

ACCURAY INC  
Form PRE 14A  
September 27, 2012

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

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

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**ACCURAY INCORPORATED**

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Edgar Filing: ACCURAY INC - Form PRE 14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

---

Table of Contents

**NOTICE OF  
2012 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON NOVEMBER 30, 2012**

To our Stockholders:

You are cordially invited to attend the 2012 Annual Meeting of Stockholders of Accuray Incorporated, a Delaware corporation, which will be held at the offices of Gibson, Dunn & Crutcher, LLP, located at 1881 Page Mill Road, Palo Alto, California 94304 on Friday, November 30, 2012 at 9:00 am PST. We are holding the annual meeting for the following purposes:

1. To elect two Class III directors named in the proxy statement to hold office until our 2015 Annual Meeting of Stockholders, or until their respective successors have been duly elected or appointed;
2. To hold an advisory vote to approve the compensation of our named executive officers;
3. To approve an amendment to the Company's Certificate of Incorporation to increase the number of total authorized shares from 105,000,000 to 205,000,000 and the number of authorized shares of common stock from 100,000,000 to 200,000,000;
4. To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2013; and
5. To transact any other business as may properly come before the meeting, including any motion to adjourn to a later date to permit further solicitation of proxies, if necessary, or any adjournment or postponement of the meeting.

These items of business to be transacted at the meeting are more fully described in the Proxy Statement.

The annual meeting will begin promptly at 9:00 a.m. PST and check-in will begin at 8:30 a.m. PST. Only holders of record and beneficial owners of shares of our common stock at the close of business on October 5, 2012, the record date, are entitled to notice of, to attend and to vote at the annual meeting and any adjournments or postponements of the annual meeting. If a beneficial owners wishes to vote in person at the meeting, you must obtain a "legal proxy" from the broker, trustee or other nominee that holds your shares, giving you the right to vote your shares at the meeting.

We are pleased to again be using the U.S. Securities and Exchange Commission rule that allows companies to furnish proxy materials to their stockholders primarily over the Internet. We believe that this process should expedite stockholders' receipt of proxy materials, lower the costs of our annual meeting and help to conserve natural resources. On October 18, 2012, we mailed our stockholders a notice containing instructions on how to access our 2012 Proxy Statement (the "Proxy Statement") and 2012 Annual Report (the "Annual Report") and vote online. The notice also included instructions on how to receive a paper copy of your annual meeting materials, including the notice of annual meeting, Proxy Statement and proxy card. If you received your annual meeting materials by mail, the notice of annual meeting, Proxy Statement and proxy card were enclosed. If you received your annual meeting materials via e-mail, the e-mail contained voting instructions and links to the Annual Report and the Proxy Statement on the Internet, which are both available at <https://materials.proxyvote.com/004397>.

For a period of at least 10 days prior to the annual meeting, a complete list of stockholders entitled to vote at the annual meeting will be available and open to the examination of any stockholder



## Edgar Filing: ACCURAY INC - Form PRE 14A

### Table of Contents

for any purpose germane to the annual meeting during normal business hours at our principal executive offices.

All stockholders are cordially invited to attend the annual meeting in person. Even if you plan to attend the annual meeting, please cast your vote as instructed in the Notice of Internet Availability of Proxy Materials as promptly as possible. If you choose to receive paper copies of your proxy materials, including the proxy card, please complete, sign and date the proxy card and return it promptly in the postage-paid return envelope in order to ensure that your vote will be counted if you later decide not to, or are unable to, attend the annual meeting. Even if you have given your proxy, you may still attend and vote in person at the meeting.

By order of the Board of Directors,

Euan S. Thomson, Ph.D.  
*President and Chief Executive Officer*

Sunnyvale, California  
October 18, 2012

---

Table of Contents

## TABLE OF CONTENTS

	Page
<b><u>QUESTIONS AND ANSWERS REGARDING THIS SOLICITATION AND VOTING AT THE ANNUAL MEETING</u></b>	<u>1</u>
<b><u>PROPOSAL ONE ELECTION OF DIRECTORS</u></b>	<u>7</u>
<u>Classes of our Board of Directors</u>	<u>7</u>
<u>Director Nominees</u>	<u>7</u>
<u>Board of Directors' Recommendation</u>	<u>8</u>
<u>Directors Whose Terms Extend Beyond the 2012 Annual Meeting</u>	<u>9</u>
<b><u>PROPOSAL TWO ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS ("SAY-ON-PAY VOTE")</u></b>	<u>11</u>
<u>Board of Directors' Recommendation</u>	<u>13</u>
<b><u>PROPOSAL THREE APPROVAL OF AN AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES</u></b>	<u>13</u>
<u>Board of Directors' Recommendation</u>	<u>15</u>
<b><u>PROPOSAL FOUR RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	<u>15</u>
<u>Board of Directors' Recommendation</u>	<u>16</u>
<u>Audit and Non-Audit Services</u>	<u>16</u>
<u>Audit Committee Pre-Approval Policies and Procedures</u>	<u>17</u>
<b><u>AUDIT COMMITTEE REPORT</u></b>	<u>17</u>
<b><u>COMPENSATION COMMITTEE REPORT</u></b>	<u>18</u>
<b><u>COMPENSATION DISCUSSION AND ANALYSIS</u></b>	<u>19</u>
<b><u>EXECUTIVE COMPENSATION</u></b>	<u>39</u>
<u>Summary Compensation Table</u>	<u>39</u>
<u>Grants of Plan-Based Awards</u>	<u>40</u>
<u>Outstanding Equity Awards at Fiscal Year-End</u>	<u>43</u>
<u>Option Exercises and Stock Vested During Fiscal 2012</u>	<u>45</u>
<u>Potential Payments and Benefits Upon Termination or Change in Control</u>	<u>45</u>
<b><u>COMPENSATION OF NON-EMPLOYEE DIRECTORS</u></b>	<u>50</u>
<u>Director Summary Compensation Table for Fiscal 2012</u>	<u>50</u>
<u>Director Cash Compensation</u>	<u>51</u>
<u>Non-Employee Director Equity Compensation</u>	<u>51</u>
<b><u>EQUITY COMPENSATION PLAN INFORMATION</u></b>	<u>52</u>
<b><u>SECURITY OWNERSHIP</u></b>	<u>53</u>
<u>Security Ownership of Certain Beneficial Owners and Management</u>	<u>53</u>
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	<u>56</u>
<b><u>CORPORATE GOVERNANCE AND BOARD OF DIRECTORS MATTERS</u></b>	<u>56</u>
<b><u>EXECUTIVE OFFICERS</u></b>	<u>62</u>
<b><u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u></b>	<u>63</u>
<b><u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u></b>	<u>63</u>
<b><u>OTHER MATTERS</u></b>	<u>66</u>

Table of Contents

**PROXY STATEMENT FOR  
ACCURAY INCORPORATED  
2012 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON NOVEMBER 30, 2012**

---

This Proxy Statement is furnished to our stockholders of record as of October 5, 2012, the record date, in connection with the solicitation of proxies by our Board of Directors for use at our 2012 Annual Meeting of stockholders, to be held at the offices of Gibson, Dunn & Crutcher, LLP, located at 1881 Page Mill Road, Palo Alto, California 94304 on Friday November 30, 2012 at 9:00 a.m. PST. The address of our principal executive office is 1310 Chesapeake Terrace, Sunnyvale, California 94089. This Proxy Statement and the proxy card is first being made available to our stockholders on or about October 18, 2012. Our Company's fiscal year ended on June 30, 2012.

**QUESTIONS AND ANSWERS REGARDING THIS SOLICITATION  
AND VOTING AT THE ANNUAL MEETING**

***Why did I receive a Notice of Internet  
Availability of Proxy Materials?***

Under rules adopted by the U.S. Securities and Exchange Commission, or SEC, we are furnishing proxy materials to our stockholders primarily via the Internet, instead of mailing printed copies of those materials to each stockholder. On October 18, 2012, we mailed to our stockholders (other than those who previously requested electronic or paper delivery) a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials, including this Proxy Statement and our Annual Report. The Notice of Internet Availability of Proxy Materials also instructs you on how to access your proxy card to vote through the Internet or by telephone.

This process is designed to expedite stockholders' receipt of proxy materials, lower the cost of the annual meeting, and help conserve natural resources. However, if you would prefer to receive printed proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials. If you have previously elected to receive our proxy materials electronically, you will continue to receive these materials via e-mail unless you elect otherwise. If you received your annual meeting materials via e-mail, the e-mail contained voting instructions and links to the Annual Report and the Proxy Statement on the Internet, which are both available at: <https://materials.proxyvote.com/004397>.

Table of Contents

***Why am I receiving access to these proxy materials?***

You are receiving access to this Proxy Statement from us because you were a stockholder of record at the close of business on the record date of October 5, 2012. As a stockholder of record, you are invited to attend our annual meeting of stockholders and are entitled to vote on the items of business described in this Proxy Statement. This Proxy Statement contains important information about the annual meeting and the items of business to be transacted at the annual meeting. You are strongly encouraged to read this Proxy Statement, which includes information that you may find useful in determining how to vote.

***Who is entitled to attend and vote at the annual meeting?***

Only holders of record of shares of our common stock at the close of business on October 5, 2012, the record date, are entitled to notice of, to attend and to vote at the annual meeting and any adjournments or postponements of the annual meeting.

***How many shares are outstanding?***

On the record date, [ ] shares of our common stock were issued and outstanding. Each share of common stock outstanding on the record date is entitled to one vote.

***How many shares must be present or represented to conduct business at the annual meeting (that is, what constitutes a quorum)?***

The presence at the annual meeting, in person or represented by proxy, of the holders of at least a majority of the shares of our common stock issued and outstanding on the record date and entitled to vote at the annual meeting will constitute a quorum for the transaction of business. If, however, a quorum is not present, in person or represented by proxy, then either the chair of the annual meeting or the stockholders entitled to vote at the annual meeting may adjourn the annual meeting until a later time.

***What items of business will be voted on at the annual meeting?***

The items of business to be voted on at the annual meeting are as follows:

1. The election of two Class III directors named in the proxy statement to hold office until our 2015 Annual Meeting of Stockholders, or until their respective successors have been duly elected or appointed;
2. An advisory vote to approve the compensation of our named executive officers;
3. The approval of an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares; and
4. The ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2013.



Table of Contents

***What happens if additional matters are presented at the annual meeting?***

The only items of business that our Board of Directors intends to present at the annual meeting are set forth in this Proxy Statement. As of the date of this Proxy Statement, no stockholder has advised us of the intent to present any other matter, and we are not aware of any other matters to be presented at the annual meeting. If any other matter or matters are properly brought before the annual meeting, the person(s) named as your proxyholder(s) will have the discretion to vote your shares on the matters in accordance with their best judgment and as they deem advisable. You may vote all of the shares you owned as of October 5, 2012, the record date, including shares held directly in your name as the *stockholder of record* and all shares held for you as the *beneficial owner* through a broker, trustee or other nominee such as a bank.

***What shares can I vote at the annual meeting?***

Most of our stockholders hold their shares through a broker or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

***What is the difference between holding shares as a stockholder of record and as a beneficial owner?***

**Stockholders of Record.** If your shares are registered directly in your name with our transfer agent, Computershare Shareowner Services, you are considered, with respect to those shares, the *stockholder of record*, and we are sending these proxy materials directly to you. As the *stockholder of record*, you have the right to vote in person at the annual meeting or direct the proxyholder how to vote your shares on your behalf at the annual meeting by fully completing, signing and dating the enclosed proxy card and returning it to us in the enclosed postage-paid return envelope, or by following the procedures for voting on the Internet or by phone.

**Beneficial Owner.** If your shares are held in a brokerage account or by a trustee or another nominee, you are considered the *beneficial owner* of those shares held *in street name* for your account, and these proxy materials are being made available to you together with a voting instruction card by your broker, trustee or other nominee. As the beneficial owner, you have the right to direct your broker, trustee or nominee to vote your shares as you instruct in the voting instruction card. The broker, trustee or other nominee may either vote in person at the annual meeting or grant a proxy and direct the proxyholder to vote your shares at the annual meeting as you instruct in the voting instruction card. You may also vote in person at the annual meeting, but only after you obtain a "legal proxy" from the broker, trustee or other nominee that holds your shares, giving you the right to vote your shares at the annual meeting. Your broker, trustee or other nominee has enclosed or provided a voting instruction card for you to use in directing the broker, trustee or other nominee how to vote your shares.

Table of Contents

***How can I vote my shares without attending the annual meeting?***

As discussed previously, whether you hold shares directly as the stockholder of record or as a beneficial owner, you may direct how your shares are voted without attending the annual meeting by voting on the Internet, voting by phone, or completing and returning the proxy card or voting instruction card. If you provide specific instructions with regard to items of business to be voted on at the annual meeting, your shares will be voted as you instruct on those items. If you just sign your proxy card or voting instruction card with no further instructions, or if you electronically transmit your voting instructions but do not direct how to vote on each item, your shares will be counted as votes in accord with the Board's recommendation.

***How can I attend the annual meeting?***

Whether you hold shares in your name as the stockholder of record or beneficially in street name, you should be prepared to present photo identification for admittance. Please also note that if you are not a stockholder of record but hold shares through a broker, trustee or nominee, you will need to provide proof of beneficial ownership as of the record date, such as your most recent brokerage account statement, a copy of the voting instruction card provided by your broker, trustee or nominee, or other similar evidence of ownership. The annual meeting will begin promptly at 9:00 a.m. PST. Check-in will begin at 8:30 a.m. PST. ***Even if you plan to attend the annual meeting, we recommend that you also vote by Internet, vote by telephone, or complete, sign and date the proxy card or voting instruction card and return it promptly in order to ensure that your vote will be counted if you later decide not to, or are unable to, attend the annual meeting.***

***Can I change my vote or revoke my proxy?***

You may change your vote or revoke your proxy at any time prior to the vote at the annual meeting. If you are the stockholder of record, you may change your vote by granting a new proxy bearing a later date, which automatically revokes the earlier proxy, by providing a written notice of revocation to our Corporate Secretary prior to your shares being voted, or by attending the annual meeting and voting in person. Attendance at the annual meeting will not cause your previously granted proxy to be revoked unless you specifically so request. If you are a beneficial owner, you may change your vote by submitting a new voting instruction card to your broker, trustee or nominee, or, if you have obtained a legal proxy from your broker, trustee or nominee giving you the right to vote your shares, by attending the annual meeting and voting in person.

Table of Contents

***What is a "broker non-vote"?***

Under the rules that govern brokers that have record ownership of our shares of common stock that are held in street name for the benefit of their clients, who are the beneficial owners of the shares, brokers and banks have the discretion to vote such shares on routine matters. The approval of the amendment to the Company's Certificate of Incorporation to increase the number of authorized shares and the ratification of the appointment of independent registered public accounting firms are considered routine matters. Therefore, if you do not otherwise instruct your broker or bank, the broker or bank may vote your shares on this matter. However, your broker or bank will not be able to vote your shares for the election of directors or the advisory vote to approve the compensation of named executive officers without your specific instruction because these are not considered routine matters. A "broker non-vote" occurs when a broker or bank does not receive timely instructions from the beneficial owner, and therefore such broker or bank expressly indicates on a proxy card that it is not voting the uninstructed shares on a non-routine matter.

***How are "broker non-votes" counted?***

Broker non-votes will be counted as present for the purpose of determining the presence or absence of a quorum for the transaction of business, but they will *not* be counted as "votes cast" in tabulating the voting result for any particular proposal.

***What happens if the annual meeting is adjourned?***

If our annual meeting is adjourned to another time or place, no additional notice will be given of the adjourned meeting if the time and place of the adjourned meeting is announced at the annual meeting, unless the adjournment is for more than 30 days, in which case a notice of the adjourned meeting will be given to each stockholder of record entitled to vote at the adjourned meeting. At the adjourned meeting, we may transact any items of business that might have been transacted at the annual meeting.

***Who will serve as inspector of elections?***

A representative of Computershare Shareowner Services, our transfer agent, will tabulate the votes and act as inspector of elections at the annual meeting.

Table of Contents

***What should I do in the event that I receive more than one set of proxy materials?***

You may receive more than one copy of the Notification of Internet Availability of Proxy Materials or more than one set of these proxy solicitation materials, including multiple copies of this Proxy Statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. In addition, if you are a stockholder of record and your shares are registered in more than one name, you may receive more than one Notification of Internet Availability of Proxy Materials or proxy card. Please vote on the Internet, by telephone, or complete, sign, date and return each proxy card and voting instruction card that you receive to ensure that all your shares are voted.

***Who is soliciting my vote and who will bear the costs of this solicitation?***

The proxy is being solicited on behalf of our Board of Directors. We will bear the entire cost of solicitation of proxies, including preparation, Internet posting, assembly, printing and mailing of this Proxy Statement. In addition to solicitation by mail, our directors, officers and employees may also solicit proxies in person, by telephone, by electronic mail or by other means of communication. We will not pay any additional compensation to our directors, officers or other employees for soliciting proxies. We have retained MacKenzie Partners, Inc. to assist in the solicitation of proxies for a fee of approximately \$15,000 plus reasonable out-of-pocket costs and expenses. Copies of the proxy materials will be furnished to brokerage firms, banks, trustees, custodians and other nominees holding beneficially owned shares of our common stock, who will forward the proxy materials to the beneficial owners. We are required to reimburse brokerage firms, banks, trustees, custodians and other agents for the costs of forwarding the proxy materials.

***Where can I find the voting results of the annual meeting?***

We intend to announce preliminary voting results at the annual meeting, and publish the final voting results in a current report on Form 8-K filed with the SEC within four business days following the annual meeting.

***What is the deadline for submitting proposals for consideration at next year's annual meeting of stockholders or to nominate individuals to serve as directors?***

As a stockholder, you may be entitled to present proposals for action at a future annual meeting of stockholders, including director nominations. Please refer to "Stockholder Proposals" and "Nomination of Director Candidates" below.

Table of Contents**PROPOSAL ONE ELECTION OF DIRECTORS****Classes of our Board of Directors**

Our Amended and Restated Certificate of Incorporation provides that our Board of Directors shall be divided into three classes, designated as Class I, Class II and Class III, respectively, with the classes of directors serving for staggered three-year terms. Our proposed Board of Directors consists of seven directors, with two directors in Class I, three directors in Class II and two directors in Class III. Proxies cannot be voted for more than two persons.

The names of each continuing member of our Board of Directors, including each nominee for election to our Board of Directors, the classes in which they serve, their ages as of July 31, 2012, principal occupation and length of service on our Board of Directors, are as follows:

<b>Name</b>	<b>Term Expires</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Director Since</b>
<b>Class III Directors</b>				
Elizabeth Dávila	2012	68	Retired CEO and Board Member, NuGEN Technologies, Inc. and Afaxys, Inc.	2008
Euan S. Thomson, Ph.D.	2012	49	President and Chief Executive Officer, Accuray Incorporated	2002
<b>Class I Directors</b>				
Robert S. Weiss	2013	65	Chief Executive Officer and President, The Cooper Companies, Inc.	2007
Richard Pettingill	2013	64	Retired President and CEO of Allina Hospitals and Clinics and California Division of Kaiser Foundation Health Plans and Hospitals and Board Member of MAKO Surgical Corp. and Tenet Healthcare Corporation	2012
<b>Class II Directors</b>				
Louis J. Lavigne, Jr.	2014	64	Independent management consultant and Board Member, Allergan, Inc., BMC Software, Inc. and SafeNet, Inc.	2009
Dennis L. Winger	2014	64	Retired CFO and Board Member, Cephalon, Inc., Vertex Pharmaceuticals and Nektar Therapeutics	2009
Jack Goldstein, Ph.D.	2014	65	Independent Consultant, Chairman of the Board of Directors of OncoGenex Pharmaceuticals, Inc.	2010

**Director Nominees**

Our Board of Directors has nominated Elizabeth Dávila and Euan S. Thomson, Ph.D. for election as Class III directors. Wayne Wu was not nominated to stand for re-election to our board of directors at the end of his term expiring at the Annual Meeting. Each nominee for director has consented to being named in this Proxy Statement and has indicated a willingness to serve if elected. If a nominee is unavailable for election, the persons named as proxyholders will use their discretion to vote for any substitute nominee in accordance with their best judgment as they deem advisable. Listed below are the biographies of each director nominee. The biographies include information regarding each nominee's service as a director of the Company, business experience and principal occupations for at least the past five years, director positions at public companies held currently or at any time during the past five years, and the experiences, qualifications, attributes or skills that led the Nominating and Corporate Governance Committee to recommend, and the Board to determine, that the person should serve as a director for the Company.

Table of Contents

*Elizabeth Dávila* has served as a member of our Board of Directors since February 2008 and as Vice Chairperson of our Board of Directors since September 2008. Ms. Dávila was the former Chairman and Chief Executive Officer of VISX, Incorporated ("VISX"), a manufacturer of laser vision correction systems, which was acquired by Advanced Medical Optics in May 2005. Prior to becoming Chairman and Chief Executive Officer of VISX in 2001, she served as President and Chief Operating Officer of VISX from 1999 to 2001 and as Executive Vice President and Chief Operating Officer from 1995 to 1999. Ms. Dávila currently serves as a member of the board of directors of NuGEN Technologies, Inc., a private company that develops and commercializes rapid, high-sensitivity and high-throughput amplification and labeling systems for genomic analysis, and Afaxys, Inc., a private company that supplies family planning providers with pharmaceuticals and supplies. Within the last five years, Ms. Dávila also served on the public company boards of directors of Advanced Medical Optics, Inc. (now Abbott Medical Optics) and Cholestech Corp., medical device companies that were acquired in 2009 and 2007, respectively. Ms. Dávila holds a B.S. in Chemistry from St. Mary's College in Notre Dame, Indiana, an M.S. in Chemistry from the University of Notre Dame in Notre Dame, Indiana, and an M.B.A. from Stanford University in Stanford, California.

As a former Chief Executive Officer of VISX and a member and former member of several public and private company boards, Ms. Dávila has extensive healthcare industry experience in management, business development, operations, strategy and capital equipment sales.

*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. Dr. Thomson also serves on the board of directors of Hospice of the Valley, a hospice facility serving individuals with life-limiting illnesses. Prior to joining our Company, Dr. Thomson served as Chief Executive Officer of Photoelectron Corporation, a medical device company, and held various positions as a medical physicist and manager within the United Kingdom National Health Service. He also previously worked as a consultant for other 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, United Kingdom.

As President and Chief Executive Officer of Accuray, Dr. Thomson brings to our Board healthcare industry expertise, extensive experience in management, strategy, leadership, reimbursement, and an understanding of the Company's technology and user base. In addition, Dr. Thomson has academic training as a medical physicist and research scientist.

If elected, Ms. Davila and Dr. Thomson will hold office as Class III directors until our annual meeting of stockholders to be held in 2015, or until their earlier resignation or removal.

**How votes are counted**

Stockholders are not entitled to cumulate their votes in the election of directors or with respect to any matter submitted to a vote of the stockholders. To be elected, directors must receive a majority of the votes cast (the number of shares voted "FOR" a director nominee must exceed the number of votes cast "AGAINST" that nominee). You may vote either "FOR" or "AGAINST" each director nominee or you may abstain. A properly executed proxy marked "ABSTAIN" with respect to any director will be counted for purposes of determining whether there is a quorum, but it will not be counted for purposes of determining the number of votes cast with respect to the election of such a director, and thus it will not have the same effect as a vote against a director nominee.

**Board of Directors' Recommendation**

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" EACH OF THE TWO NOMINEES FOR CLASS III DIRECTOR LISTED ABOVE.**

Table of Contents

**Directors Whose Terms Extend Beyond the 2012 Annual Meeting**

Listed below are the biographies of each of our Class I and Class II directors. The biographies include information regarding each director's service as a director of the Company, business experience and principal occupations for at least the past five years, director positions at public companies held currently or at any time during the past five years, and the experiences, qualifications, attributes or skills that led the Nominating and Corporate Governance Committee to recommend, and the Board to determine, that the person should serve as a director for the Company. There are no family relationships among any of our directors or executive officers.

*Louis J. Lavigne, Jr.* has served as a member of our Board of Directors since September 2009 and as the Chairperson of our Board of Directors since April 2010. Mr. Lavigne has been Managing Director of Lavite, LLC, a management-consulting firm specializing in the areas of corporate finance, accounting and growth strategy and management since 2005. From 1983 to 2005, Mr. Lavigne served in various executive capacities with Genentech, Inc., a healthcare company, namely, Executive Vice President and Chief Financial Officer from 1997 to 2005; Senior Vice President and Chief Financial Officer from 1994 to 1997; Vice President and Chief Financial Officer from 1988 to 1994; Vice President from 1986 to 1988; and Controller from 1983 to 1986. Mr. Lavigne has also served on the boards of directors of Allergan, Inc., a technology-driven, global health care company that provides specialty pharmaceutical products worldwide since 2005 and BMC Software, Inc., an independent systems software vendor that specializes in software solutions that allow companies to manage their information technology infrastructure from a business perspective since 2008, and he previously served on BMC Software's board of directors from 2004 to 2007. Mr. Lavigne also currently serves as a member of the board of directors of SafeNet, Inc., a private information security company. Within the past five years, Mr. Lavigne also served as a director of the following public companies: Arena Pharmaceuticals, Inc., Equinix, Inc. and Kyphon, Inc. as well as private companies Emphasis Search, Inc. and Life Masters Supported Self Care. Mr. Lavigne serves as a board member of Children's Hospital in Oakland, California, as a faculty member of Babson College's Bio-Pharma: Mastering the Business of Science Program, as a Trustee of Babson College (and Babson Global) and of the California Institute of Technology (CalTech) and of the Seven Hills School. Mr. Lavigne holds a B.S. in Finance from Babson College in Babson Park, Massachusetts, and an M.B.A. from Temple University in Philadelphia, Pennsylvania.

As a former Chief Financial Officer of a large, complex publicly traded company in the healthcare industry, and a current and former member of several public company boards, Mr. Lavigne brings to our Board extensive experience in business operations and management, strategy, finance, accounting and public company governance.

*Jack Goldstein, Ph.D.*, has served as a member of our Board of Directors since May 2010. Dr. Goldstein has been an independent consultant since 2006 specializing in human medical diagnostics, biopharmaceuticals and medical devices. He served as President and Chief Operating Officer of Chiron Corporation from 2004 until its acquisition by Novartis in 2006, and from 2002 to 2004 he served as President of Chiron's Blood Testing Division. From 2000 to 2002, he was a general partner at Windamere Venture Partners, a private venture capital investment fund. From 1997 to 2001, he served as President and Chief Executive Officer at Applied Imaging Corporation, and from 1999 until 2002, he also served as Chairman of the Board of Applied Imaging. From 1986 to 1997, Dr. Goldstein served in various executive positions at Johnson & Johnson, including President of Ortho Diagnostic Systems and Executive Vice President of Professional Diagnostics. Dr. Goldstein currently serves as Chairman of the Board of Directors of OncoGenex Pharmaceuticals, Inc. In the past five years, Dr. Goldstein has also served on the following public company boards of directors: Immucor, Inc., Illumina, Inc. and Orasure Technologies, Inc. Dr. Goldstein holds a B.A. in biology from Rider University and an M.S. in immunology and a Ph.D. in microbiology from St. John's University.

Table of Contents

As a former executive of several life sciences companies and member of other health care industry public company boards, Dr. Goldstein has extensive industry experience in management, strategy, operations, business development, and capital equipment sales and marketing. Dr. Goldstein also has relevant scientific, research and development and manufacturing expertise.

*Richard Pettingill* has served as a member of our Board of Directors since May 2012. Mr. Pettingill served as the President and Chief Executive Officer of Allina Hospitals and Clinics, Minnesota's largest healthcare organization, from 2002 until his retirement in 2009. While in this role, he also served on the board of directors of the Minnesota Hospital Association and the Minnesota Business Partnership. Prior to joining Allina Hospitals and Clinics, Mr. Pettingill served as President and Chief Executive Officer of the California Division of Kaiser Foundation Health Plans and Hospitals, one of the largest not-for-profit managed healthcare companies in the United States, from 1996 to 2002. Mr. Pettingill currently serves on the boards of directors of MAKO Surgical Corp., a medical devices company, and Tenet Healthcare Corporation, a medical services provider. Mr. Pettingill received a bachelor's degree from San Diego State University and a master's degree in health care administration from San Jose State University. He served as a 2010 Fellow in the Advanced Leadership Initiative program at Harvard University.

As the former chief executive officer of a major hospital system and a member of other public company boards, Mr. Pettingill has extensive leadership experience in the healthcare industry, including experience in the areas of business development, strategy and corporate governance, and can represent the customer perspective.

*Robert S. Weiss* has served as a member of our Board of Directors since January 2007. Since November 2007, Mr. Weiss has served as the Chief Executive Officer of The Cooper Companies, Inc. ("Cooper"), a global specialty medical products company. He was also given the title of President of Cooper in March 2008. Mr. Weiss has served in various senior executive management positions with Cooper since 1989. From January 2005 through October 2007, Mr. Weiss served as the Executive Vice President and Chief Operating Officer of Cooper, and from March 2007 to March 2008, he also served as President of CooperVision, Cooper's contact lens subsidiary. Prior to that, he served as Cooper's Chief Financial Officer from September 1989 to January 2005 and held the additional title of Executive Vice President from October 1995 until November 2007. From March 1984 until October 1995 he served at Cooper in various other roles, including Senior Vice President, Vice President and Corporate Controller. Mr. Weiss has also served on the board of directors of Cooper since 1996. Mr. Weiss holds a B.S. in Accounting from the University of Scranton in Scranton, Pennsylvania.

As a current Chief Executive Officer and former Chief Financial Officer of a publicly traded medical products company, Mr. Weiss brings to our board extensive experience in the healthcare industry in finance, accounting, management, strategy, manufacturing, and public company governance.

*Dennis L. Winger* has served as a member of our Board of Directors since September 2009. Mr. Winger most recently served as Senior Vice President and Chief Financial Officer of Applied Biosystems, Inc. from 1997 to 2008. Mr. Winger has also served on the boards of directors of Cephalon, Inc., a drug developer and seller, with activities focusing on central nervous system disorders since 2003; Vertex Pharmaceuticals, a company that discovers, develops and markets small molecule drugs that address viruses, cancer and autoimmune, inflammatory and neurological diseases since 2009; and Nektar Therapeutics, a biopharmaceutical company, since 2009. In the last five years, Mr. Winger also served as a director of Cell Genesys, Inc. and A.P. Pharma Inc. Mr. Winger also serves on the Board of Trustees of Siena College. Mr. Winger holds a B.A. in History from Siena College in Loudonville, New York and an M.B.A. from Columbia University in New York, New York.

As a former Chief Financial Officer of multiple publicly traded life sciences companies, and a member of multiple public company boards, Mr. Winger has extensive experience in finance, accounting, operations, strategy, and public company governance.



Table of Contents

**PROPOSAL TWO ADVISORY VOTE  
TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS  
("SAY-ON-PAY VOTE")**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), which was enacted on July 21, 2010, enables our stockholders to approve, on an advisory (non-binding) basis, no less frequently than once every three years, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the SEC's rules. We submitted both our first advisory vote on compensation and an advisory vote on how frequently such a vote would occur to our stockholders at our 2011 Annual Meeting. Stockholders owning 83% of the shares voting on the advisory vote on compensation at our 2011 Annual Meeting approved the compensation of our named executive officers for fiscal 2011 and stockholders owning 92% of the shares voting on the frequency of advisory votes on executive compensation favored an annual vote. In consideration of this and other factors, our Compensation Committee and Board of Directors have decided to hold advisory votes on the approval of executive compensation annually until the next advisory vote on frequency occurs. Accordingly, unless the Compensation Committee and Board of Directors modifies its policy on the frequency of future votes, the next advisory vote to approve executive compensation will be held at the 2013 annual meeting of stockholders. In this proposal, we are asking our stockholders to provide advisory approval of the compensation of Accuray Incorporated's Named Executive Officers ("NEO" or "NEOs"), as such compensation is described in the Compensation Discussion and Analysis section, the tabular disclosure regarding such compensation, and the accompanying narrative disclosure set forth in this Proxy Statement, beginning on page 15.

In fiscal 2012, our executive compensation programs were designed to enable us to attract, retain, motivate and appropriately reward the individuals who can help us successfully execute our business strategy and promote the best interests of our stockholders. In deciding how to vote on this proposal, the Board of Directors urges you to consider the following factors, which are more fully discussed in the Compensation Discussion and Analysis section below:

*We tie pay to performance.*

NEO base salaries were modestly increased in fiscal 2012 over their fiscal 2011 levels, both in recognition of Company and individual performance in fiscal 2011 and in an effort to maintain base salaries in the range of the 50<sup>th</sup> to 60<sup>th</sup> percentiles of the competitive market as reported in the Radford April 2011 High-Tech Industry Survey (the "Radford Survey") for companies with \$200-\$500 million in annual revenue and by a peer group of 17 medical device companies with whom we compete for executive talent which are in our industry sector and which have comparable financial and organizational characteristics.

The bonus pool was funded, in accordance with funding methodology established at the beginning of the year, at 68.6% of the target level. The Compensation Committee determined that the fiscal 2012 annual cash incentive award payouts to the executives, including NEOs, collectively, would be no greater than 68.6% of the total target award opportunity for the executives, including NEOs, as a whole. Sixty-five percent of each NEO's annual bonus was tied to Company performance, and 35% was tied to the executive's individual performance. Accordingly, for fiscal 2012 65% of the funded target award opportunity was paid to each NEO based on Company performance. The Compensation Committee also exercised its discretion to determine the level to be paid to each NEO with respect to the remaining 35% target award opportunity based on each NEO's individual performance and achievement of his or her respective fiscal 2012 goals and objectives. With respect to our CEO, the Compensation Committee exercised its negative discretion to reduce the 35% target opportunity to 0% for fiscal 2012.

Table of Contents

In fiscal 2012, the Compensation Committee approved a performance equity program, referred to as the performance stock unit program ("PSU program"), which sets forth stretch goals for the Company to achieve. Performance Stock Units were tied to the achievement of key stretch goals relating to revenue and profitability to be achieved by the end of fiscal 2013, thereby tying an even greater portion of NEO compensation directly to performance going forward.

In fiscal 2013, the Compensation Committee approved a new performance equity program, referred to as the market stock unit program ("MSU Program"), which uses the Russell 2000 index as a performance benchmark and requires that the Company's total stockholder return exceed that of the Russell 2000 in order for a certain number of shares to be earned by each participating executive, including participating NEOs, on a sliding scale based on how much the Russell 2000 benchmark is exceeded, up to a maximum of 150% of the target number of shares. There are two measurement periods, one at the end of fiscal 2014 and another at the end of fiscal 2015, thereby tying an even greater portion of the compensation of participants in the MSU Program directly to performance going forward.

*We have reasonable employment agreements.* Each NEO's employment agreement has a two-year term, competitively reasonable cash benefit levels and double trigger change of control acceleration for equity awards. Our CEO's employment agreement also provides for partial equity acceleration in the event of certain terminations of employment apart from a change of control.

*We mitigate unnecessary risk.* We have implemented robust Board and management-level processes to identify risk, and we mitigate undue risk with business controls, including maximum payout levels under our annual incentive award plan, a sales compensation committee and a recoupment (sometimes called a "clawback") policy that applies to both our annual cash incentive and long-term equity incentive programs.

*We have strong corporate governance standards.* Our Compensation Committee uses an independent compensation consultant, and has incorporated compensation analytical tools such as market data, tally sheets and compensation history for each executive officer as part of its annual executive compensation review.

*We have adopted stock ownership requirements.* Our Compensation Committee believes it is important for executives and non-employee directors to hold a minimum amount of our common stock, in order to align their interests with those of our stockholders. Consistent with this belief, the Compensation Committee implemented stock ownership guideline policies with stock holding requirements for our executives as follows:

The lesser of 3.0 times base salary or 175,000 shares for our CEO;

The lesser of 1.0 times base salary or 40,000 shares for our CFO, COO, CCO; and

The lesser of 1.0 times base salary or 17,500 shares for our General Counsel.

While each NEO has five years from the later of July 1, 2010 and the date of employment to achieve the required ownership levels, each NEO who has been employed by the Company for more than one year already meets the applicable ownership requirement.

*We do NOT engage in the following compensation practices:*

We do not provide perquisites or other personal benefits to our NEOs.

Edgar Filing: ACCURAY INC - Form PRE 14A

We do not currently offer pension arrangements, retirement plans (other than our Section 401(k) employee savings plan), or nonqualified deferred compensation plans or arrangements to our executives, including the NEOs.

Table of Contents

We do not provide excise tax gross-ups.

The Compensation Committee will continue to analyze our executive compensation policies and practices and adjust them as appropriate to reflect our performance and competitive needs.

**How votes are counted**

The adoption of the non-binding advisory resolution to approve the compensation of our named executive officers requires the affirmative vote of a majority of shares present at the annual meeting, in person or by proxy, and entitled to vote on the proposal. A properly executed proxy marked "ABSTAIN" with respect to the approval of the compensation of our named executive officers will not be voted with respect to such proposal, but it will be counted for purposes of determining whether there is a quorum. Abstentions will be treated as being present and entitled to vote on the proposal and, therefore, will have the same effect as a vote against the proposal.

**Board of Directors' Recommendation**

Based on the information provided above and within the "Compensation Disclosure" section of this Proxy Statement, we request that you indicate your support for our executive compensation philosophy and practices, by voting in favor of the following resolution:

**"RESOLVED**, that the Company's stockholders approve, on an advisory basis, the compensation of the Company's named executive officers as described in this Proxy Statement, including the "Compensation Discussion and Analysis" section, the compensation tables, and the other narrative compensation disclosures."

The opportunity to vote on this Proposal Two is required pursuant to Section 14A of the Exchange Act. Because your vote is advisory, however, it will not be binding on the Board of Directors. However, the Compensation Committee, which is responsible for designing and administering our executive compensation program, and the Board of Directors values the opinions expressed by stockholders and will consider the outcome of the vote when making future compensation decisions for our named executive officers.

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DESCRIBED IN THIS PROXY STATEMENT.**

**PROPOSAL THREE APPROVAL OF AN AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES**

**Summary**

The Company is asking stockholders to approve an amendment to the Company's amended and restated certificate of incorporation (the "Certificate of Incorporation") to:

Increase the total number of authorized shares from 105,000,000 to 205,000,000, thereby increasing the authorized shares of common stock from 100,000,000 to 200,000,000

The additional common stock will have rights identical to the Company's currently outstanding common stock. The number of authorized shares of the Company's preferred stock will not be affected by this amendment; it will be maintained at 5,000,000 shares. No shares of preferred stock have been issued, and the Company currently has no plans, arrangements, commitments or understandings with respect to the issuance of any shares of preferred stock.

Substantially all of the Company's currently authorized common stock has been either issued, or is reserved for issuance under the Company's employee equity plans and upon conversion of our 3.75%

Table of Contents

Convertible Senior Notes issued on August 1, 2011 (the "Notes"). As a result of the significant reserved shares, the Company does not currently have sufficient shares authorized to maintain a competitive employee equity compensation program during calendar year 2013 and beyond, to pursue appropriate acquisition or investment opportunities using the Company's stock as consideration or take certain other actions that the Board determines are in the best interests of the Company and its stockholders.

Article IV of the Company's Certificate of Incorporation currently authorizes the Company to issue up to 105,000,000 shares of stock; 100,000,000 shares are designated as common stock with a par value of \$0.001 per share, and 5,000,000 shares are designated as preferred stock with a par value of \$0.001 per share. On August 21, 2012, our Board of Directors approved an amendment to Article IV to increase the total authorized shares and the authorized shares of common stock as described in the first paragraph of this Summary. This amendment to the Certificate of Incorporation requires approval of both the Board of Directors and our stockholders. Accordingly, the Company is seeking stockholder approval for the amendment by means of this Proxy Statement.

**Purpose of the Proposed Amendment**

The Company's common stock consists of a single class, with equal voting, distribution, liquidation and other rights. As of August 31, 2012, of our 100,000,000 shares of authorized common stock, 72,049,080 shares were outstanding and 27,737,404 shares were reserved. The reserved shares are for issuance upon conversion of the Notes (consisting of 13,194,350 shares) and pursuant to our employee equity plans (consisting of 14,543,054 shares). This leaves the Company with only 213,516 shares of common stock that are authorized but not already reserved for issuance.

The increase in authorized shares of common stock will allow the Company to continue implementing its employee equity programs at competitive levels. The Company's ability to offer employee equity is essential to its ability to hire and retain employees with the requisite skills and experience to conduct the Company's business.

The increase in authorized common shares will also give the Board of Directors the flexibility to undertake certain transactions to support the Company's business operations, without the potential expense or delay associated with obtaining stockholder approval for any particular issuance. For example, the Company could issue additional shares of common stock in the future in connection with one or more of the following (subject to laws or regulations that might require stockholder approval of certain transactions):

Acquisitions

Strategic investments

Partnerships, collaborations and other similar transactions

Financing transactions, such as public or private offerings of common stock or convertible securities

Debt or equity restructuring or refinancing transactions

Stock splits or stock dividends

Any other proper corporate purposes

**Potential Adverse Effects of the Proposed Amendment**

If Proposal Three is adopted, the additional authorized shares of common stock can be issued or reserved with approval of the Board at times, in amounts, and upon terms that the Board of Directors may determine, without additional stockholder approval. This could have a dilutive impact on our



Table of Contents

earnings per share and book value per share. However, the Board's discretion will be subject to any applicable laws or regulations that might require stockholder approval for any particular issuance or reservation of shares.

Current stockholders will have no preemptive rights to purchase additional shares. Stockholder approval of Proposal Three will not, by itself, cause any change in the Company's capital accounts. However, any future issuance of additional shares of authorized common stock, or securities convertible into common stock, would ultimately result in dilution of existing stockholders' equity interests. In addition, the availability of additional shares of common stock for issuance could, under certain circumstances, discourage or make more difficult any efforts to obtain control of the Company. The Board is not aware of any actual or contemplated attempt to acquire control of the Company and this Proposal Three is not being presented with the intent that it be used to prevent or discourage any acquisition attempt. However, nothing would prevent the Board from taking any actions that it deems consistent with its fiduciary duties.

**Risks to Stockholders of Non-Approval**

If the stockholders do not approve this Proposal Three, the Company will face substantial challenges in hiring and retaining employees at all levels of the Company, including its executive leadership team, beginning in calendar year 2013. In addition, the Board may be precluded from pursuing a wide range of potential corporate opportunities that might be in the best interests of the Company and its stockholders.

**Text of the Proposed Amendment**

If this Proposal Three is approved, the Company will amend its Certificate of Incorporation by replacing Article IV A in its entirety as follows:

"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 Two Hundred Five Million (205,000,000), Two Hundred Million (200,000,000) shares of which shall be Common Stock and Five Million (5,000,000) 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."

The amendment will become effective when a certificate of amendment to the Certificate of Incorporation is filed with the Secretary of State of the State of Delaware.

**Vote Required and Board of Directors' Recommendation**

Approval of the amendment to the Company's Certificate of Incorporation requires the approval of a majority of the outstanding shares of the common stock entitled to vote on this Proposal Three. Abstentions will have the same effect as votes cast against Proposal Three.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION.**

**PROPOSAL FOUR RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of our Board of Directors has selected Grant Thornton LLP as our independent registered public accounting firm to perform the audit of our consolidated financial

Table of Contents

statements for the fiscal year ending June 30, 2013. Grant Thornton LLP audited our consolidated financial statements for the fiscal years ended June 30, 2012, 2011, 2010, 2009, 2008 and 2007.

Stockholder ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2013 is not required by law, by the NASDAQ Stock Market listing requirements or by our Amended and Restated Certificate of Incorporation or Bylaws. However, our Board of Directors is submitting the selection of Grant Thornton LLP to our stockholders for ratification as a matter of good corporate governance and practice. If the stockholders fail to ratify the appointment, the Audit Committee of our Board of Directors will reconsider whether or not to retain that firm. Even if the selection is ratified, we may appoint a different independent registered public accounting firm during the year if the Audit Committee of our Board of Directors determines that such a change would be in the best interests of our Company and our stockholders.

Representatives of Grant Thornton LLP are expected to be present at the annual meeting of stockholders. They will have an opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from our stockholders.

**How votes are counted**

Stockholder ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2013 is not required by law or by governing instruments. However, our Board of Directors is submitting the selection of Grant Thornton LLP to our stockholders for ratification as a matter of good corporate governance and practice. The ratification of the appointment of Grant Thornton LLP requires a majority of the shares present in person or represented by proxy at the annual meeting. You may vote either "FOR" or "AGAINST" ratification of the appointment, or you may abstain. A properly executed proxy marked "ABSTAIN" with respect to the ratification of the appointment will not be voted with respect to such ratification, but it will be counted for purposes of determining whether there is a quorum. Abstentions will be treated as being present and entitled to vote on the proposal and, therefore, will have the same effect as a vote against the proposal. If the stockholders fail to ratify the appointment, the Audit Committee of our Board of Directors will reconsider whether or not to retain this firm.

**Board of Directors' Recommendation**

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING JUNE 30, 2013.**

**Audit and Non-Audit Services**

The Audit Committee is directly responsible for the appointment, compensation, and oversight of our independent auditors. The Audit Committee retained Grant Thornton LLP to audit our



Table of Contents

consolidated financial statements for the fiscal year ended June 30, 2012. The estimated aggregate fees billed by Grant Thornton LLP for all services relating to 2012 and 2011 are as follows:

Service Category	Fiscal Year Ended June 30,	
	2012	2011
Audit Fees(1)	\$ 2,024,000	\$ 1,932,000
Audit Related Fees		
Tax Fees		
All Other Fees		
<b>Total</b>	<b>\$ 2,024,000</b>	<b>\$ 1,932,000</b>

(1) Audit fees primarily consist of fees for professional services performed for the audit of our consolidated annual financial statements, including those related to TomoTherapy, which we acquired on June 10, 2011, and the review of our unaudited quarterly financial statements. Audit fees also include fees for the audit of our internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Fees for 2012 represent the amount billed to our Company as of the date of this Proxy Statement plus an estimated \$214,000, which we expect to be billed following the date of this Proxy Statement.

In the above table, in accordance with the SEC's definitions and rules, "audit fees" are fees for professional services for the audit of our consolidated financial statements included in our Annual Report on Form 10-K, for the review of our financial statements included in our quarterly reports on Form 10-Q, for the review of registration statements and issuance of consents and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements except those not required by statute or regulation; "audit-related fees" are fees for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements, including attestation services that are not required by statute or regulation; "tax fees" are fees for tax compliance, tax advice and tax planning; and "all other fees" are fees for any services not included in the first three categories.

**Audit Committee Pre-Approval Policies and Procedures**

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services and tax services, as well as, to a very limited extent, specifically designated non-audit services that, in the opinion of the Audit Committee, will not impair the independence of the registered public accounting firm. Pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, including the fees for the services performed to date. In addition, the Audit Committee also may pre-approve particular services on a case-by-case basis, as required. During fiscal 2012, all of the non-audit services performed by Grant Thornton LLP were pre-approved in accordance with Audit Committee policy.

**AUDIT COMMITTEE REPORT**

The Audit Committee of our Board of Directors is responsible for overseeing our accounting and financial reporting processes and internal control systems, the appointment, compensation, retention and oversight of Grant Thornton LLP, our independent registered public accounting firm, and audits of

Table of Contents

our financial statements, all pursuant to the Audit Committee's written charter. Grant Thornton LLP reports directly to the Audit Committee. The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties and to receive appropriate funding, as determined by the Audit Committee, from our Company for such advice and assistance.

Management is responsible for preparing our financial statements and for our financial reporting processes, accounting policies, systems of internal controls and disclosure controls and procedures. For our fiscal year ended June 30, 2012, Grant Thornton LLP was responsible for expressing an opinion on the effectiveness of our internal control over financial reporting. Grant Thornton LLP was also responsible for performing an independent audit and expressing an opinion on the conformity of our audited financial statements with accounting principles generally accepted in the United States. In this context, the Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed our audited financial statements for fiscal 2012 with our management.
2. The Audit Committee has discussed with Grant Thornton LLP the matters required to be discussed by the statement on Accounting Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.
3. The Audit Committee has received the written disclosures and the letter from Grant Thornton LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence and has discussed with Grant Thornton LLP its independence.
4. Based on the review and discussions referred to in paragraphs (1) through (3) above, the Audit Committee recommended to our Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012, for filing with the SEC.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Robert S. Weiss, Chairperson  
Elizabeth Dávila  
Dennis L. Winger

*The foregoing Audit Committee report shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and shall not otherwise be deemed filed under these acts, except to the extent we incorporate by reference into such filings.*

**COMPENSATION COMMITTEE REPORT**

This report, filed in accordance with Item 407(e)(5) of Regulation S-K, should be read in conjunction with the other information relating to executive compensation which is contained elsewhere in this Proxy Statement and is not repeated here.

In this context, the Compensation Committee hereby reports as follows:

1. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis section contained herein with management.

Table of Contents

2.

Based on the review and discussions referred to in paragraph (1) above, the Compensation Committee recommended to our Board of Directors, that the Compensation Discussion and Analysis be included in this Proxy Statement.

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Louis J. Lavigne, Jr., Chairperson  
Elizabeth Dávila  
Jack Goldstein, Ph.D.

*The foregoing Compensation Committee Report shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and shall not otherwise be deemed filed under these acts, except to the extent that we expressly incorporate it by reference into such filings.*

COMPENSATION DISCUSSION & ANALYSIS

**Introduction**

This Compensation Discussion and Analysis provides information regarding the fiscal 2012 compensation program for the principal executive officer, the principal financial officer and the three executive officers (other than the principal executive officer and principal financial officer) at fiscal year-end who were the most highly compensated executive officers of Accuray Incorporated. During fiscal 2012, these individuals were:

Euan S. Thomson, Ph.D., our President and Chief Executive Officer;

Derek A. Bertocci, our Senior Vice President and Chief Financial Officer;

Chris A. Raanes, our Executive Vice President, Chief Operating Officer;

Kelly Londy, our Senior Vice President and Chief Commercial Officer; and

Darren J. Milliken, our Senior Vice President, General Counsel and Corporate Secretary.

These executives were Accuray Incorporated's NEOs for fiscal 2012. In this Compensation Discussion and Analysis, Accuray Incorporated is referred to as "our," "us," "we," or "the Company."

This Compensation Discussion and Analysis describes the material elements of our executive compensation program during fiscal 2012. It also provides an overview of our executive compensation philosophy, including our principal compensation policies and practices. Finally, it analyzes how and why the Compensation Committee of our Board of Directors arrived at the specific compensation decisions for our executives, including the NEOs, in fiscal 2012, and discusses the key factors that the Compensation Committee considered in determining their compensation.

**Fiscal 2012 Highlights**

Accuray Incorporated is a technology company focused on the design, development and marketing of radiation oncology treatment solutions that revolve around the patient.

**Fiscal 2012 Business Results.** In fiscal 2012 we achieved several significant financial results, as follows:

## Edgar Filing: ACCURAY INC - Form PRE 14A

Generated \$401.3 million in revenue (excluding adjustments associated with mergers and acquisitions) at 93.3% of our annual operating plan;

Generated new orders to backlog (comprising new purchase agreements as well as the addition of existing customer contracts to backlog upon the contracts' satisfaction of our backlog criteria)

Table of Contents

at 69.4% of our annual operating plan for CyberKnife systems and 110.7% for our annual operating plan for TomoTherapy systems; and

Achieved 38.6% gross margins, at 103% of our annual operating plan.

The foregoing metrics are the metrics under the Executive Performance Bonus Plan and are further discussed under the heading *Fiscal 2012 Cash Incentive Award Opportunities and Payouts* below.

**Significant Executive Compensation Actions.**

As reflected in our compensation philosophy, we set the compensation of our executives, including the NEOs, based on their ability to achieve annual operational objectives that we believe further our long-term business objectives and to create sustainable long-term stockholder value in a cost-effective manner. Accordingly, our fiscal 2012 compensation actions and decisions were based on our executives' accomplishments in these dual areas.

For fiscal 2012, the Compensation Committee determined that growth in new orders to backlog, maintenance of revenue despite the numerous challenges presented by the uncertain economic climate, and improved gross margins represented the objectives most important to creating long-term stockholder value. At the same time, the Compensation Committee sought to maintain the stability and continuity of our management team, whose composition they viewed to be critical to the successful execution of our long-term business objectives and continued integration of TomoTherapy. Accordingly, the Compensation Committee addressed the primary elements of our executives' compensation packages (base salary, annual cash incentive awards, and equity awards) with these goals in mind. In addition, in light of our acquisition of TomoTherapy in June of 2011, as well as ongoing assessments of industry best practices and a desire to more closely align executive officer compensation with Company performance, the Compensation Committee and Board took additional actions to enhance our compensation and governance practices for fiscal 2012 and intends to continue this philosophy going forward.

Following is a summary of actions taken by the Compensation Committee with respect to the compensation of our executives, including the NEOs, for fiscal 2012:

*Moderately increased base salaries.* The base salaries of each of Dr. Thomson, Mr. Bertocci and Mr. Milliken increased approximately by 3.5%. Mr. Raanes's salary increased by 9.5% in connection with his promotion from Senior Vice President to Executive Vice President. Ms. Londy did not receive an increase because she was hired during fiscal 2012 and her base salary was set at the time of hire.

*Funded the bonus pool for annual cash incentive awards for executives at approximately 68.6% of the target level established at the beginning of the year.* The bonus pool was funded, in accordance with funding methodology established at the beginning of the year, at 68.6% of the target level. The Compensation Committee determined that the fiscal 2012 annual cash incentive award payouts to the executives, including NEOs, collectively, would be no greater than 68.6% of the total target award opportunity for the executives, including NEOs, as a whole. Sixty-five percent of each NEO's annual bonus was tied to Company performance, and 35% was tied to the executive's individual performance. Accordingly, for fiscal 2012 65% of the funded target award opportunity was paid to each NEO based on Company performance. The Compensation Committee also exercised its discretion to determine the level to be paid to each NEO with respect to the remaining 35% target award opportunity based on each NEO's individual performance and achievement of his or her respective fiscal 2012 goals and objectives. With respect to our CEO, the Compensation Committee exercised its negative discretion to reduce the 35% target opportunity to 0% for fiscal 2012.

Table of Contents

*Approved stock option and RSU awards to address competitive market concerns, satisfy our retention objectives, and reward individual performance during fiscal 2012.* In making equity awards, the Compensation Committee took into consideration the fact that, consistent with our compensation philosophy, such awards further increased the NEOs' stake in the Company, thereby reinforcing their incentive to manage our business as owners and subjecting a significant portion of their total compensation to Company performance. Equity awards align with our growth strategy and provide significant leverage if our growth objectives are achieved, and, in addition, place a significant portion of executive compensation at risk if our business strategy and results do not result in returns to our stockholders.

*Approved awarding performance-based grants of restricted stock units to executives (PSU Program) which will vest only upon the achievement of performance goals established by the Compensation Committee, thereby putting a greater percentage of executive compensation at-risk, linking a greater percentage of executive compensation to measures of our business success, and further linking our executives' compensation to the creation of long-term stockholder value.*

*Clarified our compensation philosophy, which continues to reflect objectives that tie executive pay to Company performance, drive business growth and link stockholder and executive interests.* Consistent with our focus on linking executive compensation to performance, the bonus pool will not fund unless the specified performance goals are met. Moreover, performance-based RSUs will be forfeited if the Company's predetermined goals are not met within the set performance period.

*Adjusted our compensation peer group for fiscal 2012 in order to (a) include a larger number of peers to improve the quality of the data sample and mitigate the impact of any outliers, (b) reflect peer group selection criteria more closely aligned to those of our growing Company, and (c) add a group of reference peers for the purposes of providing key labor market compensation data and an understanding of the compensation practices of larger industry companies.*

*Strengthened the Company's stock ownership guidelines for our executive officers and non-employee directors such that they require mandatory ownership levels rather than merely suggested guidelines.* In addition, in March 2012, the Compensation Committee further amended the requirements with respect to non-employee directors. Prior guidelines required ownership levels at the lesser of three times a director's annual retainer or a specified number of shares. The revised requirements eliminate the share number alternative, simply requiring ownership equal to at least three times each director's annual board retainer.

*Expanded the Company's recoupment policy (which is reflected in both our Performance Bonus Plan and 2007 Incentive Award Plan) to include potential recoupment of performance-based or incentive compensation paid to executive officers in the event of a material reduction in the Company's publicly disclosed backlog figures, if the compensation received by such executive officers is greater than would have been paid or awarded if calculated based on the materially reduced backlog figures.*

*Amended Dr. Thomson's employment letter agreement to eliminate his guarantee to receive an annual option to purchase 40,000 shares of Company common stock.*

We also continued to maintain good governance standards in our executive compensation practices. The following policies remained in effect in fiscal 2012:

Our executive officers' employment letter agreements have two year terms and do not include single trigger change of control acceleration for equity awards.

We do not provide perquisites or other personal benefits to our executives, including the NEOs. Our executives participate in broad-based company-sponsored health and welfare benefits programs on the same basis as our other full-time, salaried employees.



Table of Contents

Separation of Board of Directors Chairperson and Chief Executive Officer positions. We have operated with these roles separated for several years and continue to believe separation of the two roles is in the best interests of our stockholders.

No pension or nonqualified deferred compensation plans. We do not currently offer pension arrangements, retirement plans (other than our Section 401(k) employee savings plan), or nonqualified deferred compensation plans or arrangements to our executives, including the NEOs.

Use of an independent compensation consultant who reports directly to the Compensation Committee.

**Results of "Say-on-Pay" Advisory Vote.**

The Company provided stockholders a "say-on-pay" advisory vote to approve its executive compensation in 2011 under recently adopted rules under Section 14A of the Exchange Act. At the 2011 Annual Meeting, stockholders expressed substantial support for the compensation of the Company's named executive officers, with 83% of the votes cast for approval of the "say-on-pay" advisory vote. The Committee carefully evaluated the results of the 2011 advisory vote in connection with its evaluation of the Company's executive compensation programs more generally. After careful consideration, and aside from the voluntary programs and actions described above, the Committee did not make any other material changes to the Company's executive compensation program and policies as a result of the 2011 "say-on-pay" vote.

**Fiscal 2013 Compensation Actions.**

In addition to the foregoing changes adopted in fiscal year 2012, for fiscal 2013, the Compensation Committee approved our MSU Program, which is described above under "Proposal Two."

The Compensation Committee's decisions with respect to fiscal 2012 and certain of its decisions with respect to fiscal 2013 are discussed in further detail below. In addition, the compensation and benefits provided to our NEOs for the last three years are set forth in the Summary Compensation Table and other tables that follow this Compensation Discussion and Analysis and in the footnotes and narrative material that accompany those tables.



Table of Contents

*Target Pay Mix*

The following charts illustrate for our NEOs, the allocation of fiscal 2012 target total direct compensation between base salary, cash incentives and equity compensation elements. All elements, except base salary, are considered, "at-risk".

**CEO 2012 Target Pay Mix**

**Average Other NEO 2012 Target Pay Mix**

Based on our performance in fiscal 2012, a significant portion of the "at risk" compensation was not, and likely will not, be earned (i.e., bonus payout is below target and assumes performance-based equity grant is not earned).

**FY 2012 Target and Actual Compensation (\$ in thousands)**

The chart above reflects salary, non-equity incentive plan compensation and equity awards but excludes other bonuses and other compensation as reported in the Summary Compensation Table. Actual compensation assumes performance-based equity awards granted in fiscal 2012 are not earned.



Table of Contents

*Relationship between Total Stockholder Return and Chief Executive Officer Compensation*

The following chart illustrates the directional relationship between the Company's total stockholder return and Chief Executive Officer Compensation from fiscal 2010 through fiscal 2012.

**Accuray 3-Yr CEO Total Direct Compensation vs. Company TSR**

- 
- (1) Total Direct Compensation is equal to base salary, annual incentive awards, equity grant value and all other compensation, as reported in the Summary Compensation Table below.
- (2) Total Stockholder Return calculation assumes a stock price of \$6.63 for fiscal 2010, \$8.01 for fiscal 2011 and \$6.82 for fiscal 2012 (each the closing price on the last trading day of each respective fiscal year). The indexed calculation divides the fiscal year end price by the fiscal 2010 price.

**Background and Compensation Philosophy**

To achieve the Company's objectives, we need a highly talented and seasoned management team with the integrity, skills and dedication necessary to oversee a dynamic and growing organization and the vision to anticipate and respond to future market developments. Our executives must be capable of fulfilling the Company's long-term business strategy, including the successful integration of the TomoTherapy organization and technologies into our business.

The overarching compensation philosophy approved by the Compensation Committee for fiscal 2012 was to maintain an executive compensation program that emphasizes pay for performance, drives business growth and links stockholder value and executive interests.

The key objectives of the compensation philosophy include:

Attract, retain, motivate and reward the top talent that is necessary to grow the CyberKnife market, make the most of the TomoTherapy acquisition, and drive future business success;

Link short-term rewards with Company performance (both financial and strategic) and individual performance; and

Link long-term rewards with the creation of stockholder value.

## Edgar Filing: ACCURAY INC - Form PRE 14A

The foregoing principles and objectives form the foundation of our executive compensation philosophy, which is reflected in the various compensation elements base salary, annual cash incentives, annual equity awards, performance equity awards and other benefits.

Table of Contents

**Compensation Process**

The Compensation Committee oversees our executive compensation philosophy and administers our executive compensation program. The Compensation Committee is responsible for reviewing the performance and approving the compensation of our executives, including the NEOs. The independent members of our Board of Directors are responsible for reviewing the performance of our Chief Executive Officer and approving his compensation. The Compensation Committee is also responsible for reviewing and recommending to our Board of Directors the compensation of our non-employee directors and establishing and regularly reviewing the compensation and benefits policies for our executives and salaried employees. For additional information on the Compensation Committee, including the scope of its authority, see *Corporate Governance and Board of Directors Matters Compensation Committee*, below.

At the beginning of each fiscal year, the Board of Directors, after consulting with management, establishes the corporate performance objectives for the Company and the Compensation Committee, after consulting with management, reviews and approves the individual performance objectives for each executive officer (other than the CEO) and makes decisions with respect to any base salary adjustment, target annual cash incentive award opportunities, and equity awards for our executives, including the NEOs, (other than the CEO) for the upcoming year. The independent members of the Board of Directors, with recommendations from the Compensation Committee, review and approve the individual performance objectives for the CEO, and make decisions with respect to any base salary adjustment, target annual cash incentive award opportunities and equity awards for our CEO. After the end of the fiscal year, the Compensation Committee assesses the performance of our executives, including the NEOs (other than the CEO) to determine the payouts for the annual cash incentive award opportunities for the previous year, and the independent members of our Board of Directors assess the performance of our CEO to determine his annual cash incentive award payout.

*Role of Management*

To aid in its deliberations, each year our CEO provides recommendations to the Compensation Committee regarding the individual compensation elements for each of our executives, including the NEOs (other than himself). Prior to formulating these recommendations, our CEO conducts an annual performance review of our other executives to evaluate their performance for the prior fiscal year. Our CEO then presents the results of these evaluations, along with his recommendations with regard to their compensation, including base salary adjustments, annual cash incentive award opportunities and payouts, and equity awards, to the Compensation Committee for its consideration. Similarly, our CEO's performance is reviewed annually by the Compensation Committee as well as the independent members of the Board of Directors as part of their deliberations with respect to his compensation.

Our CEO also meets with the Compensation Committee at the beginning of each year to assist the Compensation Committee in formulating the Company's performance objectives for each fiscal year and the individual performance objectives for each executive. For executive officers other than himself, the CEO considers performance and makes recommendations to the Compensation Committee with respect to base salary, annual incentive and long term equity compensation. In advance of making such recommendations, the Chief Executive Officer often consults with our Senior Vice President, Human Resources, who may discuss a range of pay for him to consider for executive officers other than our Senior Vice President, Human Resources and himself, which range is based on the Company's compensation philosophy, market data provided by the Compensation Committee's independent consultant, achievement of individual performance goals and objectives, and internal equity. The Compensation Committee reviews, discusses and modifies as appropriate the compensation recommendations made by the CEO.

Table of Contents

The Compensation Committee itself makes recommendations regarding the compensation of the CEO to the independent members of the Board of Directors, who approve all elements of the CEO's compensation.

Typically, our CEO is present at Compensation Committee meetings where executive compensation and corporate and individual performance are discussed and evaluated (except when his own compensation and performance are discussed). From time to time, our Chief Financial Officer, General Counsel, and Senior Vice President of Human Resources may also attend Compensation Committee meetings at which executive compensation matters are discussed and participate in those discussions (except when their own compensation and performance are discussed).

Role of Compensation Consultants

The Compensation Committee has retained Compensia, Inc. ("Compensia") as its independent advisor to provide advice with respect to our compensation programs. Compensia advises the Compensation Committee with respect to trends in executive compensation, peer group selection, the determination of pay programs, the assessment of competitive pay levels and mix (for example, the proportion of fixed pay to incentive pay, and the proportion of annual cash pay to long-term incentive pay), and setting compensation levels. Compensia also consults with the Compensation Committee to formulate and design new programs to better align management performance with the interests of the Company's stockholders, for example, performance equity programs.

Compensia did not perform any other services for the Company or the Compensation Committee in fiscal 2012.

Competitive Positioning

For fiscal 2012, the Compensation Committee allocated the compensation of our executives, including our NEOs, between cash and equity based on an analysis of the data reflected in the Radford Survey for companies with \$200 to \$500 million in annual revenue, as well as an assessment of the Company's performance and compensation practices against a core peer group of 17 medical device companies which have similar financial and organizational characteristics (collectively, the "Relevant Market Data"). The Radford Survey is a survey of companies in the medical device, software, and other high-technology industries. The peer group of 17 medical device companies was recommended by Compensia and submitted to the Compensation Committee for its review. The final peer group for fiscal 2012 was approved by the Compensation Committee in May 2011.

The fiscal 2011 peer group had included 13 companies; however, the Compensation Committee decided to increase the size of the peer group in fiscal 2012 to 17 companies to provide more robust data samples. In addition, the Compensation Committee revised the criteria it used to identify peer companies in light of the changes in the Company following the TomoTherapy acquisition. Accordingly, the fiscal 2012 peer group was selected based on the following criteria:

*Primary Factors:*

Similar business focus (i.e., companies that develop and design highly technical devices and that have at least 30% of their business from international operations);

Total revenue of approximately \$200 million to \$900 million; and

Positive revenue growth.

Table of Contents

*Secondary Factors:*

Employee population of up to approximately three times the number of employees of the Company;

Market capitalization of two-thirds to three and a half times that of the Company; and

Revenue per employee of one-half times to two times that of the Company.

Three companies (Cardiac Science, Healthtronics and TomoTherapy) were removed from the 2011 list because they had been acquired. The fiscal 2012 peer group approved by the Compensation Committee includes the following companies:

American Medical Systems Holdings, Inc.(1)	ICU Medical, Inc.	Sonosite, Inc.
AngioDynamics, Inc.	Integra LifeSciences Holdings Corporation	Thoratec Corporation
ArthroCare Corporation	Masimo Corporation	Volcano Corporation
CONMED Corporation	Merit Medical Systems, Inc.	Wright Medical Group, Inc.
Cyberonics, Inc.	Natus Medical Incorporated	ZOLL Medical Corporation
Haemonetics Corp.	NuVasive, Inc.	

(1) American Medical Systems Holdings, Inc. has been acquired since the May meeting of the Compensation Committee.

In addition to the above core peer group, for fiscal 2012, the Compensation Committee also approved a group of seven reference peers in order to provide key labor market compensation data and an understanding of the compensation practices of larger industry companies. The reference peers were selected based on the following criteria:

Medical device, life science or pharmaceutical industry companies engaged in the development of technical products or pharmaceuticals that go through the clinical testing processes;

Revenue of approximately \$1 billion to \$5 billion; and

Based in the U.S., primarily in California.

The fiscal 2012 reference peers include the following seven companies:

Allergan, Inc.	Intuitive Surgical, Inc.	Varian Medical Systems, Inc.
Edwards Lifesciences Corporation	ResMed Inc.	Watson Pharmaceuticals, Inc.
Illumina, Inc.		

The table below reflects percentile estimates of how the fiscal 2012 compensation of our NEOs compares to the Company's fiscal 2012 Relevant Market Data.

Incumbent	Title	Salary	2012 Estimated Pay Positioning vs. Market			Target Total Direct Comp.	Actual Total Direct Comp.
			Target Total Cash	Actual Total Cash	Equity/LTI Value		
Thomson, Euan	President & CEO	50%	50%	35%	<25th	40%	30%
Bertocci, Derek	SVP CFO	60%	60%	50%	35%	45%	45%

Edgar Filing: ACCURAY INC - Form PRE 14A

Raanes, Chris	EVP COO	55%	50%	60%	55%	65%	70%
	SVP Chief Comm						
Londy, Kelly	Officer	65%	45%		<i>New Hire</i>		
Milliken, Darren	SVP Gen Counsel	<25th	25%	<25th	45%	55%	60%

The table below summarizes where we fall relative to our peer group with respect to each of our peer group criteria. Our fiscal 2011 revenue is pro-forma to reflect the TomoTherapy acquisition and



Table of Contents

the number of employees used for purposes of this comparison reflects our headcount after acquiring TomoTherapy.

Criteria	Accuray FY 2011	Target for Peer Group	2012 Peer Group Median (Data as of 6/30/11)	Approximate Accuray Percent Rank
Revenue (\$MM)	\$ 408.0	0.5x - 2x	\$ 399.4	50th
Market Capitalization (\$MM)	\$ 561.2	0.5x - 3x	\$ 918.6	25th
Employees	1,078	0.5x - 2x	1,390	35th
Revenue per Employee	\$ 378,444	0.5x - 2x	\$ 299,109	75th

The Compensation Committee intends to annually review the composition of the peer group to ensure it is the most relevant set of companies to use for comparison purposes.

In evaluating the base salaries of our executives for fiscal 2012, establishing target award opportunities for annual cash incentive awards, and making equity awards, the Compensation Committee reviewed the Relevant Market Data to inform its decisions on individual compensation elements, including the competitive reasonableness of arrangements, and to ensure that its decisions were consistent with the Company's compensation philosophy and strategy. The Compensation Committee did not make its decisions based on targeting compensation to specific benchmarks against the survey and peer group data. The Compensation Committee took the above approach consistent with its intention to (i) set performance milestones for cash incentive compensation so that target level payouts would only be made if our executives and the Company performed at a superior level that would be difficult to achieve and (ii) provide our executives with the ability to earn above market compensation tied to performance in order to attract and retain the quality of executives necessary to successfully manage the Company.

The Compensation Committee used a similar process and similar criteria to identify the fiscal 2013 core and reference peer groups. Three companies (American Medical Systems Holdings, Inc., SonoSite, Inc. and Zoll Medical Corporation) were removed from the fiscal 2012 core peer group, but there were no other changes to the core peer list, resulting in a group of 14 core peers. The reference peer list remains identical in fiscal 2013 to the fiscal 2012 list.

Tally Sheets

At least annually, with the help of the compensation consultant, the Compensation Committee reviews each executive's compensation history for the past three years, including each component of compensation and how it compared to market data. The Compensation Committee also reviews tally sheets setting forth the expected value of annual compensation and benefits for each NEO, including base salaries, potential annual cash incentive payouts and minimum and maximum levels, long-term incentive compensation, including the number of stock options and restricted stock awards granted and the fair value at grant, and the annualized cost of other benefits. The tally sheets also set forth the accumulated value of benefits and compensation to each NEO, including the accumulated value of equity grants and the accumulated value of potential payouts under different separation scenarios, including under our severance and change of control arrangements. Reviewing tally sheets each year facilitates the Compensation Committee's evaluation of the reasonableness of the total accumulated value of the compensation and benefits provided to each NEO. For fiscal 2012, the tally sheets served as a useful check on total annual compensation for each executive officer and relative compensation among the executive officers, but did not affect any specific decision relating to the NEOs' annual compensation.

Table of Contents

Pay for Performance

We believe that there should be a strong relationship between pay and performance and our executive compensation program reflects this belief. In particular, annual cash incentive awards and equity awards represent a significant portion of our executive compensation program, as reflected in the chart below, and this variable compensation is considered "at-risk" as it is directly dependent upon the achievement of pre-established goals and/or stock price appreciation and performance:

Annual cash incentives, paid under the Performance Bonus Plan, are intended to link executive rewards to Company and individual performance, upon achieving pre-determined goals. The bonus pool only funds if the Company achieves pre-determined performance metrics, making these cash incentives entirely at risk. If the bonus pool funds, 65% of each executive's bonus is tied to Company performance. The remaining 35% of the pool is allocated based on the achievement of individual performance metrics. Accordingly, if the bonus pool does not fund, no executive would be entitled to any cash incentive under the Performance Bonus Plan at all, regardless of such executive's performance against his or her individual performance goals. Even if the pool funds and the metrics are achieved, the Compensation Committee may exercise negative discretion to reduce the size of the awards, as it chose to do with respect to our CEO, where they reduced the 35% target opportunity to 0% for fiscal 2012.

The exercise price of stock options granted under our equity incentive plans is equal to the fair market value of the common stock on the date of grant, so the options will yield value to the executives only if the stock price appreciates.

Full-value awards (in the form of RSUs) without performance criteria remain a minority component of the executive's equity awards. The Compensation Committee believes that this element offers a strong retention component to our overall compensation program.

In fiscal 2012, the Company awarded performance-based grants of restricted stock units (PSU Program) to executives, which will vest only upon the achievement of performance goals established by the Compensation Committee, thereby putting a greater percentage of executive compensation at-risk, linking a greater percentage of executive compensation to measures of our business success, and further linking our executives' compensation to the creation of long-term stockholder value.

As noted above, in fiscal 2013, the Compensation Committee approved our MSU Program with performance periods ending in fiscal 2014 and fiscal 2015, further linking the compensation of participants in this program to the creation of long-term stockholder value.

**Compensation Elements**

During fiscal 2012, the compensation of our executives, including the NEOs, consisted of the following elements:

Base salary;

An annual cash incentive award opportunity;

Equity awards; and

Other benefits.

Base Salary

We believe that a competitive base salary is the essential foundation to providing an appropriate total direct compensation package for our executives, including the NEOs. We use base salary to fairly

Table of Contents

and competitively compensate our executives for the jobs we ask them to perform. We view base salary as the most stable component of our executive compensation program, as this amount is not at risk.

The Compensation Committee makes adjustments to base salary when it believes there is a deviation from market, when an individual is promoted or assumes an increase in responsibility, or when the Compensation Committee determines that an individual's performance warrants an increase. The Compensation Committee reviews the base salary levels of our executives each year to determine whether an adjustment is warranted.

In reviewing the base salaries of our executives during fiscal 2011, the Compensation Committee considered the 50<sup>th</sup> to 60<sup>th</sup> percentiles of the Relevant Target Data, but did not target pay in this range. Rather, the Compensation Committee considered each executive's performance against his or her goals and objectives over the previous fiscal year as evaluated by our CEO, his or her experience and responsibilities, the critical nature of the executive's position relative to the Company's success, the Company's retention needs, and the Relevant Market Data. In formulating his recommendations to the Compensation Committee with respect to base salary adjustments, our CEO also considered internal equity among our executives.

For fiscal 2012, the Compensation Committee moderately increased the base salaries of the NEOs from their fiscal 2011 levels. The base salaries of Dr. Thomson, Mr. Bertocci and Mr. Milliken were increased by approximately 3.5%. Mr. Raanes's salary increased by 9.5%, in connection with his promotion from Senior Vice President to Executive Vice President. Ms. Londy was hired during fiscal 2012 and her base salary was set at the time of hire and has not increased. The base salaries paid to the NEOs during fiscal 2012 are reported in the Summary Compensation Table below.

For fiscal 2013, the Compensation Committee recommended to the independent members of the Board of Directors, and such independent directors determined, to leave the base salary for Dr. Thomson unchanged from the level set for fiscal 2012. With respect to the other NEOs, for fiscal 2013 the Compensation Committee approved an increase to Mr. Milliken's base salary of 10% and increases of 3% to the respective base salaries for Messrs. Bertocci and Raanes and for Ms. Londy. For fiscal 2013, the Compensation Committee set the base salaries of the NEOs, effective October 1, 2012, as follows:

<b>Named Executive Officer</b>	<b>Fiscal 2012 Salary(1)</b>	<b>Fiscal 2013 Salary(1)</b>
Euan S. Thomson, Ph.D.	\$ 530,500	\$ 530,500
Derek Bertocci	\$ 322,920	\$ 332,600
Chris A. Raanes	\$ 386,848	\$ 398,500
Kelly Londy	\$ 320,000	\$ 329,600
Darren J. Milliken	\$ 259,035	\$ 284,900

(1) Note, the salaries reflected for both fiscal 2012 and fiscal 2013 became effective on October 1 of each such year, respectively.

Annual Cash Incentives

Annual cash incentive awards serve to reinforce our performance-based culture. On average, the Compensation Committee believes in providing our executives, including the NEOs, with a total target cash compensation opportunity above the market median tied to the achievement of challenging pre-established corporate and individual performance objectives. As with base salary, each executive's annual cash incentive opportunity is set with reference to each executive's performance over the previous fiscal year as evaluated by our Chief Executive Officer, his or her experience and responsibilities, the critical nature of the executive's position relative to the Company's success, the Company's retention needs, and the Relevant Market Data.

Table of Contents

During the first quarter of each fiscal year, the Compensation Committee reviews and approves the corporate and individual performance objectives for the current fiscal year's annual cash incentive awards and reviews and approves the target award opportunity for each executive, including the NEOs, but excluding the CEO, whose performance objectives and target award opportunity are reviewed and approved by the independent members of the Board of Directors. For fiscal 2012, the target award opportunity for Dr. Thomson was equal to 100% of his base salary, the target award opportunities for Messrs. Bertocci and Raanes and Ms. Londy were equal to 65% of their respective salaries, and the target award opportunity for Mr. Milliken was equal to 50% of his base salary. These target percentages were unchanged from the prior fiscal year for each executive who was employed by the Company in the prior fiscal year. The Compensation Committee recognizes that the performance of certain of the NEOs has a greater potential to impact our successful implementation of our overall strategy and achievement of our financial performance and therefore believes it is appropriate that the target award opportunities of those executives be higher than the opportunity for others.

Fiscal 2012 Cash Incentive Award Opportunities and Payouts

Our executives, including the NEOs, are eligible to participate in the Performance Bonus Plan, which was adopted by the Compensation Committee and approved by the Company's stockholders at our 2009 Annual Meeting. The Performance Bonus Plan has been structured and is operated with the intent that the compensation paid under the Performance Bonus Plan will qualify for deductibility under Section 162(m) of the Code. . The rules and regulations promulgated under Section 162(m) are complicated, however, and subject to change from time to time, sometimes with retroactive effective. In addition, a number of requirements must be met in order for particular compensation to so qualify. As such, there can be no assurance that any compensation awarded or paid under the Performance Bonus Plan will be fully deductible under all circumstances. For fiscal 2012, our annual cash incentive awards were designed to reward our executives, including the NEOs, based on the Company's performance and the individual executive's contribution to that performance. In establishing the fiscal 2012 cash incentive award program, the Compensation Committee determined that the award opportunities for all of our executives, including the NEOs, should be closely linked to achieving corporate performance objectives.

The bonus pool under the Performance Bonus Plan only funds if the corporate performance objectives established by the Compensation Committee are achieved at threshold levels established by the Committee, making these cash incentives entirely at risk. For each NEO, 65% of the target award payment is based on our Company's performance and 35% of the target award payment is based on achievement of individual performance metrics, but both components are contingent on the bonus pool funding and are therefore entirely at risk. Accordingly, if the bonus pool does not fund, no executive would be entitled to any cash incentive under the Performance Bonus Plan, regardless of such executive's performance against his or her individual goals.

To the extent the bonus pool funds, the Performance Bonus Plan entitles each executive to 65% of the funded percentage of his or her target award payment due to Company performance, provided that the Compensation Committee may exercise negative discretion to reduce the overall funding percentage and/or to reduce any individual award. The Compensation Committee (and the independent members of the Board of Directors, for our CEO) has discretion to award more or less than the remaining 35% of the funded percentage of each executive's target award, provided that payments to the executive team as a whole may not exceed pro-rata funding of the bonus plan (such that the executive team as a whole may not receive greater than the funded percentage of the target awards payable to that group as a whole), and in no case may any executive receive in excess of 150% of his or her target award for fiscal 2012. For fiscal 2012, the Compensation Committee exercised its negative discretion to reduce our CEO's 35% target opportunity to 0%.

Table of Contents

For fiscal 2012, the Compensation Committee established three specific corporate performance measures, namely revenue, gross margin and backlog. The backlog performance measure was separated into our CyberKnife® ("CK") and TomoTherapy® ("TT") system sales. The performance measures were applicable in the same manner to all of our executives, including the NEOs. The Compensation Committee set target amounts and minimum funding thresholds with respect to each performance measure, requiring that the Company achieve the minimum threshold set for each measure, in order for any funding to occur relative to that measure. The performance measures and their relative weightings, target amounts and minimum funding thresholds for fiscal 2012, as well as the actual performance measures attained and their respective weights, were as follows:

Performance Measure	Weighting	Target	Minimum Threshold	Actual	% Plan Attained	Weighted % Plan Attained
Revenue	40%	\$430 million	\$398 million (92.6%)	\$401.3 million	93.3	19.3
Gross Margin	30%	37.4%	34.5% (92.2%)	38.6%	103	128
Net Dollars into to Backlog (CK)	15%	\$178.9 million	\$165.7 million (92.6%)	\$124.1 million	69.4	0
Net Dollars into to Backlog (TT)	15%	\$116.3 million	\$76.6 million (65.9%)	\$128.7 million	110.7	150

Each measure will be calculated based on non-GAAP numbers, which will be calculated in a manner consistent with the non-GAAP numbers reported in our quarterly earnings releases, provided that the Compensation Committee may, in its discretion, approve additional exclusions in the nature of one-time occurrences, extraordinary items or events outside management's control. To be reported in our backlog, an order must meet the Company's fiscal 2012 backlog criteria. The Compensation Committee assessed corporate performance with respect to each of the three performance measures and determined that threshold performance had been achieved for each measure. The funding with respect to each measure was based on a funding slope in a straight line from ten percent at the minimum threshold level, to 100%, at the target amount. In the event any of the performance measures had been achieved at greater than the target level, the funding would also be based on a straight line from 100% at target to the maximum funding opportunity for each metric at 150% funding.

Based on these actual corporate performance results, the funding methodology resulted in funding of the bonus plan pool at 68.6% of the target level. As noted above, for each of our executives, including the NEOs, 65% of their annual cash incentive awards were dependent on achieving the corporate performance measures described above, and 35% were dependent on achieving individual qualitative performance goals and objectives, which are discussed below. Individual qualitative goals and objectives, which were generally tailored to each individual executive's functional area of responsibility, were established for each executive in September 2011 (other than Ms. Londy, who joined the Company in October 2011). For fiscal 2012, the primary individual performance objective for each of our NEOs was to work toward achieving the corporate performance objectives described above. In addition, each NEO was given several individual management objectives, as follows:

Dr. Thomson's principal individual management objectives included revenue growth, backlog growth, gross margin improvement, progress toward profitability, product development progress, and strategic clinical growth.

Mr. Bertocci's principal individual management objectives included managing the consolidation of our European operations in Switzerland, managing investor relations, consolidating our ERP system, hiring Finance and IT managers and staff to support the combined Company, and implementing synergies in order to ensure an efficient worldwide structure.

Mr. Raanes's principal individual management objectives included improvement of the TomoTherapy System reliability and service profitability, product development progress, continued management and implementation of the Company's operational excellence program,

Table of Contents

revenue growth, progress toward profitability, managing the consolidation of our European operations in Switzerland, and providing leadership to the Company's Madison campus.

Ms. Londy's principal individual management objectives included growing the Company's radiation therapy business and CyberKnife adoption, backlog growth, improving TomoTherapy's service profitability, driving commercial excellence through the Company's operational excellence and risk management programs and increasing the Company's global presence.

Mr. Milliken's principal individual management objectives included successful completion of the convertible debt offering, managing international restructuring in light of the TomoTherapy acquisition, supporting the consolidation of our European operations in Switzerland, managing the integration of specified systems of TomoTherapy, including with respect to customer quoting, distributor alignment and equity plans, and progress toward profitability.

The annual cash incentive award targets and payouts made to the NEOs in fiscal 2013 for fiscal 2012 performance were as follows:

**Fiscal 2012 Performance Bonus Plan Payouts**

Named Executive Officer	Target		Fiscal 2012 Total Actual Opportunity (\$)(1)	Bonus Amount tied to Company Performance (\$)	Actual Payout		Total Payout
	(%)	(\$)			Bonus Amount tied to Individual Performance (\$)		
Euan S. Thomson, Ph.D.	100%	526,000	360,836	234,543	0		234,543
Derek A. Bertocci	65%	209,898	143,990	93,594	50,397		143,990
Chris A. Raanes	65%	251,451	172,496	112,122	60,373		172,496
Kelly Londy	65%	208,000	142,688	92,747	49,941		142,688
Darren J. Milliken	50%	129,518	88,849	57,752	31,097		88,849

(1) The fiscal 2012 Total Actual Opportunity is derived by multiplying the approximate 68.6% funding level by the at-target annual cash incentive award opportunity for each NEO.

The collective payouts to the executive officers did not exceed their pro-rata funding of the bonus plan. The annual incentive award payouts for fiscal 2012 performance made to the NEOs are reported in the Summary Compensation Table below. Additional information about these awards is reported in the Grants of Plan-Based Awards Table below.

Fiscal 2013 Cash Incentive Awards Performance Bonus Plan

For fiscal 2013, weighting of metrics in the Performance Bonus Plan were adjusted as follows:

Revenue	Net Dollars into Backlog	Gross Margin
30%	50%	20%

Each measure will be calculated based on non-GAAP numbers, which will be calculated in a manner consistent with the non-GAAP numbers reported in our quarterly earnings releases, provided that the Compensation Committee may, in its discretion, approve additional exclusions. To be reported in our backlog, an order must meet the Company's fiscal year 2013 backlog criteria.

The target bonuses for our NEOs, as a percentage of base salary, did not change from their prior year's percentages. As in fiscal 2012, 65% of each executive's annual cash incentive awards will be dependent on achieving the corporate performance measures, and 35% will be dependent on achieving their individual qualitative performance goals and objectives.





Table of Contents

Equity Compensation

We believe that equity awards provide a strong alignment between the interests of our executives, including the NEOs, and our stockholders. Accordingly, the Compensation Committee seeks to provide motivation to our executives through the use of equity awards consistent with the reasonable management of the Company's overall equity compensation expense and stockholder dilution. The Compensation Committee grants equity awards to our executives, including the NEOs, in the first quarter of each fiscal year, as a reward for past corporate and individual performance, as an incentive for future performance, and as a retention tool. Historically our executive equity awards consisted entirely of stock options and restricted stock unit ("RSU") awards, but in fiscal 2012, our executives were granted performance-based RSUs (or "PSUs") in addition to stock options and RSUs. The size of an executive's equity award is determined by the Compensation Committee after considering his or her performance against his or her individual goals and objectives over the last fiscal year as evaluated by our CEO (or, with respect to the CEO, as evaluated by our Board of Directors), an evaluation of his or her total compensation package, an evaluation of his or her accumulated equity holdings, the critical nature of the executive's position relative to the Company's success, the Company's retention needs, the Relevant Market Data, internal equity, role hierarchy and such other factors as the Compensation Committee determines relevant.

Fiscal 2012 Equity Awards

For fiscal 2012, the CEO proposed grant numbers to the Compensation Committee for each of the executive officers, other than himself. The Compensation Committee reviewed the CEO's recommendations, and after assessing each executive's individual performance and outstanding equity holdings, internal equity, role hierarchy and retention needs, determined the awards it wished to approve for each executive, other than the CEO. For each of the executives other than the CEO, the Compensation Committee decided to award a mix of equity vehicles that include stock options, RSUs and PSUs, such that, on average, approximately 50% of the shares granted were in the form of stock options, 13% were in the form of RSUs, and 37% were in the form of PSUs. However, for our CEO, the independent members of our Board of Directors decided to award a mix of equity vehicles such that approximately 36% of the shares granted were in the form of stock options, 14% were in the form of RSUs and 50% were in the form of PSUs.

The Compensation Committee believes that tying a portion of the executives' equity to performance criteria better aligns the executives' goals with both the Company's strategic plans and with the interests of the Company's stockholders. Because the CEO is ultimately responsible for the Company achieving its strategic objectives, the independent members of our Board of Directors believe it appropriate to award a greater portion of his equity in PSUs. The PSUs will vest based on the achievement of certain pre-determined goals by the end of a two year performance period, ending on June 30, 2013 for all NEOs. Currently outstanding PSUs will vest upon the achievement of certain goals linked to our revenue and profitability which will need to be achieved by June 30, 2013. As of June 30, 2012, we did not believe that the pre-determined goals would be met within the performance period and hence have not accrued for these awards in our financials in accordance with relevant accounting guidance. In the event that the performance goals are not met, the PSUs will be automatically forfeited on the last day of the performance period.

Through fiscal 2011, pursuant to Dr. Thomson's employment letter agreement, we had 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 Directors of each calendar year during his employment, subject to approval by our Board of Directors. Effective October 1, 2011, however, Dr. Thomson's employment letter agreement was amended such that it eliminated his guarantee to receive an annual option to purchase 40,000 shares of common stock at the beginning of each calendar year.

Table of Contents

The equity awards made to the NEOs in fiscal 2012 are reported in the Summary Compensation Table below. Additional information about these awards, including the number of shares subject to each award and the award's grant date fair value, is reported in the Grants of Plan-Based Awards Table below.

Fiscal 2013 Equity Awards

Equity awards for fiscal 2013 consist of a mix of equity vehicles, including stock options, RSUs and MSUs, such that 35% of the shares granted were in the form of stock options, 40% were in the form of RSUs, and 25% were in the form of MSUs. The amount of equity, if any, awarded by the Compensation Committee to executive officers varies based upon an executive's individual performance, an evaluation of his or her total compensation package, an evaluation of his or her accumulated equity holdings, the critical nature of the executive's position relative to the Company's success, the Company's retention needs, the Relevant Market Data, internal equity, role hierarchy and such other factors as the Compensation Committee determines relevant.

Patent Award Program

The Company maintains a patent award program, the purpose of which is to encourage, recognize and reward creativity and innovation. All regular, full time Company employees, including executives, are eligible to participate in this program. Various levels of awards are provided to encourage and reward identification and submission of invention disclosures, subsequent filing of patent applications and final issuance of a United States patent. The various awards provided under the program are as follows:

\$50 is awarded to each named employee on an invention disclosure.

\$1,000 is awarded to each named inventor in an original non-provisional patent application filed with the U.S. Patent and Trademark Office.

\$2,000 is awarded to each named inventor in an issued U.S. patent.

In the event more than three inventors file patent applications or are granted patents, the maximum awards are \$3,000 and \$6,000, respectively, to be shared equally among the inventors who are Company employees. Inventors who are not full-time Company employees at the time the award is made are not eligible to receive the award.

Awards are made on the last day of the fiscal quarter in which the award was earned. The Company's patent committee or Senior Vice President and General Counsel may increase the monetary awards identified above on a case-by-case basis in extraordinary circumstances.

In addition, it is the Company's practice to reimburse employees who receive awards under the program for any taxes they are required to pay with respect to such awards due to the potential benefits that ultimately pass through to the Company as a result of the successful use of the patented technology.

In fiscal 2012, Dr. Thomson was granted awards under the Company's patent award program, which are reflected in the Summary Compensation Table below.

**Employment, Change in Control and Severance Arrangements**

We have entered into employment letter agreements with each of our executives, including the NEOs, to document the material terms and conditions of the executives' employment, including his or her annual base salary, target annual cash incentive award opportunity and equity awards. Each executive officer's employment letter agreement includes a two year term and specifies the payments and benefits that each executive will receive upon a potential termination of his or her employment

Table of Contents

under certain circumstances or in the event of a termination within three months before or twelve months following a change in control of the Company. In addition, these agreements protect the Company's interests in the event of a termination of employment by stipulating the rights and responsibilities of the parties and prohibiting these individuals from engaging in certain specific activities harmful to the Company, including disclosing the Company's confidential information, soliciting the Company's employees, and engaging in certain competitive business activities.

These arrangements were entered into for the following reasons:

Assist us in retaining talented executives in a competitive market;

Permit our executives to focus on the business of the Company;

Eliminate any potential personal bias of an executive against a transaction that is in the best interest of the Company and its stockholders;

Avoid the need for, and costs associated with, individually negotiating severance payments and benefits with our executives; and

Provide the Company with the flexibility needed to react to a continually changing business environment.

The Compensation Committee believes that these agreements serve several important objectives. First, they provide a desired level of transparency, both within and outside the Company. Internal transparency benefits the Company by eliminating the need to negotiate severance benefits on a case-by-case basis at the time of termination. They also assure our executives that their severance benefits are based on a consistent framework that differentiates the level of payments and benefits between individuals based on their position and level of responsibility. In addition, this approach is easier for the Company to administer and requires less administrative time and expense than negotiating severance benefits at the time of termination.

Generally, our executives, including the NEOs, are eligible for severance payments and benefits in the event of their termination of employment by the Company without "cause" or by the executive for "good reason", or for failure of the Company to extend the term of the employment letter agreement or offer a new agreement with a term of at least two years, and which contains severance provisions that are comparable to the median benefits of similarly situated executives in a peer group established by the Compensation Committee, in each case, provided that the executive executes a general release of claims.

Effective July 25, 2011, we entered into an amendment to Mr. Raanes's employment letter agreement to reflect his promotion from Senior Vice President, Chief Operating Officer to Executive Vice President, Chief Operating Officer. In addition, effective October 1, 2011, we entered into an amended and restated employment letter agreement with Dr. Thomson that eliminated his guarantee to receive an annual option to purchase 40,000 shares of common stock at the beginning of each calendar year.

**Post-Employment Compensation Retirement Plans**

Other than our tax-qualified Section 401(k) employee savings plan described in the following paragraph, we do not currently maintain, nor do we have plans to provide, pension arrangements, retirement plans or nonqualified deferred compensation plans or arrangements for our executives, including the NEOs, and other employees.

Table of Contents

We maintain a tax-qualified Section 401(k) employee savings plan that provides all regular employees with an opportunity to save for retirement on a tax-advantaged basis. Under this plan, participants may elect to defer a portion of their annual compensation on a pre-tax basis and have it contributed to the plan subject to applicable annual Code limits. Pre-tax contributions are allocated to each participant's individual account and are then invested in selected investment alternatives according to the participants' directions. The Company matches 50% of participant contributions to the plan, up to a maximum contribution of six percent of base salary per participant per year. Company matching contributions to the 401(k) employee savings plan vest over a period of four years, with the vesting percentage increasing by 25 percentage points on each of the first four anniversaries of an employee's service, such that on the fourth anniversary of an employee's service, the employee is fully vested in the Company matching contribution. As a tax-qualified retirement plan, contributions to the plan and earnings on those contributions are not taxable to participants until distributed from the plan and all contributions are deductible by us when made.

We view this plan as serving two important objectives. First, it encourages our executives, including the NEOs, and other employees to commit to long-term service with the Company. Second, it enables them to save a portion of their annual compensation for their eventual retirement.

Since the amounts set aside for retirement under the plan are largely drawn from participants' annual compensation and the Company matching contribution is modest, the Compensation Committee does not consider plan participation when making compensation decisions for our executives, including the NEOs.

**Health, Welfare, and Other Employee Benefits (including Perquisites)**

We provide health and welfare benefits to our executives, including the NEOs, on the same terms and conditions as all of our full-time, salaried employees. These benefits include group medical, life, and disability insurance and matching Company contributions to our Section 401(k) employee savings plan.

In circumstances where the Company is recruiting a candidate who would have to move to accept our job offer, the Company may agree to reimburse certain of such employee's relocation expenses. For example, the Company agreed to reimburse Ms. Lundy for certain temporary housing expenses, expenses incurred in connection with home buying trips, home sale and home purchase expenses, moving expenses and travel expenses.

We do not provide perquisites or other personal benefits to our executives, including the NEOs.

**Other Compensation Policies**

*Stock Ownership Guidelines*

In May 2011, our Board of Directors adopted Amended and Restated Corporate Governance Guidelines to help ensure that the Company is managed in the best long term interests of the Company's stockholders, to promote effective functioning of the Board of Directors and its committees and to provide a flexible framework within which the Board of Directors may conduct its oversight of the Company's business. The Corporate Governance Guidelines include executive officer and non-employee director stock ownership guidelines, which were amended and restated effective July 1, 2011 to become requirements rather than merely guidelines. Effective March 23, 2012, the non-employee director stock ownership requirements were further amended, requiring each non-employee director to own shares of the Company's common stock equal to three times the amount of director's regular annual cash retainer. The Corporate Governance Guidelines now require certain

Table of Contents

executive officers and non-employee directors of the Company to own shares of the Company's common stock, as follows:

*Non-employee directors:* the number of shares having a value equal to at least three times the non-employee director's regular annual cash retainer;

*Chief Executive Officer:* the lesser of (a) the number of shares having a value equal to three times annual base salary and (b) 175,000 shares;

*Chief Financial Officer, Chief Operating Officer and Chief Commercial Officer:* the lesser of (a) the number of shares having a value equal to one times annual base salary and (b) 40,000 shares; and

*General Counsel:* the lesser of (a) the number of shares having a value equal to one times annual base salary and (b) 17,500 shares.

Executive officers and non-employee directors and executive officers have five years from the later of July 1, 2010 and the date of election or appointment to attain the foregoing ownership levels. The Company expects each executive officer and non-employee director to retain at least 25% of the net shares he or she receives pursuant to all Company equity awards (excluding shares sold to cover (i) the exercise price of any Company options and/or (ii) taxes), until the foregoing ownership levels are achieved. All of the NEOs who have been employed by the Company for more than one year are in compliance with the stock ownership requirements.

Recoupment ("Clawback") Policy

To further align our executive compensation program with the interests of the Company's stockholders, the Company's Performance Bonus Plan and 2007 Incentive Award Plan include a recoupment policy, which provides that, in the event the Company is required to restate its financial results or materially reduce publicly disclosed backlog figures, our Board of Directors will review the conduct of executive officers in relation to the restatement. If it determines that an executive officer has engaged in misconduct, or otherwise violated the Company's Code of Conduct and Ethics for Employees, Agents and Contractors, and that such misconduct or violation contributed to the restatement or to the improper inclusion of a proposed system sale in publicly disclosed backlog, then our Board of Directors may, in its discretion, take appropriate action to remedy the misconduct or violation, including, without limitation, seeking reimbursement of any portion of any performance-based or incentive compensation paid or awarded to the executive officer that is greater than what would have been paid or awarded if calculated based on the restated financial results or materially reduced backlog figures, to the extent not prohibited by governing law. Our clawback policy will be updated and revised consistent with any changes in applicable laws.

Equity Award Grant Practices

Historically, the Compensation Committee has granted stock options and/or RSU awards to our employees, including our executives, when they first join the Company. Typically, new hire stock options and RSUs (including awards of PSUs in fiscal 2012) are granted at the first meeting of the Compensation Committee in the month following an employee's first day of employment.

Follow-on awards are considered as part of our fiscal review process. We do not seek to time the grant of stock options and RSUs (including PSUs) to take advantage of information, either positive or negative, about the Company that has not been publicly disclosed.

We grant stock options with an exercise price that is equal to the fair market value of the shares of the Company's common stock on the date of grant. We do not have a policy of granting stock options with an exercise price that is less than the fair market value of the Company's common stock. The

Table of Contents

exercise price for our stock options is based on the last quoted price per share of the Company's common stock as reported on the NASDAQ Global Select Market on the date of grant.

We also have an insider trading policy that prohibits trading in shares of the Company's common stock while in possession of material, non-public information, unless trading is in connection with a previously established Exchange Act Rule 10b5-1 plan, or if sold automatically by the Company on the date of vest to cover and pay the withholding tax requirements in accordance with Company policy.

**Regulatory Considerations**

*Section 162(m) Deductibility of Remuneration in Excess of \$1 Million*

Section 162(m) of the Code limits the amount that the Company may deduct as compensation expense for federal income tax purposes with respect to the remuneration paid to our Chief Executive Officer and each of the three other most highly compensated executive officers of the Company (other than our Chief Financial Officer) to \$1 million per person per year. There are certain exemptions to this deduction limit, including an exemption for remuneration that qualifies as "performance-based compensation" (that is, certain compensation that is payable solely upon achieving objective performance criteria).

We intend to operate our executive compensation program to maximize the deductibility of the remuneration paid to the NEOs to the extent that the Compensation Committee believes that doing so is in the best interests of the Company. Consequently, in determining which compensation elements are to be paid to our executives, and how they are weighted, the Committee intends to take into account whether a particular form of compensation will be deductible under Section 162(m). In addition, the Company's 2007 Incentive Award Plan has been designed to permit the Committee to grant stock options and other awards which will qualify as "performance-based compensation" under Section 162(m), and the Company's Performance Bonus Plan has also been designed to permit the annual incentive compensation grants made to executives to qualify as "performance-based compensation" under Section 162(m). The rules and regulations promulgated under Section 162(m) are complicated, however, and subject to change from time to time, sometimes with retroactive effective. In addition, a number of requirements must be met in order for particular compensation to so qualify. As such, there can be no assurance that any compensation awarded or paid under the Plan will be fully deductible under all circumstances.

While we cannot predict how the \$1 million deduction limit may impact our executive compensation program in future years, the Compensation Committee intends to maintain an approach to executive compensation that strongly links pay to performance. However, the Committee may, in its judgment, authorize and pay compensation that does not satisfy the requirements of this or any of the other exemptions to the \$1 million deduction limit when it believes that such compensation is necessary and appropriate to attract and retain key executives.

**EXECUTIVE COMPENSATION**

**Summary Compensation Table**

The following table sets forth the compensation for each of fiscal years 2012, 2011 and 2010 earned by our principal executive officer, principal financial officer, the three other highest paid executive officers, including one new executive officer who was one of the three most highly compensated executive officers during fiscal year 2012 and one executive officer who was not one of the three most highly compensated executive officers during fiscal 2011 or 2010 but is now one of the

## Edgar Filing: ACCURAY INC - Form PRE 14A

### Table of Contents

three most highly compensated executive officers during fiscal 2012. We refer to these executive officers as our NEOs.

Name and Principal Position	Year	Salary (\$)(3)	Bonus (\$)(4)	Stock Awards (\$)(5)	Option Awards (\$)(5)	Non-Equity Incentive		Total (\$)
						Plan Compensation (\$)(6)	All Other Compensation (\$)(7)	
Euan S. Thomson, Ph.D., President and Chief Executive Officer	2012	526,000	2,050	128,320	162,496	234,543	9,917	1,063,326
	2011	509,375	2,550	252,014	450,490	252,075	5,751	1,472,255
	2010	500,000			719,200	400,000	3,581	1,622,781
Derek A. Bertocci, Senior Vice President, Chief Financial Officer	2012	320,190		50,125	91,404	143,990	12,166	617,875
	2011	309,000		87,514	142,900	102,237	6,086	647,737
	2010	300,000			237,328	167,700	3,385	708,413
Chris A. Raanes, Senior Vice President, Chief Operating Officer	2012	378,458		150,375	304,680	172,496	6,827	1,012,836
	2011	351,216	1,000	87,514	142,900	116,292	8,407	707,329
	2010	345,006	2,000		328,608	192,855	5,074	873,543
Kelly Londy, Senior Vice President, Chief Commercial Officer	2012	226,667(1)		110,275	203,460	142,688	48,775	731,865
	2011							
Darren J. Milliken Senior Vice President, General Counsel and Corporate Secretary(2)	2012	256,845		27,068	52,812	88,849	4,621	430,195

- (1) Ms. Londy's salary amount is pro-rated for fiscal 2012, because her employment commenced on October 1, 2011.
- (2) Mr. Milliken was not a named executive officer of the Company in fiscal 2010 or 2011.
- (3) The NEO salaries approved by the Board of Directors in September 2011 became effective on October 1, 2011.
- (4) Refers to payment of bonuses for patent inventions.
- (5) The amounts shown represent the aggregate full grant date fair value as determined in accordance with FASB ASC Topic 718. These amounts do not correspond to the actual value that will be realized by our NEOs. The assumptions used to calculate the value of stock and stock option awards are set forth under Note 2 and Note 9 of the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012.
- (6) Fiscal 2012 amounts refer to annual cash incentive award payouts earned in fiscal 2012, which were paid in fiscal 2013; fiscal 2011 amounts refer to annual cash incentive award payouts earned in fiscal 2010, which were paid in fiscal 2012; and fiscal 2010 amounts refer to annual cash incentive award payouts earned in fiscal 2010, which were paid in fiscal 2011.
- (7) All Other Compensation consists of the following:

Name	Year	Company matching contribution to 401(k) Plan (\$)	Company matching contribution to Flexible Spending Account (\$)	Contributions in life insurance premiums paid by the Company (\$)	Reimbursement for taxes paid on patent invention bonus (\$)	Relocation Expense Reimbursement \$(a)	Payments made upon Termination
Euan S. Thomson, Ph.D.	2012	7,781	300	824	1,012		
Derek A. Bertocci	2012	11,164	300	702			
Chris A. Raanes	2012	5,718	300	809			

Edgar Filing: ACCURAY INC - Form PRE 14A

Kelly Lonyd(a)	2012	3,200	150	494	44,931
Darren Milliken	2012	3,757	300	564	

---

(a) Ms. Lonyd's Employment Letter Agreement provided that the Company would provide certain relocation assistance to Ms. Lonyd for her move from Michigan to California. The relocation assistance included temporary housing for up to 4 months, reimbursement of certain expenses incurred in connection with home buying trips, reimbursement of certain home sale and home purchase expenses, reimbursement of certain moving expenses, and reimbursement of travel expenses for up to three return trips to Michigan. The Company reimbursed \$44,931 of such expenses in fiscal 2012.

**Grants of Plan-Based Awards for Fiscal 2012**

The following table sets forth summary information regarding grants of plan-based awards made to each of our NEOs during the fiscal year ended June 30, 2012. The per share exercise price of each



## Edgar Filing: ACCURAY INC - Form PRE 14A

### Table of Contents

stock option grant was not less than the fair market value of our Company's common stock on the date of grant (which, in the case of options granted after our initial public offering, was the closing price of a share of our common stock on the NASDAQ Global Select Market on the date of grant).

Name	Grant Date	Date of Board Action to Grant the Award	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units (#)(5)	All Other Option Awards: Number of Securities Underlying Options (#)(6)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(7)
			Threshold (\$)(2)	Target (\$)(3)	Maximum (\$)(4)				
Euan S. Thomson, Ph.D.	9/30/11	9/25/11					80,000	162,496	
	9/30/11	9/25/11				32,000		128,320	
	9/30/11	9/25/11				56,000(8)		(8)	
	9/30/11	9/25/11				56,000(8)		(8)	
			52,600	526,000	789,000				
Derek A. Bertocci	9/30/11	9/25/11					45,000	91,404	
	9/30/11	9/25/11				12,500		50,125	
	9/30/11	9/25/11				18,750(8)		(8)	
	9/30/11	9/25/11				23,300(8)		(8)	
			20,877	208,774	313,160				
Chris A. Raanes	9/30/11	9/25/11					150,000	304,680	
	9/30/11	9/25/11				37,500		150,375	
	9/30/11	9/25/11				56,250(8)		(8)	
	9/30/11	9/25/11				25,900(8)		(8)	
			24,600	245,997	368,996				
Darren J. Milliken	9/30/11	9/25/11					26,000	52,811	
	9/30/11	9/25/11				6,750		27,068	
	9/30/11	9/25/11				10,125(8)		(8)	
	9/30/11	9/25/11				20,200(8)		(8)	
			12,842	128,423	192,634				
Kelly Londy	11/30/11	9/25/11					100,000(9)	203,460	
	11/30/11	9/25/11				27,500(10)		110,275	
	11/30/11	9/25/11				41,250(8)		(8)	
			15,600	156,000	234,000				

(1) The Estimated Future Payouts Under Non-Equity Incentive Plan Awards columns refer to the potential payouts under our Performance Bonus Plan.

(2) This column reflects the threshold award opportunity that would have been payable to the NEOs for our fiscal year ended June 30, 2012, assuming that exactly the minimum threshold amount for each of the three performance measures under the Performance Bonus Plan is achieved, resulting in 10% funding of the Performance Bonus Plan pool. In the event of a 10% funding of the Performance Bonus Plan, each executive would be entitled to 10% of the 65% of such executive's target award amount attributable to Company performance. The calculations in this column assume a determination by our Board of Directors that each NEO achieved his or her individual qualitative performance goals such that he or she was entitled to exactly the 10% funded amount of the 35% of his or her annual cash incentive award tied to such executive's individual performance. The potential payments are, however, performance-driven and therefore entirely at risk, such that if the Company had not met any of the minimum thresholds, the Performance Bonus Plan pool would not have funded at all, and none of the NEOs would have been entitled to any incentive award.

(3) This column shows the annual target award opportunities that were available to the NEOs for our fiscal year ended June 30, 2012, assuming that exactly the target amount for each of the three performance measures under the Performance Bonus Plan is achieved, resulting in 100% funding of the Performance Bonus Plan pool. The calculations in this column assume a determination by our Board of Directors that each NEO achieved the individual qualitative performance goals such that he was entitled to full funding of the 35% of his annual cash incentive award tied to such individual performance.

Edgar Filing: ACCURAY INC - Form PRE 14A

- (4) The maximum award opportunity is calculated at 150% of the target.
- (5) Unless otherwise noted, the RSU awards reflected in this column will vest in annual installments over four years from the vesting commencement date on October 1, 2011.
- (6) Unless otherwise noted, the option grants reflected in this column will vest and become exercisable in equal monthly installments over 48 months from the vesting commencement date on October 1, 2011. All options have a term of 10 years from the date of grant.

Table of Contents

- (7) The amounts in this column represent the aggregate fair value of each award as of the date it was granted, as determined in accordance with FASB ASC Topic 718.
- (8) These awards are granted as Performance Stock Units, which will fully vest based on the achievement of certain pre-determined goals by the end of a specified performance period. As of June 30, 2012, we did not believe that the pre-determined goals would be met within the performance period and hence have not accrued for these awards in our financials in accordance with relevant accounting guidance. In the event that the performance goals are not met, the PSUs will be automatically forfeited on the last day of the performance period. .
- (9) Ms. Lundy's option grant has a vesting commencement date of November 30, 2011. One quarter of the award will vest and become exercisable on November 30, 2012 and the remainder will vest in equal monthly installments over 36 months. The option grant has a term of 10 years from the date of grant.
- (10) Ms. Lundy's RSU award will vest in annual installments over four years beginning on the vesting commencement date of November 30, 2011.

Table of Contents**Outstanding Equity Awards at Fiscal 2012 Year-End**

The following table sets forth for our NEOs the exercisable and unexercisable options and other stock awards held by them as of June 30, 2012.

Name	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights that Have Not Vested (\$)
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units, or Other Rights that Have Not Vested (#)	
Euan S. Thomson, Ph.D	24,167		0.75	7/09/2013	28,725(1)	195,761		
	322,101		0.75	8/27/2013	32,000(2)	218,080		
	17,500		1.40	3/16/2014			56,000(3)	381,640
	210,500		2.50	8/10/2014			56,000(3)	381,640
	40,000		3.50	5/12/2015				
	158,000		4.38	11/7/2015				
	40,000		6.73	4/5/2016				
	300,000		9.50	8/23/2016				
	40,000		28.47	8/31/2017				
	135,000		13.83	8/31/2017				
	40,000		10.36	2/28/2018				
	137,083(4)	2,917(4)	8.25	8/29/2018				
	34,167(5)	5,833(5)	4.67	2/27/2019				
	106,667(6)	53,333(6)	6.41	8/31/2019				
24,167(7)	15,833(7)	5.94	1/29/2020					
31,250(8)	43,750(8)	6.58	8/31/2020					
14,167(9)	25,833(9)	8.56	1/31/2021					
13,333(10)	66,667(10)	4.01	9/30/2021					
Derek A. Bertocci	234,896(11)	40,104(11)	4.67	2/27/2019	9,975(12)	67,980	18,750(3)	127,781
	43,333(13)	21,667(13)	6.41	8/31/2019	12,500(14)	85,188	25,300(3)	172,420
	16,667(15)	23,333(15)	6.58	8/31/2020				
	7,500(16)	37,500(16)	4.01	9/30/2021				
Chris A. Raanes	58,000		0.75	12/2/2012	9,975(17)	67,980	56,250(3)	383,344
	86,000		2.50	8/10/2014	37,500(18)	255,563	25,900(3)	176,509
	60,000		4.38	11/7/2015	56,250(3)			
	100,000		9.50	8/23/2016				
	60,000		13.83	8/31/2017				
	83,229(19)	1,771(19)	8.25	8/29/2018				
	60,000(20)	30,000(20)	6.41	8/31/2019				
	16,667(21)	23,333(21)	6.58	8/31/2020				
	25,000(22)	125,000(22)	4.01	9/30/2021				
Darren J. Milliken	9,000		1.75	5/18/2014	750(23)		10,125(3)	69,002
	1,275		15.22	12/31/2017	4,500(24)		20,200(3)	137,663
	11,225		9.52	1/31/2017	6,750(25)			
	13,750(26)	1,250(26)	6.32	10/31/2018				
	19,271(27)	5,729(27)	6.16	5/29/2019				
	15,417(28)	4,583(28)	6.41	8/31/2019				
	10,000(29)	5,000(29)	6.41	8/31/2019				

Edgar Filing: ACCURAY INC - Form PRE 14A

7,500(30) 10,500(30) 6.58 8/31/2020