from this proposal will be subject to the written acknowledgement of Forte.

2. ***Taxes***. Any taxes or additional costs, due to the federal, state or municipal legislation, to which the prices in this proposal are subject, will be paid by the Purchaser.

3. ***Duration***. The price set forth in the proposal is valid for 60 days.

4. ***Delivery***. Forte will make every reasonable effort to meet the delivery period set forth on the proposal. Delivery period proposed is an estimate based on conditions on the date of the proposal and is subject to review and change per Forte's acknowledgement. All reference to the delivery assumes the period to start on the date of Forte's acknowledgement of the Purchaser's formal written order, and all deliveries are contingent upon the timely performance of the Purchaser in providing component parts/part samples, prints, and approvals as may be requested by Forte. Delivery shall be F.O.B. Forte's plant, Rockford, Illinois. Purchaser is deemed to have agreed to extend delivery date if delay is result of Purchaser's failure to provide in timely fashion component parts/part samples, prints, and approvals as may be requested by Forte. Credit is subject to approval.

5. ***Delays***. Forte shall not be liable for any loss or damage for delay or non-delivery due to acts of civil or military authority, acts of the buyer, or by reason of "Force Majeure," which shall be deemed to mean all other causes not reasonably in the control of Forte, including but not limited to acts of God, war, strikes, labor disturbances, delays of carriers, inability to secure materials, labor or manufacturing facilities. Any delay resulting from such causes shall extent corresponding shipping dates accordingly.

6. ***Warranties and Remedies***. Goods are warranted, to the original purchaser for use, to be free of defects in material and workmanship within such tolerances as may be customary in the industry for a period of one year from the date of shipment. Forte, at its option, will repair or replace, or refund the purchase price of any machine or part which fails within the warranty period and is found upon examination by Forte to be defective in material or workmanship, or both. This warranty does not cover failures attributable to improper use or maintenance, exceeding rated capacity, alteration, accident, normal wear of moving parts, or damages caused by shipment. Computer software, accessories, controls, hydraulics, and other components not manufactured by Forte are excluded from this warranty. For services on such parts, refer to applicable manufacturer's warranty. Purchaser must give written notice to Forte at the address shown below of any warranty claim within thirty days after failure, and if so instructed, return to Fore the parts to be replaced or repaired, with all transportation charges prepaid by Purchaser. Replacement parts will be invoiced to Purchaser, with credit issued for parts covered by this warranty and freight thereon. Removal and reinstallation of replacement parts shall be at Purchaser's expense. Support for non-warranty issues will be paid by Purchaser at Forte's service rates as of the date service is provided, including reasonable travel-related expenses.

THERE IS NO OTHER EXPRESS WARRANTY. ANY AND ALL IMPLIED WARRANTIES, INCLUDING MERCHANTABILITY AND FITNESS FOR PARTICULAR PURPOSE, ARE HEREBY SPECIFICALLY DISCLAIMED AND EXCLUDED BY FORTE. INCIDENTAL AND CONSEQUENTIAL DAMAGES ARE EXPRESSLY EXCLUDED FROM THE REMEDIES AVAILABLE TO PURCHASER, AND THE REMEDIES PROVIDED IN THIS WARRANTY SHALL BE EXCLUSIVE.

7. ***Damages***. Forte shall not be liable under any circumstances for consequential damages arising in whole or in part from any breach by Forte, **AND ALL SUCH CONSEQUENTIAL DAMAGES ARE HEREBY SPECIFICALLY DISCLAIMED AND EXCLUDED BY FORTE.**

8. ***Security Interest***. Until paid in full for the purchase price, Forte retains a security interest in all goods delivered to Purchaser, and the products and proceeds thereof, for the purpose of securing payment of any and all indebtedness of Purchaser to Forte arising out of the sale of the goods noted hereon, together with all costs and expenses in connection therewith, including, but not limited to, expenses of retaking, preserving, repairing, maintaining, preparing for sale, and selling said collateral as well as reasonable attorney's fees, court costs, and other legal expenses.

9. ***Attorney's Fees***. Forte shall be awarded its costs and attorney's fees incurred in connection with enforcing its rights and remedies as to and against the Purchaser.

10. ***Patent and Copyright Infringement Indemnification***. Forte shall indemnify, defend, and hold Purchaser harmless (including attorneys' fees) from any claim that the product delivered hereunder is infringing on any valid copyright or patent, provided that Purchaser gives Forte timely written notice of such claim. Forte shall not be responsible for any compromise made in connection with such a claim without its consent. In the event of a final judgment which prohibits Purchaser's continued use of any product by reason of infringement, or if at any time Forte is of the opinion that any product is likely to become the cause of action for infringement, Forte may, at its sole discretion and expense, obtain the rights to continued use of such product, replace or modify such product so that the product is no longer infringing, or remove the product involved and refund to Purchaser the price thereof as depreciated or amortized over a five (5) year life. In no event shall Forte's liability to Purchaser under this section exceed the amount paid by Purchaser to Forte for any allegedly infringing product. Purchaser shall indemnify, defend, and hold Forte harmless from any loss, cost, or expense (including attorneys' fees) arising: (1) in connection with any claim that the product is infringing on a copyright or patent because of the way the product was modified, altered, or combined with any equipment, device, or software not supplied by Forte or because the product was used in a manner for which the same was not designed; or because the goods manufactured were done so in accordance with Purchaser's specifications (or modified in any way by Purchaser); (2) and also from any product liability claims based on alleged defects in Purchaser's design or modification.

11. ***Special Manufactured Goods***. Purchaser shall hold harmless and defend Forte against all loss, damage, and expense (including attorneys' fees) arising from any patent or other property right infringement claims on goods manufactured in accordance with Purchaser's specifications and from any product liability claims based on alleged defects in Purchaser's design.

12. ***Trade Uses, Governing Laws***. All trade uses and customs of Forte's industry shall apply to this sale and shall constitute part of the agreement between Forte and Purchaser to the extent not inconsistent herewith. Except as modified herein, the Illinois Uniform Commercial Code shall govern this transaction. Typographical and clerical errors are subject to correction.

13. ***Modification***. No additions, modifications, or changes of the foregoing terms by Purchaser in connection with any order relating hereto shall be binding upon Forte unless specifically agreed to by Forte in writing.

Forte Automation Systems, Inc.
8155 Burden Road
Machesney Park, Illinois 61115
815/633-2300
815/633-7131 FAX

Exhibit D
Price List for the Manipulator

PART NUMBER	DESCRIPTION	PRICE
6777-100	Robocouch Manipulator Including: — Six Axis Robotic Arm — Kuka Series 2000 Robot Controller Less Power Supply	$ [*]
XXXX-XXX	Install Accuray Supplied Electrical Modules	$ [*]
XXXX-XXX	FAB & Install Limit Brackets for Wrist Axis	$ [*]
XXXX-XXX	Install Touch Sensors — (Components Provided by Accuray)	$ [*]
6777-500	7th Axis Assembly	$ [*]
6777-800	Shipping Cart	$ [*]

Prices are F.O.B. Rockford, IL and do not include sales tax or crating for international shipment.

[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

ACCURAY
QUANTITY DISCOUNT SCHEDULE

Discounts are based on quantities shipped and paid in full between January 1, and December 31, of a given calendar year.

Discounted amounts from the previous calendar year will be rebated or applied to balances due within 30 days of year-end.

DISCOUNTS ARE AS FOLLOWS:

Qty.	Percent
[*] Units	[*] %
[*] Units	[*] %
[*] Units	[*] %
[*] Units	[*] %
[*] Units	[*] %

[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit E
Design Package for Manipulator

[*]

[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit F
Mutual Confidentiality Agreement

(see attached)

[ACCURAY LOGO]

Exhibit F

MUTUAL CONFIDENTIALITY AGREEMENT

This confidentiality agreement ("Agreement") is made as of *November 29, 2006* ("Effective Date") by and between **Accuray Incorporated**, a California corporation having a principal place of business at Sunnyvale, California ("Accuray") and **Forte Automation Systems, Inc.**, with its principal place of business at Machesney Park, Illinois ("Interested Party").

RECITALS

A. In the course of dealings between the Accuray and Interested Party, each party may have access to or have disclosed to it information which is of a confidential nature as that term is later defined in this Agreement.

B. Accuray and Interested Party each desire to establish and set forth their individual obligations with respect to the other's Confidential Information (as defined herein). The party furnishing the Confidential Information shall be the "Disclosing Party" and the party receiving the Confidential Information shall be the "Receiving Party."

C. **Purpose**. The purpose of this Agreement to is govern the discussions and activities of Accuray and Interested Party under the Exclusive Manufacturing Agreement effective *November 29*, 2006 and the Patent and Trademark Licensing Agreement effective *November 29*, 2006.

AGREEMENT

In consideration of the foregoing, Accuray and Interested Party mutually agree as follows:

1. "Confidential Information" as used in this Agreement shall mean any and all technical and non-technical information including patent, copyright, trade secret, and proprietary information, techniques, sketches, drawings, models, inventions, know-how, processes, apparatus, equipment, algorithms, software programs, software source documents, preclinical or clinical data, records, databases, formulations, clinical protocols, and formulae related to the current, future and proposed products and services of each of the parties, and includes, without limitation, their respective information concerning research, experimental work, development, design details and specification, engineering, financial information, procurement requirements, purchasing, manufacturing, customer lists and information, business forecasts, sales and merchandising, and marketing plans and information.

2. All Confidential Information disclosed by one party to another party under this Agreement shall ultimately be in writing and bear a legend "Proprietary," "Confidential" or words of similar import. Accordingly, all Confidential Information disclosed by a party in any manner other than writing shall be preceded by an oral statement indicating that the information is proprietary or confidential, and shall be followed by transmittal of a written summary of the information provided to the Receiving Party with identification as "Confidential Information" and sent to the Receiving Party within thirty (30) days of disclosure. Notwithstanding the foregoing, Confidential Information shall also include information disclosed orally or in any tangible or intangible form, whether or not identified or marked as "Confidential" or confirmed in a written summary by the Disclosing Party, if the Receiving Party knows or reasonably should know that the information relates to and is with the scope of Confidential Information.

3. Each of the parties agrees that it will not make use of, disseminate, or in any way circulate within its own organization any Confidential Information of the other party which is supplied to or

obtained by it in writing, orally or by observation, except to the extent necessary for negotiations, discussions, and consultations with personnel or authorized representatives of the other party, and any purpose the other party to whom such information is confidential may hereafter authorize in writing.

4. Each of the parties agrees that it shall disclose Confidential Information of the other party only to those of its officers, employees, consultants, counsel, independent contractors, and agents (collectively "Representatives") who need to know such information in contemplation of or in furtherance of the business relationship between the parties and have been instructed not to disclose the Confidential Information. Each of the parties certifies that its Representatives have previously agreed, either as a condition to employment or in order to obtain the Confidential Information, to be bound by the terms and conditions substantially similar to those of this Agreement. Each of the parties shall be responsible for any violation of this Agreement by its Representatives and shall use reasonable efforts to restrain its Representatives (including Representatives who, subsequent to the Effective Date of this Agreement, become former Representatives) from unauthorized use or disclosure of Confidential Information.

5. Each of the parties agrees that it shall treat all Confidential Information of the other party with the same degree of care as it accords to its own Confidential Information, and each of the parties represents that it exercises at least reasonable care to protect its own Confidential Information.

6. Each of the parties further agrees that it shall not publish, copy or disclose any Confidential Information of the other party to any third party and that it shall use best efforts to prevent inadvertent disclosure of such Confidential Information to any third party.

7. Each party's obligations under Paragraphs 2, 3, 4, 5 and 6 with respect to any portion of the other party's Confidential Information shall terminate six (6) years from the date of disclosure of such Confidential Information or at such earlier time when the Receiving Party seeking to avoid its obligations under such paragraphs can document that such Confidential Information:

(a) was in the public domain at the time it was communicated to the Receiving Party by the Disclosing Party;

(b) entered the public domain prior or subsequent to the time it was communicated to the Receiving Party by the Disclosing Party through no fault of the Receiving Party;

(c) was rightfully in the Receiving Party's possession in writing free of any obligation of confidence at the time it was communicated to the Receiving Party by the Disclosing Party;

(d) was rightfully communicated to the Receiving Party free of any obligation of confidence prior or subsequent to the time it was communicated to the Receiving Party by the Disclosing Party;

(e) can be reasonably demonstrated to have been known to or hereafter developed by employees or agents of the Receiving Party independently of and without reference to any Confidential Information communicated to the Receiving Party by the Disclosing Party;

(f) is disclosed to Receiving Party by a third party who, to the best of Receiving Party's knowledge, is lawfully in possession of the same and has to right to make such disclosure;

(g) was communicated by the Disclosing Party to an unaffiliated third party free of any obligation of confidence; or

(h) must be disclosed in response to a valid order by a court or other governmental body, must be disclosed otherwise as required by law, or must be disclosed as necessary to establish the rights of either party under this Agreement.

8. In the event that Receiving Party is required in response to a valid order by a court or other governmental body or is required otherwise by law to disclose any of the Confidential Information, Receiving Party shall provide the Disclosing Party with advance written notice of any such requirement (to the extent practicable) and shall provide reasonable assistance to Disclosing Party if Disclosing Party desires to seek a protective order or other appropriate remedy. If, in the absence of a protective order or other remedy, Receiving Party is nonetheless legally compelled to disclose Confidential Information, Receiving Party may, without liability hereunder, disclose that portion of the Confidential Information which Receiving Party is legally required to disclose.

9. All materials (including, without limitation, documents, drawing, models, apparatus, sketches, designs and lists) furnished to one party by the other, and which are designated in writing to be the property of such party, shall remain the property of such party. All Confidential Information and all copies thereof will be returned to the Disclosing Party promptly following its request therefor, or, at Disclosing Party's election, destroyed (in which instance an authorized officer of Receiving Party shall certify to Disclosing Party that such destruction has been completed). Notwithstanding the foregoing, Receiving Party shall be entitled, solely for dispute resolution purposes, to retain one copy of the Confidential Information, including any embodiments. Any such retained copy shall continue to be governed by the terms and conditions of this Agreement notwithstanding any termination of this Agreement.

10. Neither party shall communicate any information to the other in violation of the proprietary rights of any third party.

11. Neither party shall export, re-export, or otherwise transmit, directly or indirectly, any product, sample, information, technical data, or other materials acquired from the other pursuant to this Agreement to any country for which the U.S. Government or any agency thereof at the time of export requires an export license or other government approval without first obtaining such license or approval. This Paragraph shall survive any termination of this Agreement.

12. Since unauthorized disclosure of Confidential Information will diminish the value to the parties of the proprietary interests that are the subject of this Agreement, if either party breaches any of its obligations hereunder, the other shall be entitled to equitable relief to protect its interests therein, including but not limited to injunctive relief, as well as money damages. Receiving Party shall immediately advise Disclosing Party of any discovered breach of this Agreement by Receiving Party or its Representatives and shall reasonably cooperate, at Receiving Party's expense, with Disclosing Party in retrieving the disclosed Confidential Information and restricting any continuing breach.

13. This Agreement shall govern all communications between the parties that are made during the period from the Effective Date of this Agreement to the date on which either party receives from the other written notice that subsequent communications shall not be so governed, provided, however, that each party's obligations under Paragraphs 2, 3, 4, 5, and 6 with respect to Confidential Information of the other party which it has previously received shall continue until terminated pursuant to Paragraph 7 or 8.

14. Neither party may assign this Agreement without the other party's prior written consent, except that Accuray may assign this Agreement, without Interested Party's consent, to an affiliate or to a successor or acquirer that is not a competitor of Interested Party, as the case may be, in connection with a merger or acquisition, or the sale of all or substantially all of Accuray's assets or the sale of that portion of Accuray's business to which this Agreement relates. Subject to the foregoing, this Agreement will bind and inure to the benefit of the parties' permitted successors and assigns.

15. Neither party acquires any intellectual property rights under this Agreement. This Agreement imposes no obligation on either party to purchase, sell, license, transfer or otherwise dispose of any

technology, services, or products. This Agreement does not create any agency or partnership relationship. The Disclosing Party warrants that it has the right to make the disclosures under this Agreement. No other warranties are made by either party under this agreement. Any information exchanged under this agreement is provided "as is."

16. This Agreement shall be construed in accordance with the laws of the State of Illinois, without giving effect to principles of choice of law or conflict of laws. Any action brought to enforce the provisions hereof shall be brought in the United States Federal District Court sitting in Chicago, Illinois.

17. This Agreement may not be amended except in writing and signed by all parties hereto.

18. Any notice required to be given under this Agreement shall be deemed received upon personal delivery (including delivery by commercial courier) or three (3) days after mailing if sent by registered or certified mail, to the addresses of the parties set forth below, or to such other address as either of the parties shall have furnished to the other in writing.

19. In the event of invalidity of any provision of this Agreement, the parties agree that such invalidity shall not affect the validity of the remaining portions of this Agreement, and further agree to substitute for the invalid provision a valid provision which most closely approximates the intent and economic effect of the invalid provisions.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above. By signing below the individuals represent that they possess the authority to sign on behalf of and bind the party for which they are signing.

Accuray Incorporated		**Forte Automation Systems, Inc.**	
By:	/s/ Toby Henderson	By:	/s/ Chris A. Raanes
Name:	Toby Henderson	Name:	Chris A. Raanes
Title:	President	Title:	COO
Date:	11/29/06	Date:	11/29/06

Exhibit G
ACCURAY Quality Systems Requirements

1. FORTE will build to the Specifications (Exhibit A);

2. FORTE will inspect the systems to be sure they meet the Specifications and correct for any deviations;

3. FORTE will perform the Acceptance Test Procedure (Exhibit H) and correct for any failures; and

4. FORTE will not make any changes to the Specifications or Acceptance Test Procedure without prior written approval from ACCURAY.

Exhibit H
Manipulator Acceptance Test Procedure

[*]

[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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Exhibit 10.48

CYBERKNIFE TRANSFER AGREEMENT

This CyberKnife Transfer Agreement (hereinafter called "Agreement") is made effective on the 6th day of March 2006 ("Effective Date"), by and between Accuray Incorporated (hereinafter called "Accuray"), Marubeni Corporation and Meditec Corporation (hereinafter jointly called "Meditec") (individually a "Party" and collectively the "Parties").

WHEREAS Meditec desires to sell and transfer to Chiyoda Technol Corporation (hereinafter called "Chiyoda") [*] CyberKnife Stereotactic Radiosurgery Systems (hereinafter called the "CyberKnife Systems"), as more fully described in the attached Annex-1. The [*] CyberKnife Systems were previously sold and delivered by Accuray to Meditec and stored in Meditec's inventory (hereinafter called the "Inventories"), and;

WHEREAS Meditec agrees to pay to Accuray the previously agreed-upon commission for the sale and purchase of the Inventories upon the terms and conditions herein set forth.

NOW IT IS HEREBY AGREED as follows:

1. *Each Party agrees that*:

(a) Meditec shall sell to Chiyoda the Inventories at lump-sum price of U.S. $[*], such sale to take place on or about March 31, 2006. The specific terms and conditions of the sale and purchase of the Inventories shall be set forth in a separate agreement between Chiyoda and Meditec. A copy of the agreement between Chiyoda and Meditec shall be provided to Accuray within fifteen (15) days of execution of such agreement, but no later than March 31, 2006.

(b) In accordance with the December 10, 2003 letter agreement between the parties, Meditec shall pay U.S. $[*] to Accuray as the commission for the sale of the Inventories.

(c) Meditec acknowledges and agrees that the outstanding amount owed by Meditec to Accuray as payment for the upgrades as described in the letter agreement dated May 20, 2003 as amended (hereinafter called the "Upgrades") shall be U.S. $[*]. The cost of such Upgrades is set forth in the attached Annex-1. Since Meditec had paid to Accuray U.S. $[*] as an advance payment for the Upgrades, the net payment amount owed to Accuray by Meditec is U.S. $[*].

(d) Meditec shall pay to Accuray U.S. $[*] for the cost of Gold Contracts (as defined below in Section 3).

(e) Therefore, Meditec shall pay to Accuray U.S. $[*], the total of the amounts set forth in Paragraphs 1.(b), 1.(c) and 1.(d), such payment to be made to Accuray by means of T.T. remittance no later than April 28, 2006.

2. *Upgrades*

(a) Accuray shall provide the Upgrades to Chiyoda in accordance with the May 20, 2003 letter agreement, at no additional cost, upon the written request of Chiyoda. Upon receipt of such written request, Accuray shall complete the Upgrade for each CyberKnife System within ninety (90) days. However, if Accuray receives a request for an Upgrade on another CyberKnife System before the Upgrade on the previous CyberKnife System is complete, the ninety (90) day time limit will not apply to the second CyberKnife System.

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[*] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

(b) Accuray's obligation to perform the Upgrades will expire and be deemed waived if Chiyoda has not submitted a written request for the Upgrades on or before April 30, 2008 for delivery [ex factory] on or before June 30, 2008. Independent of ever receiving a request for upgrade work from Chiyoda, the money paid to Accuray under this agreement is non-refundable. As such Accuray shall have no obligation to refund any money if its Upgrade obligation expires pursuant to this paragraph.

(c) Any charges incurred for ocean freight from the United States to Japan for the Inventories shall be paid by Accuray.

(d) Any change or additional work for upgrades, if necessary, shall be discussed and decided solely by Accuray and Chiyoda.

3. *Gold Contracts*

(a) As of March 31, 2006, the outstanding balance owed by Meditec to Accuray for the Gold Contracts under the letter agreement dated December 10, 2003 as amended (hereinafter called the "Gold Contracts") shall be U.S. $[*].

(b) Meditec shall pay such amount to Accuray in accordance with Paragraph 1.(e) above.

(c) Meditec hereby agrees that Accuray may disclose the existence and contents of the Gold Contracts to current and future users.

4. *CyberKnife Systems J-2 and J-3*

(a) This Agreement shall not become effective unless Chiyoda receives a Letter of Intent from a legitimate customer for the rental or purchase of CyberKnife System J-2 on or before March 31, 2006. Chiyoda is to provide Accuray with confirmation of such Letter of Intent by March 31, 2006.

(b) If the CyberKnife System J-2 Letter of Intent is subsequently cancelled or otherwise terminates, or Chiyoda does not enter into a formal contract for the rental or purchase of CyberKnife System J-2 on or before December 31, 2006, Meditec shall make a good faith effort to cause Chiyoda to pay Accuray the sum of U.S. $[*] by March 31, 2007.

(c) If Chiyoda does not obtain a Letter of Intent from a legitimate customer for the purchase of CyberKnife System J-3 by June 30, 2007, Meditec shall make a good faith effort to cause Chiyoda to pay Accuray the sum of U.S. $[*] by September 30, 2007.

(d) Notwithstanding the foregoing, if Chiyoda decides on or before June 30, 2007 to accept and install CyberKnife System J3 at their facility as a demonstration machine, Section 4(c)) shall not apply, provided that Accuray receives written notice of such decision on or before June 30, 2007.

5. *Obligation and Commitment*

(a) Upon transferring the Inventories in accordance with the terms of this Agreement, Meditec shall be free from all obligations and commitments to Accuray relating to such Inventories, except as otherwise set forth herein.

(b) Thus, without limiting the generality of the foregoing, Accuray and Meditec hereby release, remise, resign and forever discharge the other party and any of its affiliates, agents, attorneys, employees, officers, directors and commissioners, from any and all manner of actions, causes of action, suits, covenants, contracts and agreements, damages, judgments, claims and demands of any nature whatsoever, in law or in equity, of every kind and description, in relation to the Inventories which are the subject of this Agreement.

6. *Additional Payment Obligation*. Independent of the payments outlined above, Meditec shall pay Accuray an additional U.S. $[*] due on outstanding invoices. The details of such invoices are set forth in the attached Annex-3. The additional payment shall be received by Accuray no later than April 28, 2006.

7. *Assignment*. Neither party may assign this Agreement without the other party's prior written consent, except that Accuray may assign this Agreement, without Meditec's consent, to an affiliate or to a successor or acquirer, as the case may be, in connection with a merger or acquisition, or the sale of all or substantially all of Accuray's assets or the sale of that portion of Accuray's business to which this Agreement relates. Subject to the foregoing, this Agreement will bind and inure to the benefit of the parties' permitted successors and assigns.

8. *Notices*. All notices required or permitted under this Agreement will be in writing and delivered in person, by overnight delivery service, or by registered or certified mail, postage prepaid with return receipt requested, and in each instance will be deemed given upon receipt. All communications will be sent to the addresses set forth below or to such other address as may be specified by either party in writing to the other party in accordance with this Section.

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[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

To Accuray:	**To Marubeni:**	**To Meditec:**
Accuray Incorporated Attention: CFO 1310 Chesapeake Terrace Sunnyvale, CA 94089 U.S.A. cc to: General Counsel	Marubeni Corporation Attn: General Manager, Medical Business Unit 4-2, Ohtemachi, 1-Chome Chiyoda-Ku, Tokyo Japan	Meditec Corporation Attn: President & CEO 4-2, Ohtemachi, 1-Chome Chiyoda-Ku, Tokyo Japan

9. *Disputes and Governing Laws*

(a) In the event that a dispute arises between Accuray and Meditec with respect to the subject matter governed by this Agreement, such dispute shall be settled as follows. If either party shall have any dispute with respect to this Agreement, that party shall provide written notification to the other party in the form of a claim identifying the issue or amount disputed including a detailed reason for the claim. The party against whom the claim is made shall respond in writing to the claim within thirty (30) days from the date of receipt of the claim document. The party filing the claim shall have an additional thirty (30) days after the receipt of the response to either accept the resolution offered by the other party or escalate the matter. If the dispute is not resolved, either party may notify the other in writing of their desire to elevate the claim to the President of Accuray and the President of Meditec. Each shall negotiate in good faith and use his or her best efforts to resolve such dispute or claim. The location, format, frequency, duration and conclusion of these elevated discussions shall be left to the discretion of the representatives involved. If the negotiations do not lead to resolution of the underlying dispute or claim to the satisfaction of either party involved, then either party may pursue resolution by the courts as follows.

(b) All disputes under any contract concerning the subject matter governed by this Agreement, not otherwise resolved between Accuray and Meditec shall be resolved in a court of competent jurisdiction, in San Francisco County, State of California, and in no other place. Meditec hereby consents to the jurisdiction of such court or courts and agrees to appear in any such action upon written notice thereof. No action, regardless of form, arising out of, or in any way connected with, this Agreement or the Inventories, may be brought by any party more than two (2) years after the cause of action has occurred.

10. *Waiver*. The waiver of any breach or default of any provision of this Agreement will not constitute a waiver of any other right hereunder or of any subsequent breach or default.

11. *Severability*. If any provision of this Agreement is held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions of the Agreement will remain in full force and effect, and the provision affected will be construed so as to be enforceable to the maximum extent permissible by law.

12. *Force Majeure*. Neither party shall be responsible for any failure or delay in its performance under this Agreement (except for the payment of money) due to causes beyond its reasonable control, including, but not limited to, labor disputes, strike, lockout, riot, war, fire, act of God, accident, failure or breakdown of components necessary to order completion; subcontractor, supplier or customer caused delays; inability to obtain or substantial rises in the prices of labor, materials or manufacturing facilities; curtailment of or failure to obtain sufficient electrical or other energy, raw materials or supplies; or compliance with any law, regulation or order, whether valid or invalid.

13. *Amendments*. Any amendment or modification of this Agreement must be made in writing and signed by duly authorized representatives of each party. For Accuray, a duly authorized representative must be any of the following: CEO, CFO, COO or General Counsel.

14. *Entire Agreement*. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter herein, and supersedes all previous understandings, representations and warranties, agreements, written and oral, made and entered into by and among Accuray, Marubeni, and Meditec in relation to the CyberKnife Systems and the Inventories.

15. *Counterparts*. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties have executed this Agreement on the date set forth below by their duly authorized representatives. The parties acknowledge and agree that this Agreement does not become effective until it has been signed by all parties indicated below.

ACCURAY INCORPORATED

By: /s/ CHRIS A. RAANES

Name: Chris A. Raanes
Title: Chief Operating Officer

Date: 3/9/06

MARUBENI CORPORATION

By: /s/ KOICHI SATO

Name: Koichi Sato
Title: General Manager & Unit Director
Medical Business Unit

Date: March 6, 2006

ACCURAY INCORPORATED

By: /s/ DARREN J. MILLIKEN

Name: Darren J. Milliken
Title: General Counsel

Date: 3/9/06

MEDITEC CORPORATION

By: /s/ KOICHI SATO

Name: Koichi Sato
Title: President & Chief Executive Officer

Date: March 6, 2006

Annex-1
Upgrade Cost List of CyberKnife

Japan-No.	Accuray No.	Total Cost (U.S. $)
[*]		
Total		**$ [*]**

[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Annex-2
Gold Contract

J No.	Customer		Effective date Year	Mth	Day	Balance 31-Mar 2006	Payment Schedule 2006 May	2006 Nov.	2007 Jan.	2007 Feb.	2007 Mar.	2007 May	2007 Nov.	2008 Jan.	2008 Feb.	2008 Mar.	2008 May	2009 Mar.	Unit: US$ Total
1	Ube-Konan	$ [*]	2004	10	22	$ [*]		$ [*]					$ [*]						$ [*]
4	Osaka Univ.	$ [*]	2004	11	12	$ [*]		$ [*]					$ [*]						$ [*]
5	Kumamoto	$ [*]	2005	4	25	$ [*]	$ [*]					$ [*]					$ [*]		$ [*]
6	Tobata	$ [*]	2004	10	29	$ [*]		$ [*]					$ [*]						$ [*]
7	Okayama	$ [*]	2004	10	22	$ [*]		$ [*]					$ [*]						$ [*]
8	Fujimoto	$ [*]	2004	11	5	$ [*]		$ [*]					$ [*]						$ [*]
10	Kyushu Univ.	$ [*]	2005	1	13	$ [*]				$ [*]					$ [*]				$ [*]
11	Kyoto Soseikai	$ [*]	2004	10	22	$ [*]		$ [*]					$ [*]						$ [*]
12	Tsushima	$ [*]	2005	1	20	$ [*]				$ [*]					$ [*]				$ [*]
13	Oita Oka	$ [*]	2004	11	10	$ [*]		$ $[*]					$ [*]						$ [*]
14	Imabari	$ [*]	2004	11	30	$ [*]			$ [*]					$ [*]					
15	Kanto	$ [*]	2005	2	23	$ [*]					$ [*]					$ [*]			$ [*]
16	Yokohama	$ [*]				$ [*]					$ [*]					$ [*]		$ [*]	$ [*]
	TOTAL	$ [*]				$ [*]	$ [*]	$ [*]	$ [*]	$ [*]	$ [*]	$ [*]	$ [*]	$ [*]	$ [*]	$ [*]	$ [*]	$ [*]	$ [*]

[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Annex-3
Outstanding Payments Owed to Accuray

Invoice #	Amount	Invoice Date
Marubeni—012	$ [*]	February 10, 2006
Meditec—461	$ [*]	February 10, 2006
Meditec—462	$ [*]	February 28, 2006
CTC-073	$ [*]	February 1, 2006
CTC-074	$ [*]	February 1, 2006
CTC-075	$ [*]	February 1, 2006
CTC-076	$ [*]	February 28, 2006
Total Amount Due:	$ [*]	

[*] Certain information on this page has been redacted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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Exhibit 21.1

Subsidiaries of the Registrant

Name	State or Jurisdiction of Organization
Accuray International SARL	Switzerland
Accuray Europe SARL	France
Accuray UK, Ltd.	United Kingdom
Accuray Asia Ltd.	Hong Kong
Accuray Japan K.K.	Japan

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Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated November 7, 2006, accompanying the consolidated financial statements of Accuray Incorporated contained in Amendment No. 2 to the Registration Statement (Form S-1 No. 333-138622) and Prospectus. We consent to the use of the aforementioned report in Amendment No. 2 to the Registration Statement and Prospectus, and to the use of our name as it appears under the caption "Experts."

/s/ Grant Thornton LLP

San Francisco, California
January 16, 2007

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Exhibit 23.3

[COGENT VALUATION LOGO]

LOS ANGELES
ORANGE COUNTY
SAN FRANCISCO

VIA E-MAIL AND FEDERAL EXPRESS

January 15, 2007

Mr. Robert E. McNamara
Sr. Vice President and Chief Financial Officer
Accuray Incorporated
1310 Chesapeake Terrace
Sunnyvale, CA 94089

Via E-mail
Confirmation Via Federal Express

RE: Written consent to reference valuation in Form S-1 filing of Accuray Incorporated

Dear Mr. McNamara:

We hereby consent to the inclusion in the registration statement on Form S-1 (File No. 333-138622) of Accuray Incorporated for the registration of shares of its common stock and any amendments thereto (the "Registration Statement") of references to our reports relating to the limited purposes of valuation of the common equity of Accuray Incorporated during certain specific time periods and to references to our firm's name therein. In giving such consent, we do not hereby admit that we come within the category of a person whose consent is required under Section 7 or Section 11 of the Securities Act of 1933, as amended, or the rules and regulations adopted by the Securities and Exchange Commission thereunder, nor do we admit that we are experts with respect to any part of such Registration Statement within the meaning of the term "experts" as used in the Securities Act of 1933, as amended or the rules and regulations of the Securities and Exchange Commission thereunder. We further do not admit or purport to provide any investment, accounting, or tax advice or services, nor should our reports be construed as such under any circumstances. ***THE ANALYSES, CONCLUSION AND VALUATION OPINIONS SHOULD NOT BE CONSTRUED, IN WHOLE OR IN PART, AS INVESTMENT ADVICE BY ANYONE.***

Sincerely yours,

COGENT VALUATION

By: /s/ ANNIKA M. REINEMANN

Annika M. Reinemann, CFA, ASA
Managing Director

140 Scott Drive
Menlo Park, California 94025
Tel: (650) 328-4600 Fax: (650) 463-2600
www.lw.com

LATHAM & WATKINS LLP

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Moscow	Tokyo
Munich	Washington, D.C.

January 16, 2007

VIA EDGAR AND FACSIMILE—(202) 772-9218

Securities and Exchange Commission
Mail Stop 6010
100 F Street, N.E.
Washington, D.C. 20549

Attention: Jay Mumford
Perry Hindin, Special Counsel
Kristin Lochhead
Brian Cascio

Re: Accuray Incorporated
Registration Statement on Form S-1 (Registration No. 333-138622)

Ladies and Gentlemen:

On behalf of Accuray Incorporated ("Accuray" or the "Company"), we confirm receipt of the letter dated January 11, 2007 from the staff (the "Staff") of the Securities and Exchange Commission (the "Commission") with respect to the above-referenced filing. We are responding to the Staff's comments as set forth below. The Staff's comments are set forth below in bold, followed by the Company's response. Accuray is filing pre-effective Amendment No. 2 ("Amendment No. 2") to the above referenced registration statement with this response letter. All page numbers in the responses below refer to Amendment No. 2.

The Offering, page 7

1. We note your response to prior comment nine in our letter dated December 8, 2006. We continue to believe that the exercise of the warrants to purchase common stock immediately prior to the closing of the offering should not be assumed unless there is a firm commitment or other agreement. A warrant holder's intention to exercise the warrant would not be sufficient. Please revise.

Accuray respectfully advises the Staff that since the filing of Amendment No. 1 to the registration statement on Form S-1, Accuray has received a firm commitment from the warrant holder to exercise his shares immediately prior to the closing of the offering.

Management's Discussion and Analysis of Financial Condition and Results of Operation, page 37

Results of Operations, page 41

Three months ended September 30, 2005 compared to three months ended September 30, 2006, page 42

Net Revenue

2. We reference the disclosure that you recognized the sale of none and six CyberKnife systems in the quarters ended September 30, 2005 and 2006, respectively. If you recognized the sale of no CyberKnife systems during the quarter ended September 30, 2005, please revise to disclose the nature of the $3.9 million of product revenue recorded during that period. Additionally, please describe the circumstances that resulted in the installation of eight units during the quarter ended September 30, 2005, yet no revenue was recorded.

Accuray respectfully advises the Staff that total net revenue for the quarter ended September 30, 2005 was $3.9 million and was comprised of the following: product revenue of $0.5 million, shared ownership programs revenue of $1.7 million, services revenue of $1.0 million and other revenue of $0.7 million. Product revenue was comprised primarily of sales of software and other hardware product accessories and was not related to the sale or installation of any CyberKnife systems. Although eight systems were installed during the quarter ended September 30, 2005, no revenue was recorded since, in accordance with our revenue recognition policy and reflecting the terms of our legacy service plans, there were undelivered elements associated with these installations for which we did not have vendor specific objective evidence. Therefore, Accuray respectfully submits that no additional disclosure is required.

Certain Relationships and Related Transactions, page 106

3. We note your response to our prior comment 23. Please tell us where you have filed the agreements you describe in your response.

Accuray respectfully advises the Staff that (a) the International Distributor Agreement dated January 21, 2004 by and between Accuray and Chiyoda Technol Corporation was filed as Exhibit 10.26 with the filing of the registration statement on Form S-1 on November 13, 2006, (b) the Letter Agreement dated May 20, 2003 by and between Accuray and Meditec Corporation was filed as Exhibit 10.47 with the filing of Amendment No. 1 to the registration statement on Form S-1 on December 22, 2006 and (c) the CyberKnife Transfer Agreement effective as of March 6, 2006 by and between Accuray, Marubeni Corporation and Meditec Corporation is filed as Exhibit 10.48 with Amendment No. 2.

4. We note your response to our prior comment 25. To the extent material, please describe any differences between the PMTC and your standard agreements or tell us what those provisions are and why you do not believe they are material.

Accuray respectfully advises the Staff that the Amended and Restated International Distributor Agreement (the "PMTC Agreement") between Accuray and President Medical Technologies Co., Ltd., Inc. ("PMTC") contains many of the same provisions as Accuray's standard distributor agreements. Differences between these agreements, which Accuray does not believe to be material, include provisions which: (a) take into account the fact that PMTC was relinquishing some of its previously exclusive territory, (b) specify how PMTC must provide certain services to customers, (c) require PMTC to assist customers with obtaining financing, (d) require Accuray to contract directly with the customers for service, (e) require PMTC to notify Accuray of a need for regulatory clinical trials and that the parties consider if and how to proceed to satisfy such need, (f) allow PMTC to request the ability to sell competing products, (g) require Accuray to repurchase spare tools and parts

in the event of termination, (h) require Accuray to appoint a general manager to oversee the CyberKnife business in Asia, (i) require meetings between Accuray and PMTC to monitor and manage their relationship, (j) allow for termination within a specified time of receiving regulatory clearance, (k) allow PMTC to use sub-distributors, (l) provide for the use of arbitration rather than standard judicial determination and (m) are generally in line with Accuray's standard business practices but do not usually appear in distributor agreements, such as providing training to distributors and detailing Accuray's standard warranty exclusions. Accuray respectfully submits to the Staff that it believes such terms do not create additional risks or liabilities that are material to its business.

5. We refer to your disclosure that effective November 2006, you will assume the liabilities and obligations of the CyberKnife Society, including a consulting agreement with Dr. Adler. Please revise your filing to quantify the significant liabilities and obligations you will assume.

Accuray respectfully advises the Staff that Dr. Adler's consulting agreement was the only significant liability and/or obligation assumed in connection with the assumption of the liabilities and obligations of the CyberKnife Society. Other liabilities and obligations assumed involved an amount of approximately $800. Accuray has revised the disclosure on page 107 to indicate that Dr. Adler's consulting agreement was the main liability and obligation assumed.

Principal and Selling Stockholders, page 110

6. We note your response to our prior comment 30. Please identify the individuals with beneficial ownership of the shares held by the entities described in this table. For example, please identify the individual or individuals who have voting and dispositive control over the shares held by President (BVI) International Investment Holdings Ltd. and Marubeni Corporation.

Accuray has revised the disclosure on page 110 in response to the Staff's comment.

Shares Eligible for Future Sale, page 119

7. We note your response to our prior comment 31. Please explain why 5% of your holders are not going to be subject to the lockups. Please tell us how those holders were identified.

Accuray respectfully advises the Staff that holders of 5% of its outstanding shares have not returned the lockup agreements in favor of the underwriters distributed in connection with the offering. Accuray supplementally confirms that it has made and continues to make efforts to obtain the outstanding lockup agreements from such stockholders. Accuray has identified stockholders who have not returned the lockup agreements by reviewing and recording each lockup agreement received. Accuray further respectfully advises the Staff that certain of these stockholders are bound by similar lockup or "market standoff" agreements in favor of Accuray.

Change in Accountants, page 125

8. We note your response to prior comment 32 in our letter dated December 8, 2006. This comment will remain unresolved until you file the letter from your former accountant as an exhibit.

Accuray's former accountant has confirmed that it is in the process of preparing a letter stating whether or not such accountant agrees with the disclosure in Accuray's registration statement regarding its change of accountants. Accuray supplementally confirms with the Staff that it will file such letter as Exhibit 16.1 to the registration statement once its former accountant has completed the review of such letter.

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies, page F-9

Stock-Based Compensation, page F-17

9. We reference the disclosure added in response to prior comment 38 in our letter dated December 8, 2006 that you engaged an unrelated third-party appraisal firm to assist in determining the fair value of common stock. While you are not required to make reference to an independent valuation, when you do so, you must include the name of the expert and provide their written consent as an exhibit to the registration statement. See Item 601(b) of Regulation S-K.

Accuray has revised its disclosure on pages 53 and F-17 and has filed the consent of the unrelated third-party appraisal firm as Exhibit 23.3 with Amendment No. 2 in response to the Staff's comment.

Note 3. Balance Sheet Components, page F-25

Property and Equipment, page F-26

10. Refer to prior comment 39 in our letter dated December 8, 2006. Please revise to disclose the terms under which a customer may purchase a CyberKnife system under the shared ownership program. Additionally, disclose how you account for the revenues of systems sold under this program and the amount of revenues recorded in each period as a result of such sales.

Accuray has revised the disclosure on page F-26 in response to the Staff's comment.

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The Company respectfully advises the Staff that the Company currently anticipates printing preliminary prospectuses promptly after filing Amendment No. 3 to the registration statement, and plans to commence its road show as soon thereafter as practicable. In light of the Company's desired schedule, Accuray would very much appreciate the Staff's prompt review of Amendment No. 2 and this response letter. If the Staff has any questions or would like to discuss any of the foregoing, please do not hesitate to contact the undersigned at (650) 463-2645.

Very truly yours,

/s/ LAURA I. BUSHNELL

Laura I. Bushnell
of Latham & Watkins LLP

cc: Euan S. Thomson, Ph.D., Accuray Incorporated
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