

ACCURAY INC  
Form DEF 14A  
October 09, 2015

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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**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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**NOTICE OF  
2015 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON NOVEMBER 19, 2015**

To our Stockholders:

You are cordially invited to attend the 2015 Annual Meeting of Stockholders, and any adjournment, postponement or other delay thereof (the "Annual Meeting") of Accuray Incorporated, a Delaware corporation ("Accuray" or the "Company"), which will be held at the Company's headquarters located at 1310 Chesapeake Terrace, Sunnyvale, California 94089 on Thursday, November 19, 2015 at 9:00 am PST. We are holding the Annual Meeting for the following purposes:

1. To elect three Class III directors named in the proxy statement to hold office until our 2018 Annual Meeting of Stockholders, or until their respective successors have been duly elected or appointed;
2. Advisory vote to approve the compensation of our named executive officers;
3. To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2016; and
4. To transact any other business as may properly come before the Annual 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 Annual Meeting are more fully described in the proxy statement (the "Proxy Statement") that accompanies this Notice of 2015 Annual Meeting of Stockholders. 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 September 25, 2015, the record date, are entitled to notice of, to attend and to vote at the Annual Meeting. If a beneficial owner wishes to vote in person at the meeting, you must obtain a "legal proxy" from the bank, broker, trustee or other nominee that holds your shares, giving you the right to vote your shares at the Annual Meeting.

It is important that you use this opportunity to take part in the affairs of Accuray by voting on the business to come before the Annual Meeting. After reading the Proxy Statement and Annual Report on Form 10-K for the fiscal year ended June 30, 2015 (the "Annual Report"), you are urged to cast your vote as promptly as possible. If you have elected to access the Proxy Statement and Annual Report using Proxy Access, you will not be receiving a proxy card and should vote by telephone or over the Internet. If you have received your proxy materials by mail, please promptly sign, date and return the enclosed proxy card in the prepaid envelope provided to you to ensure that your shares are represented. For more information, see "*Why did I receive a Notice of Internet Availability of Proxy Materials?*" in the Proxy Statement.

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 promptly as possible by telephone, Internet or by signing and dating your proxy card and returning it promptly. This will 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,

/s/ JOSHUA H. LEVINE

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Joshua H. Levine  
*President and Chief Executive Officer*

Sunnyvale, California  
October 9, 2015

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**PROXY STATEMENT FOR  
ACCURAY INCORPORATED  
2015 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON NOVEMBER 19, 2015**

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This proxy statement ("Proxy Statement") is furnished to our stockholders of record as of September 25, 2015 (the "Record Date"), in connection with the solicitation of proxies by our Board of Directors (the "Board") for use in connection with our 2015 Annual Meeting of Stockholders, and any adjournment, postponement or other delay thereof (the "Annual Meeting") to be held at the Company's headquarters located at 1310 Chesapeake Terrace, Sunnyvale, California 94089 on Thursday, November 19, 2015 at 9:00 a.m. PST. This Proxy Statement and the proxy card are first being made available to our stockholders on or about October 9, 2015. Our Company's fiscal year ended on June 30, 2015.

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

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

We are pleased to again be using the U.S. Securities and Exchange Commission (the "SEC") rule that allows companies to furnish proxy materials to their stockholders primarily over the Internet instead of mailing printed copies of those materials to each stockholder. On October 9, 2015, 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 on Form 10-K (the "Annual Report"), online. The Notice of Internet Availability of Proxy Materials also instructs you as to how to access your proxy card to vote over 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 have not elected to receive printed proxy materials and would prefer to receive them, please follow the instructions included in the Notice of Internet Availability of Proxy Materials to request printed 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 access the Annual Report and the Proxy Statement online at: <https://materials.proxyvote.com/004397>.

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

You are receiving access to this Proxy Statement because you were a stockholder of record or beneficial owner at the close of business on the Record Date. As such, you are invited to attend our Annual Meeting 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 and Annual Report, which include information that you may find useful in determining how to vote.

***Who is entitled to attend and vote at the Annual Meeting?***

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

Stockholders as of the Record Date are entitled to attend and to vote at the Annual Meeting. On the Record Date, 79,842,709 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 as of 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 no business shall be conducted and either the chairperson 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 three Class III directors named in the Proxy Statement to hold office until our 2018 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; and
3. The ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2016.

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***What happens if additional matters are presented at the Annual Meeting?***

The only items of business that our Board 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. However, if any other matters are properly brought before the Annual Meeting, you or the person(s) named as your proxyholder(s) will have the discretion to vote your shares on such matters in accordance with their best judgment and as they deem advisable.

***What shares can I vote at the Annual Meeting?***

You may vote all of the shares you owned as of 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 is the difference between holding shares as a stockholder of record and as a beneficial owner?***

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.

**Stockholders of Record.** If your shares are registered directly in your name with our transfer agent, Computershare, 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 a proxyholder how to vote your shares on your behalf at the Annual Meeting by 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 over the Internet or by telephone.



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**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 and they are considered to be held *in street name* for your account. Proxy materials are made available to you together with a voting instruction card by your bank, broker, trustee or other nominee. As the beneficial owner, you have the right to direct your bank, broker, trustee or nominee to vote your shares as you instruct with your voting instruction card. The bank, 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 have instructed on your voting instruction card. You may also vote in person at the Annual Meeting, but only after you obtain and present a "legal proxy" from your bank, broker, trustee or other nominee that holds your shares giving you the right to vote your shares at the Annual Meeting. If you hold your shares in street name as a beneficial owner and you do not instruct your bank, broker, trustee or other nominee how to vote your shares, your bank, broker, trustee or other nominee will only be able to vote your shares with respect the routine matter of appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2016. Please see "*What is a broker non-vote?*" below.

***How can I vote my shares without attending the Annual Meeting?***

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 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 your vote on an item, your shares will be counted as votes in accord with the Board's recommendation on that item.

***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 to the Annual Meeting. Please also note that if you are a street name holder, 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 other 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, telephone, or 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.***

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***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 (i) granting a new proxy bearing a later date, which automatically revokes your earlier proxy, (ii) providing a written notice of revocation to our Corporate Secretary at our principal executive offices prior to your shares being voted, or (iii) attending the Annual Meeting and voting in person. However, 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 (i) submitting a new voting instruction card to your bank, broker, trustee or other nominee, or (ii) if you have obtained a legal proxy from your broker, trustee or other nominee giving you the right to vote your shares, by attending the Annual Meeting and voting in person.

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

Under the rules that govern brokers that hold shares in street name for the benefit of their clients, brokers, trustees and other nominees have the discretion to vote such shares only on routine matters. At the Annual Meeting, only the ratification of the appointment of independent registered public accounting firms is considered a routine matter. Therefore, if you do not otherwise instruct your bank, broker, trustee or other nominee on how to vote your shares, your bank, broker, trustee or other nominee may vote your shares on this matter. However, your bank, broker, trustee or other nominee *will not* be able to vote your shares for the election of directors, the advisory vote to approve the compensation of named executive officers, or any other matters properly brought before the Annual Meeting without your specific instruction because these are not considered routine matters. A "*broker non-vote*" occurs when a broker, trustee or other nominee 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 considered to be present and entitled to vote in tabulating the voting result for any particular proposal. Accordingly, broker non-votes, if any, will have no effect on the outcome of the votes at the 2015 Annual Meeting.

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***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 properly transacted at the Annual Meeting.

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

A representative of Computershare, our transfer agent, will tabulate the votes and act as Inspector of Elections at the Annual Meeting.

***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 from 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 over the Internet, by telephone, or 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. The Company 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 brokers, trustees, 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 brokers, trustees, and other nominees for the costs of forwarding the proxy materials.

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***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 "*Recommendations and Nominations of Director Candidates*" below.

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Our Amended and Restated Certificate of Incorporation provides that our Board shall be divided into three classes, designated Class I, Class II and Class III, with each class serving for staggered three-year terms. Our Board consists of eight directors: two Class I directors, three Class II directors and three Class III directors. Proxies cannot be voted for more than three persons.

The following information is provided for each of the nominees and directors: name, class in which each director or nominee serves, age as of July 31, 2015, principal occupation and length of service on our Board.

<b>Name</b>	<b>Term Expires</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Director Since</b>
<b>Class III Directors/Nominees</b>				
Elizabeth Dávila	2015	71	Vice Chairperson of the Board, Retired Chief Executive Officer and Board Member, NuGEN Technologies, Inc. and Afaxys, Inc.	2008
Joshua H. Levine	2015	57	President, Chief Executive Officer and Board Member, Accuray Incorporated	2012
Emad Rizk, M.D.	2015	52	Chief Executive Officer of Accretive Health, Inc.	2013
<b>Class I Directors</b>				
Robert S. Weiss	2016	68	Chief Executive Officer and President, The Cooper Companies, Inc.	2007
Richard Pettingill	2016	67	Retired President and Chief Executive Officer of Allina Hospitals and Clinics and California Division of Kaiser Foundation Health Plans and Hospitals and Board Member of Tenet Healthcare Corporation and Hanger Inc.	2012
<b>Class II Directors</b>				
Louis J. Lavigne, Jr.	2017	67	Chairperson of the Board, Independent Management Consultant and Board Member, Zynga, Inc., Depomed, Inc., DocuSign, Inc., Novacure and Rodan & Fields, LLC.	2009
Dennis L. Winger	2017	67	Retired Chief Financial Officer and Board Member, Nektar Therapeutics and Pacira Pharmaceuticals, Inc.	2009
Jack Goldstein, Ph.D.	2017	68	Independent Consultant, Chairman of the Board of Directors of OncoGenex Pharmaceuticals, Inc.	2010

**Director Nominees Class III Directors**

Our Board has nominated Ms. Dávila, Mr. Levine and Dr. Rizk for election as Class III directors. 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 of the Board (the "Nominating and Corporate Governance Committee") to recommend, and the Board to

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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.

*Elizabeth Dávila* has served as a member of our Board since February 2008 and as Vice Chairperson of our Board 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. 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 and an M.B.A. from Stanford University.

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

*Joshua H. Levine* has served as our President and Chief Executive Officer and as a member of our Board since October 2012. Mr. Levine brings diverse, global healthcare industry experience and a strong track record of creating and unlocking strategic value for the companies he has led. He has been the President, Chief Executive Officer, and a director of two other publicly traded global medical device firms, with Mentor Corporation, a surgical implant/medical device manufacturer in the aesthetics space from 2004 to 2009 and most recently with Immucor Corporation, a diagnostics manufacturer of automated instrumentation and reagents used in blood transfusion procedures in 2011. Mr. Levine holds a B.A. from the University of Arizona.

Mr. Levine's qualifications to serve on our Board include, among other skills and qualifications, his strategic business development skills, commercial leadership experience, and executive vision. In addition, Mr. Levine brings expertise in the medical device and medical technology industries from years of experience as a chief executive officer with two other publicly traded, small cap medical device manufacturing companies.

*Emad Rizk, M.D.* has served as a member of our Board since March 2013. Since July 2014, Dr. Rizk has served as the Chief Executive Officer and a director of Accretive Health, Inc., a health care services company. From 2003 to July 2014, Dr. Rizk served as the President of McKesson Health Solutions ("McKesson"), a division of McKesson Corporation. Prior to joining McKesson, Dr. Rizk served as the lead partner and global director, medical management/pharmacy for Deloitte Consulting from 1994 to 2003. Dr. Rizk currently serves on the board of directors of the National Association for Hispanic Health, a nonprofit organization focused on improving the health of Hispanic communities, and is a former board member of Disease Management Association of America, a nonprofit organization representing all aspects of the disease management community, and the National Clinical Advisory Board, a private healthcare organization focused on providing insight into the future direction of healthcare, management and delivery of patient care. Dr. Rizk attended City University of New York for Pre-Medicine and received a Doctor of Medicine degree from Mt. Sinai Clinicals, University of Santiago.

As the current Chief Executive Officer of a major health care services company and a world renowned healthcare industry expert, Dr. Rizk brings over 25 years of experience in working with payers, physicians and hospital systems. Dr. Rizk brings extensive leadership experience, strong track record of growth and an intimate understanding of the needs and concerns of all healthcare industry stakeholders.

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If elected, Ms. Dávila, Mr. Levine and Dr. Rizk will hold office as Class III directors until our 2018 Annual Meeting of Stockholders, or until each of their earlier resignation or removal.

**Continuing Directors Class I and Class II Directors**

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.

*Robert S. Weiss* has served as a member of our Board 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 also serves on the board of trustees of the University of Scranton. Mr. Weiss holds a B.S. in Accounting from the University of Scranton.

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.

*Richard Pettingill* has served as a member of our Board 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 Tenet Healthcare Corporation, a medical services provider, and Hanger, Inc., an orthotic and prosthetic solutions company. Within the last five years, Mr. Pettingill also served on the public company board of directors of MAKO Surgical Corp., a medical device company that was acquired by Stryker Corporation in 2013. 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.

*Louis J. Lavigne, Jr.* has served as a member of our Board since September 2009 and as the Chairperson of our Board of Directors since April 2010. Mr. Lavigne currently serves as a Managing Director of Lavrite, LLC, a management consulting firm specializing in the areas of corporate finance,

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accounting, growth strategy and management. He also currently serves as a member of the board of directors of Zynga, Inc., a leading provider of social electronic games, Depomed, Inc., a specialty pharmaceutical company, DocuSign Inc., a private eSignature transaction management company, Novocure Limited, a private commercial stage oncology company, and Rodan & Fields, LLC, a private skincare company. Within the last five years, Mr. Lavigne also served on the public company board of directors of BMC Software, Inc., an independent systems software vendor that was acquired by a private investor group in 2013, and Allergan, Inc., a technology-driven, global health care company that provides specialty pharmaceutical products worldwide, from 2005 to 2015. 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 was named the Best CFO in Biotech in 2005 in the Institutional Investor Survey and in June 2006 he received the Bay Area CFO of the Year-Hall of Fame Lifetime Achievement Award. He is a Trustee of Babson College and Chairman of the Board of UCSF Benioff Children's Hospitals and their foundation. Mr. Lavigne holds a B.S. in Finance from Babson College and an M.B.A. from Temple University.

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.

*Dennis L. Winger* has served as a member of our Board since September 2009. Mr. Winger most recently served as Senior Vice President and Chief Financial Officer of Applied Biosystems, Inc. from 1997 until his retirement in 2008. Mr. Winger currently serves on the boards of directors of Nektar Therapeutics, a biopharmaceutical company, and Pacira Pharmaceuticals, a specialty pharmaceutical company. In the past five years, Mr. Winger also served on the following public company boards of directors: Cell Genesys, Inc., Vertex Pharmaceuticals and Cephalon, Inc. Mr. Winger also serves on the Board of Trustees of Siena College. Mr. Winger holds a B.A. in History from Siena College and an M.B.A. from Columbia University.

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.

*Jack Goldstein, Ph.D.*, has served as a member of our Board 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., a drug discovery and development company. 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.

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,



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operations, business development, and capital equipment sales and marketing. Dr. Goldstein also has relevant scientific, research and development and manufacturing expertise.

Under our Corporate Governance Guidelines, each director submits an advance, contingent, irrevocable resignation that the Board may accept if stockholders do not re-elect that director. In that situation, our Nominating and Corporate Governance Committee would make a recommendation to the Board about whether to accept such resignation. The Nominating and Corporate Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a director's resignation.

**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 votes cast, meaning that the number of shares voted "FOR" a director's election exceeds 50% of the number of votes cast with respect to that director's election. 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. Broker non votes, if any, will have no effect on the outcome of the vote.

**Board of Directors' Recommendation**

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

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

**General**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") requires us to submit to our stockholders for approval, on an advisory (non-binding) basis, no less frequently than once every three years, the compensation of our named executive officers ("NEOs," or each, an "NEO") as disclosed in our proxy statement in accordance with the SEC's rules (a "say-on-pay" vote). This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the philosophy, policies and practices described in this Proxy Statement. The Compensation Committee of our Board (the "Compensation Committee") and Board have decided to hold advisory votes on our NEOs' compensation program annually until the next advisory vote on the frequency of future advisory votes on named executive compensation occurs. Accordingly, unless the Compensation Committee and Board modifies its policy on the frequency of such future votes, the next advisory vote to approve the compensation of our NEOs will be held at the 2016 Annual Meeting of Stockholders. In this proposal, we are asking our stockholders to provide advisory approval of the compensation of our 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 21.

At the 2014 Annual Meeting, our stockholders expressed support for the compensation of the then-named executive officers, with approximately 82% of the votes cast for approval of the say-on-pay vote. The Compensation Committee carefully evaluated the results of the fiscal 2014 say-on-pay vote in connection with its annual review of the Company's executive compensation program more generally. After consideration, no material changes to the Company's executive compensation program and policies for fiscal 2015 were made in response to the say-on-pay vote.

**Summary of Fiscal 2015 Executive Compensation Programs**

In fiscal 2015, 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 urges you to consider the following factors, which are more fully discussed in the "*Compensation Discussion and Analysis*" section below:

*We link pay to performance.*

We target our NEO base salaries at the middle of the competitive market (as reported in the Radford January 2014 High-Tech Industry Survey (the "Radford Survey") for companies with \$200 million to \$1 billion in annual revenue and by a peer group of 14 medical device companies with whom we compete for executive talent, who are in our industry sector or who have comparable financial and organizational characteristics). In an effort to maintain this positioning and to appropriately reflect executive performance and responsibilities in fiscal 2015, the base salaries of our NEOs (other than our CEO and CFO) were maintained at their fiscal 2014 levels, the base salary of our Chief Executive Officer ("CEO") was moderately increased and the base salary of our Chief Financial Officer ("CFO") was increased in recognition of his increased responsibilities.

The fiscal 2015 bonus pool was funded, in accordance with the funding methodology established at the beginning of the year, at approximately 42% of the target level. Each NEO's annual bonus was tied solely to Company performance and the Compensation Committee did not exercise any discretion to decrease the award for any executive.

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Accordingly, for fiscal 2015, each NEO received approximately 42% of his or her target bonus award opportunity based on Company performance.

In fiscal 2013, the Compensation Committee approved a performance equity program, referred to as the market stock unit program ("2013 MSU Program"), which uses the Russell 2000 index as a performance benchmark and requires that the Company's total stockholder return ("TSR") exceed that of the Russell 2000 in order for any shares of our common stock 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 performance periods, each beginning on July 1, 2012. The first performance period ended at the end of fiscal 2014 and the second performance period ended at the end of fiscal 2015. For each of the first performance period ending in fiscal 2014 and the second performance period ending in fiscal 2015, the Compensation Committee determined that the performance requirements were not met and the variable performance-based restricted stock units ("MSUs") associated with such performance periods were cancelled. Accordingly, no shares of our common stock have been earned or will be earned pursuant to MSU awards granted under the 2013 MSU Program.

In fiscal 2014, the Compensation Committee approved a new market stock unit program ("2014 MSU Program"), which again uses the Russell 2000 index as a performance benchmark and requires that the Company's TSR return meet that of the Russell 2000 in order for the target number of shares to be earned by each participating executive, including participating NEOs. The actual shares earned will be calculated on a sliding scale based on stock price performance above and below the Russell 2000 benchmark, up to a maximum of 150% of the target number of shares. There are two performance periods, each beginning on July 1, 2013. The first performance period ended at the end of fiscal 2015 and the second performance period ends at the end of fiscal 2016. For the first performance period ending in fiscal 2015, the Compensation Committee determined that the performance requirements were met at 132.1% of target. Accordingly, 412,700 shares of our common stock were earned and issued in respect of the MSUs associated with the first performance period of the 2014 MSU Program ending in fiscal 2015, 132,064 shares of which were earned by our CEO and an aggregate of 112,254 shares of which were earned by our other NEOs. We are still within the second performance period for the 2014 MSU Program and, to date, no shares have been earned pursuant to the second performance period of the MSU awards granted under the 2014 MSU Program.

In fiscal 2015, the Compensation Committee approved a new market stock unit program ("2015 MSU Program"). The 2015 MSU Program is the same as the 2014 MSU Program in all respects, except that the first performance period under the 2015 MSU Program began on July 1, 2014 and ends at the end of fiscal 2016 and the second performance period began on July 1, 2014 and ends at the end of fiscal 2017. The aggregate target number of shares of our common stock subject to MSU awards granted under the 2015 MSU Program is 512,997, of which 250,000 shares are subject to an MSU award granted to our CEO and an aggregate of 127,817 shares are subject to MSU awards granted to our other NEOs. We are still within the performance periods for the 2015 MSU Program and, to date, no shares of our common stock have been earned pursuant to MSU awards under the 2015 MSU Program.

*We have reasonable employment agreements.* Each NEO's employment agreement has competitively reasonable cash benefit levels and a "double trigger" change-in-control acceleration requirement for unvested and unearned equity awards. For the terms of the

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employment agreement for our current CEO and other NEOs, please refer to the information set forth under "*Employment, Change in Control and Severance Arrangements*".

*We mitigate unnecessary compensation-related risk.* We have implemented robust Board and management-level processes to identify compensation-related risk, and we mitigate undue risk with business controls, including limits on payout levels under our annual incentive award plan and a compensation 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 Company securities in order to align their interests with those of our stockholders. Consistent with this belief, we have adopted a stock ownership policy with stock holding requirements for our executives and non-employee directors as follows:

The number of shares having a value equal to at least 3.0 times the regular annual board cash retainer (excluding committee retainer) for our non-employee directors;

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

The greater of 1.0 times base salary or 40,000 shares for our Chief Financial Officer ("CFO"), Chief Commercial Officer and any other Executive Vice President; and

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

All of the NEOs and all non-employee directors are in compliance with such stock ownership requirements or are on track to be in compliance within the applicable timeframe specified in our stock ownership policy.

*No hedging or pledging transactions allowed.* Our insider trading policy prohibits all of our employees, including our NEOs, and our directors from engaging any speculative transactions in Company securities, including purchasing on margin, engaging in short sales, engaging in transactions in derivative securities, or engaging in any other forms of hedging transactions. Our employees, including our NEOs, and our directors are also prohibited from pledging or using Company securities as collateral for loans.

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

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

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 senior executives, including the NEOs.

*We do not provide excise tax gross-ups.*

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Our 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 proposal 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

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"Abstain" with respect to the approval of the compensation of our NEOs 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. Broker non votes, if any, will have no effect on the outcome of the vote.

**Board of Directors' Recommendation**

Based on the information provided above and within the "*Compensation Discussion and Analysis*" 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 NEOs as described in the Company's 2015 Proxy Statement, including the Compensation Discussion and Analysis section, the compensation tables, and the other narrative compensation disclosures."

Because your vote is advisory, it will not be binding on the Board. However, our Compensation Committee, which is responsible for designing and administering our executive compensation program, and the Board value the opinions expressed by our stockholders and will consider the outcome of the vote when making future compensation decisions for our NEOs.

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

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

**General**

The Audit Committee of our Board (the "Audit Committee") has selected Grant Thornton LLP as our independent registered public accounting firm to perform the audit of our consolidated financial statements for the fiscal year ending June 30, 2016. Grant Thornton LLP has audited our consolidated financial statements since fiscal year 2007.

Stockholder ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2016 is not required by law, by the NASDAQ Stock Market listing requirements, by our Amended and Restated Certificate of Incorporation or by our Amended and Restated Bylaws ("Bylaws"). However, our Board 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 will reconsider whether or not to retain Grant Thornton LLP. Even if the selection is ratified, we may appoint a different independent registered public accounting firm during the fiscal year if the Audit Committee 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. 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.

**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 consolidated financial statements for the fiscal year ended June 30, 2015. The estimated aggregate fees billed by Grant Thornton LLP for all services relating to fiscal 2015 and 2014 are as follows:

Service Category	Fiscal Year Ended June 30,	
	2015	2014
Audit Fees(1)	\$ 1,689,735	\$ 1,658,500
Audit Related Fees		
Tax Fees		2,145
All Other Fees		
<b>Total</b>	<b>\$ 1,689,735</b>	<b>\$ 1,660,645</b>

(1)

Audit fees primarily consist of fees for professional services performed for the audit of our consolidated annual financial statements 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, issuance of a comfort letter and fees for statutory audits.

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, 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

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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.

**How Votes Are Counted**

The proposal 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 appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2016 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. Broker non votes, if any, will have no effect on the outcome of the vote.

Stockholder ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2016 is not required by law. However, our Board 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 will reconsider whether or not to retain Grant Thornton LLP.

**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, 2016.**



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**AUDIT COMMITTEE REPORT**

The Audit Committee 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 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, 2015, 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 2015 with our management.
2. The Audit Committee has discussed with Grant Thornton LLP the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 16, *Communications with Audit Committees*, and Rule 2-07 of SEC Regulation S-X.
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 that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015, for filing with the SEC.

**AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

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

*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.*

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**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 in this Proxy Statement with management.
2. Based on the review and discussions referred to in paragraph (1) above, the Compensation Committee recommended to our Board 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.  
Emad Rizk, M.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.*

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Introduction**

This Compensation Discussion and Analysis provides information regarding the fiscal 2015 compensation program for our Named Executive Officers ("NEOs"), which includes our principal executive officer, our principal financial officer and our other two executive officers who at fiscal year-end were as follows:

Joshua H. Levine, our President and CEO;

Gregory Lichtwardt, our Executive Vice President, Operations and CFO (who retired and resigned from the Company effective September 14, 2015);

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

Alaleh Nouri, our Senior Vice President, General Counsel and Corporate Secretary.

This Compensation Discussion and Analysis describes the material elements of our executive compensation program during fiscal 2015. 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 arrived at its specific compensation decisions for our NEOs in fiscal 2015, and discusses the key factors that the Compensation Committee considered in determining their compensation.

**Fiscal 2015 Executive Summary**

*Fiscal 2015 Business Results*

In fiscal 2015, we achieved financial results that were lower than expected at the start of the fiscal year as follows:

Generated gross system dollars to backlog of \$270.7 million (measured on a constant foreign currency basis using the exchange rate set forth in our fiscal 2015 operating plan), which was 62.6% of our bonus plan target for CyberKnife Systems and TomoTherapy Systems in the aggregate;

Achieved total revenue of \$394.9 million (measured on a constant foreign currency basis using the exchange rate set forth in our fiscal 2015 operating plan), which was 57.6% of our bonus plan target; and

Achieved adjusted EBITDA (excluding bonus accrual) of \$31.1 million, which was 0.0% of our bonus plan target.

The foregoing financial metrics are the measures selected for our fiscal 2015 Performance Bonus Plan and are further discussed under the heading "*Fiscal 2015 Cash Incentive Award Opportunities and Payouts*" below.

*Compensation Philosophy*

Our NEOs' compensation for fiscal 2015 reflects our compensation philosophy of maintaining an executive compensation program that emphasizes pay for performance, drives business growth and links stockholder value and executive performance. Consistent with this philosophy, a significant portion of our NEOs' target total direct compensation in fiscal 2015 was comprised of variable cash incentives (i.e., bonus opportunities) and equity-based compensation, consisting of MSUs and time-based restricted stock units ("RSUs"), in order to align compensation with our business performance and the long-term interests of our stockholders.

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The compensation ultimately earned by our NEOs in fiscal 2015 reflects the fact that the Company did not meet all of its performance objectives in fiscal 2015. As a result of the Company's performance

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in fiscal 2015, below-target annual cash incentives were earned by our NEOs in accordance with the terms of our Performance Bonus Plan (described below). In addition, as a result of the Company's stock price performance, portions of the MSUs that were granted in fiscal 2013 under the 2013 MSU Program were cancelled as a result of performance being below threshold for their second performance period, which ended on June 30, 2015. Conversely, portions of the MSUs that were granted in fiscal 2014 under the 2014 MSU Program were earned and issued at 132.1% of their target level as a result of performance being above threshold for their first performance period, which also ended on June 30, 2015.

Target Pay Mix

The following charts illustrate the allocation of fiscal 2015 target total direct compensation for our NEOs between base salary, variable cash incentives and equity-based compensation elements. Each of these elements, except base salary, are considered "at-risk".

**CEO Fiscal 2015 Target Pay Mix**

**Average Other NEO Fiscal 2015 Target Pay Mix**

Significant Executive Compensation Actions

For fiscal 2015, the Compensation Committee determined that growth in new gross orders to backlog, increasing total revenue and improving adjusted EBITDA represented the objectives most important to creating long-term stockholder value. At the same time, the Compensation Committee sought to continue to properly incentivize our management team for fiscal 2015 because it believed that the right management team was critical to the successful execution of our long-term business objectives. 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 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 2015 and intend to continue this practice going forward.

Following is a summary of significant actions taken by the Compensation Committee with respect to the compensation of our NEOs for fiscal 2015:

*Base salaries.* As described further below, the base salary of our CEO was moderately increased by 3.1% to \$665,000. The base salary of our CFO (who retired and resigned from the Company effective September 14, 2015) was increased in recognition of his increased responsibilities. The base salaries of our remaining two NEOs were not increased relative to fiscal 2014 levels.

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*Funded the bonus pool for annual cash incentive awards for executives at approximately 42% of the target level established at the beginning of the fiscal year.* The Compensation Committee determined that the fiscal 2015 annual cash incentive award payouts to our senior executives, including our NEOs, collectively, would equal approximately 42% of their aggregate target award opportunity. Accordingly, for fiscal 2015, each NEO received approximately 42% of his or her target bonus award opportunity.

*Approved a new performance-based equity program for fiscal 2015.* The Compensation Committee approved the 2015 MSU Program, which is designed to further tie NEO compensation to performance over two-year and three-year periods as awards are earned based on performance at the end of performance periods ending at fiscal year-end 2016 and 2017. The program uses the Russell 2000 index as a performance benchmark and requires that the Company's total stockholder return ("TSR") meet that of the Russell 2000 in order for the target number of shares to be earned by each participating executive, including participating NEOs. The actual shares earned will be calculated on a sliding scale based on stock price performance above and below the Russell 2000 benchmark, up to a maximum of 150% of the target number of shares.

*Approved equity awards to address competitive market concerns, satisfy our retention objectives, and reward individual performance during fiscal 2015.* In approving equity awards, the Compensation Committee took into consideration the fact that, consistent with our compensation philosophy, such awards further increase 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. In fiscal 2015, (i) our CEO was granted RSUs for 250,000 shares of our common stock and MSUs with a target number of 250,000 shares of our common stock under the 2015 MSU Program; (ii) our CFO was granted RSUs for 55,808 shares of our common stock and MSUs with a target number of 55,808 shares of our common stock under the 2015 MSU Program; (iii) Ms. Londy was granted RSUs for 62,099 shares of our common stock and MSUs with a target number of 62,099 shares of our common stock under the 2015 MSU Program; and (iv) Ms. Nouri was granted RSUs for 10,000 shares of our common stock and MSUs with a target number of 10,000 shares of our common stock under the 2015 MSU Program.

*Determined no shares of our common stock were earned in fiscal 2015 for the second performance period under the 2013 MSU Program.* For fiscal 2015, the Compensation Committee determined that the performance requirements required for the second performance period under the 2013 MSU Program for awards granted in fiscal 2013 were not met, and the MSUs associated with the performance period beginning on July 1, 2012 and ending on June 30, 2015 were cancelled.

*Determined that shares of our common stock were earned at 132.1% of target in fiscal 2015 for the first performance period under the 2014 MSU Program.* For fiscal 2015, the Compensation Committee determined that the performance requirements required for the first performance period under the MSU awards granted under the 2014 MSU Program were met at 132.1% of target, and 412,700 shares of our common stock associated with the first performance period beginning on July 1, 2013 and ending on June 30, 2015 were earned and issued in accordance with terms of the 2014 MSU Program, 132,064 shares of which were earned by our CEO and an aggregate of 112,254 shares of which were earned by our other NEOs.

*Reaffirmed the Company's stock ownership requirements for our executive officers and non-employee directors by requiring mandatory ownership levels rather than suggested guidelines.*

*Amended executive officers' employment agreements to align the triggers for change of control-related severance benefits with current market practice and revise the prior indefinite term agreements to implement a three-year fixed term with successive auto-renewals unless either the Company or the applicable executive timely gives notice of non-renewal.*

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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 performance. Some examples of this relationship include:

In fiscal 2015, annual cash incentives payable to senior executives under the Performance Bonus Plan would only fund if the Company achieved pre-determined financial performance metrics, making these cash incentives entirely at risk.

Full-value time-based vesting awards (in the form of RSUs) without performance criteria remain a component of the executives' equity awards. The Compensation Committee believes that this element offers a strong retention component to our overall compensation program. In addition, the ultimate value of these awards to the executives once vested is tied to the performance of our stock price.

The Compensation Committee has approved a 2015 MSU Program framework which is designed to further tie NEO compensation to performance over two-year and three-year periods. The program uses the Russell 2000 index as a performance benchmark and requires that the TSR meet that of the Russell 2000 in order for the target number of shares to be earned by each participating executive, including participating NEOs.

As reflected in the chart below, based on our performance in fiscal 2015, a significant portion of the "at-risk" compensation was not earned because the bonus pool was funded at approximately 42% and each NEO received only a corresponding percentage of his or her total potential bonus award opportunity.

**FY 2015 NEO Target and Realized Compensation (\$ in thousands)**

Target compensation includes base salary, annual cash incentive plan compensation and equity awards but excludes other compensation as reported in the Summary Compensation Table under "*Executive Compensation*" below. Realized compensation includes base salary paid, the actual cash





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incentive bonus paid, the value of time-based RSUs vesting in fiscal 2015, and the grant date value of MSUs issued under the 2014 MSU Program that were earned based on the achievement of the performance threshold of the first performance period under the 2014 MSU Program, which began on July 1, 2013 and ended on June 30, 2015.

**Governance Standards and Executive Compensation Practices**

We maintain good governance standards in our executive compensation practices. The following policies remained in effect in fiscal 2015:

Our executive officers' employment agreements only include "double trigger" change-in-control acceleration for equity awards, which requires both a change in control of the Company and an involuntary termination of employment before outstanding unvested equity awards accelerate.

Both our Performance Bonus Plan and 2007 Incentive Award Plan include potential recoupment of performance-based or incentive compensation paid to our executive officers if (i) the Company is required to restate its financial results or materially reduce publicly disclosed backlog figures and (ii) the compensation received by such executive officers is greater than would have been paid or awarded if calculated based on the restated financial results or the materially reduced backlog figures.

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

We have maintained separation of our 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.

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 senior executives, including the NEOs.

We use an independent compensation consultant who reports directly to the Compensation Committee.

Our insider trading policy prohibits all of our employees, including our NEOs, and our directors from engaging any speculative transactions in Company securities, including purchasing on margin, engaging in short sales, engaging in transactions in derivative securities, or engaging in any other forms of hedging transactions. Our employees, including our NEOs, and our directors are also prohibited from pledging or using Company securities as collateral for loans.

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

The Company provided stockholders a "say-on-pay" advisory vote to approve the compensation of the NEOs in fiscal 2014 under rules adopted under Section 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). At the 2014 Annual Meeting, stockholders expressed support for the compensation of the NEOs, with approximately 82% of the votes cast for approval of the "say-on-pay" advisory vote. The Compensation Committee carefully evaluated the results of the fiscal 2014 advisory vote in connection with its annual review of the Company's executive compensation program more generally. After consideration, no material changes to the Company's executive compensation program and policies for fiscal 2015 were made in response to the say-on-pay vote.

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**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 expanding the growth of our products into the market.

The overarching compensation philosophy approved by the Compensation Committee for fiscal 2015, consistent with prior years, 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:

attracting, retaining, motivating and rewarding the top talent that is necessary to drive future business success;

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

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

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.

**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 (other than our CEO). All of the independent members of our Board are responsible for reviewing the performance of our CEO and approving his compensation. The Compensation Committee is also responsible for reviewing and recommending to our Board 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, 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, 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 assess the performance of our CEO to determine his annual cash incentive award payout.

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Role of Management

To aid in its deliberations, each fiscal 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 based on the objectives previously established by the Compensation Committee. Our CEO then presents the results of these evaluations, along with his recommendations with regard to their compensation for the current fiscal year, including base salary adjustments, annual cash incentive award opportunities and payouts and equity awards, to the Compensation Committee for its consideration. In advance of making such recommendations, the CEO often consults with our Senior Vice President of Human Resources, who may discuss a range of pay for him to consider for executives other than our Senior Vice President of 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 pay equity.

Our CEO also assists the Compensation Committee in formulating the Company's performance objectives for that fiscal year and the individual performance objectives for each executive. The Compensation Committee reviews, discusses and modifies as they deem appropriate the compensation recommendations made by the CEO.

Similarly, our CEO's performance is reviewed annually by the Compensation Committee as well as the other independent members of the Board as part of their deliberations with respect to his compensation. The Compensation Committee itself makes recommendations regarding the compensation of our CEO to the independent members of the Board, who approve all elements of our 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 determined or reviewed). From time to time, our CFO, 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 Consultant

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, such as performance equity programs.

Compensia did not perform any other services for the Company or the Compensation Committee in fiscal 2015. Based on its review, the Compensation Committee determined that Compensia's services did not raise any conflict of interest and, after consideration of the factors set forth in the NASDAQ Listing Standards, determined that Compensia was independent within the meaning of those rules.

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Competitive Positioning

For fiscal 2015, 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 million to \$1 billion in annual revenue, as well as an assessment of the Company's performance and compensation practices against a peer group of 14 medical device companies (the "Peer Group") with whom we compete for executive talent, who are in our industry sector or who have comparable 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 14 medical device companies was recommended by Compensia and submitted to the Compensation Committee for its review. The final Peer Group for fiscal 2015 was approved by the Compensation Committee in March 2014.

The factors used to establish the Peer Group include the following:

*Primary Factors:*

Similar business focus (i.e., companies that develop and design highly technical devices and that have substantial international operations);

Total revenue of approximately \$200 million to \$1 billion; and

Positive revenue growth.

*Secondary Factors:*

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

Market capitalization of up to approximately three times that of the Company.

With the exception of removing Wright Medical Group, Inc. from the Peer Group because of the proposed merger between Wright Medical Group, Inc. and Tornier NV and adding Omnicell, Inc., the fiscal 2015 Peer Group remained the same as for fiscal 2014 and consisted of the following companies:

AngioDynamics, Inc.	ICU Medical, Inc.	NuVasive, Inc.
ArthroCare Corporation	Integra LifeSciences Holdings Corporation	Omnicell, Inc.
CONMED Corporation	Masimo Corporation	Thoratec Corporation
Cyberonics, Inc.	Merit Medical Systems, Inc.	Volcano Corporation
Haemonetics Corp.	Natus Medical Incorporated	

The following table summarizes where we fell relative to our peer group when our Compensation Committee set compensation levels at the end of fiscal 2014.

Criteria	Accuray FY 2014	Target for Peer Group	2015 Peer Group Median (Data as of 6/30/14)	Approximate Accuray Percent Rank
Revenue (\$MM)	\$ 369	0.5x - 2x	\$ 445	27th
Market Capitalization (\$MM)	\$ 679	0.5x - 3x	\$ 1,247	9th
Employees	1,026	0.5x - 2x	1,820	15th

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 2015, 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



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elements, including the competitive reasonableness, and to ensure that its decisions were consistent with the Company's compensation philosophy and strategy. While the Compensation Committee considered the Relevant Market Data, the Compensation Committee did not make its decisions solely based on targeting compensation to specific benchmarks against the survey and peer group data. The Compensation Committee instead took an 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.

Tally Sheets

At least annually, with the help of Compensia, the Compensation Committee reviews each executive's compensation history for the past five years or, if an executive was hired within the past five years, since such executive's date of hire, including each component of compensation and how it compared to Relevant Market Data for the fiscal year. 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 unit 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 2015, 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.

**Compensation Elements**

During fiscal 2015, 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 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 based on a review of the Relevant Market Data, 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.

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For fiscal 2015, the Compensation Committee increased the base salaries of some of the NEOs from their fiscal 2014 levels. Mr. Levine's base salary was increased by approximately 3.1%. Mr. Lichtwardt's base salary was increased by approximately 12.6% in recognition of his increased responsibilities, having assumed the role of Executive Vice President, Operations, in addition to his duties as our Chief Financial Officer. The base salaries for Ms. Londy and Ms. Nouri were not increased for fiscal 2015 because each of their fiscal 2014 salaries were increased mid-year in connection with their increased responsibilities. The base salaries paid to the NEOs during fiscal 2015 are reported in the Summary Compensation Table under "*Executive Compensation*" below.

The table below reflects the base salaries of our NEOs for fiscal 2015:

Named Executive Officer	Fiscal 2015 Salary(1)
Joshua H. Levine	\$ 665,000
Gregory Lichtwardt(2)	\$ 400,000
Kelly Londy	\$ 400,000
Alaleh Nouri	\$ 275,000

(1) The salaries reflected for fiscal 2015 became effective on October 1 of such year.

(2) Mr. Lichtwardt retired and resigned from the Company effective September 14, 2015.

Annual Cash Incentives

Annual cash incentive awards under our Performance Bonus Plan 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 when tied to the achievement of challenging, pre-established corporate performance objectives. Historically, due to the challenging nature of the goals that the Compensation Committee has established, payouts under our Performance Bonus Plan have averaged approximately 37.1% of their target level over the past three fiscal years. As with base salary, each executive's annual cash incentive target opportunity is set with reference to each executive's performance 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.

During the first quarter of each fiscal year, the Compensation Committee reviews and approves the corporate 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 target award opportunity is reviewed and approved by the independent members of the Board. The table below sets forth the target bonus opportunity as a percentage of salary and in absolute dollars. Except for Mr. Lichtwardt, whose target opportunity was increased from 65% to 70% in recognition of his increased responsibilities, and Ms. Nouri, whose target opportunity was increased in August 2014 in connection with her promotion to Senior Vice President, General Counsel and Corporate Secretary, the target percentages were unchanged from the prior fiscal year for each NEO 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 directly impact the successful implementation of our overall strategy and achievement of our financial and strategic performance and, given that the Performance Bonus Plan only includes corporate performance of objectives, the Compensation Committee believes it is appropriate that the target award opportunities of those executives be higher than the opportunity for others.

Table of Contents**Fiscal 2015 Performance Bonus Plan Target Award Opportunities**

Named Executive Officer	Target	
	(%)	(\$)
Joshua H. Levine	120%	794,977
Gregory Lichtwardt(1)	70%	273,081
Kelly Londy	70%	281,077
Alaleh Nouri(2)	50%	138,029

(1) Mr. Lichtwardt retired and resigned from the Company effective September 14, 2015.

(2) Ms. Nouri's target award opportunity for fiscal 2015 was increased to 50% in August 2014 in connection with her promotion to General Counsel.

Fiscal 2015 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 Internal Revenue Code of 1986, as amended ("Code"). The rules and regulations promulgated under Section 162(m) are complicated, however, and subject to change from time to time, sometimes with retroactive effect. 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 2015, our annual cash incentive awards were designed to reward our executives, including the NEOs, based solely on the Company's performance. In establishing the fiscal 2015 cash incentive award program, the Compensation Committee determined that the award opportunities for all of our executives, including the NEOs, should be directly 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 Compensation Committee. For each NEO, 100% of the target award payment is based on our Company's performance, but is contingent on the bonus pool funding and is 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 individual performance.

To the extent that the bonus pool funds, the Performance Bonus Plan entitles each executive to 100% 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.

For fiscal 2015, the Compensation Committee established three specific corporate financial performance measures, namely gross dollars into backlog, total revenue and adjusted EBITDA. 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 financial 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. No strategic objective was included in the Performance Bonus Plan for fiscal 2015. The performance measures and their relative



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weightings, target amounts and minimum funding thresholds for fiscal 2015, 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 Funding
Gross System Dollars into Backlog	40%	\$ 292.6 million	\$ 263.3 million	\$ 270.7 million	62.6	25.0
Total Revenue	30%	\$ 431.6 million	\$ 388.4 million	\$ 394.9 million	57.6	17.0
Adjusted EBITDA	30%	\$ 51.7 million	\$ 38.8 million	\$ 31.1 million	0.0	0.0

Each financial measure other than adjusted EBITDA was calculated on a GAAP basis, consistent with the GAAP financial measures reported in our quarterly earnings releases adjusted for constant currency. The calculation of adjusted EBITDA, a non-GAAP financial measure, excluded any bonus accrual amounts. All three metrics were measured on a constant foreign currency basis using the exchange rate assumed in the Company's fiscal 2015 operating plan. The Compensation Committee could, in its discretion, approve 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 have met the Company's fiscal 2015 backlog criteria as disclosed in our Annual Report on Form 10-K. The Compensation Committee assessed corporate performance with respect to each of the three financial performance measures and determined that threshold performance had been achieved for each measure. The funding with respect to each financial performance measure was based on a funding slope in a straight line from 50% 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 at 120% funding for the total revenue and gross dollars into backlog metrics and 150% funding for the adjusted EBITDA metric.

Based on our actual corporate performance results, the funding methodology resulted in funding of the bonus plan pool at approximately 42% of the target level. As noted above, for each of our executives, including the NEOs, 100% of their annual cash incentive awards were dependent on achieving the corporate performance measures and strategic objective described above. The annual cash incentive award targets and payouts made to the NEOs in fiscal 2016 for fiscal 2015 performance were as follows:

**Fiscal 2015 Performance Bonus Plan Payouts**

Named Executive Officer	Target		Fiscal 2015
	(%)	(\$)	Total Actual Payout (\$)(1)
Joshua H. Levine	120%	794,977	333,890
Gregory Lichtwardt(2)	70%	273,081	114,694
Kelly Londy	70%	281,077	118,052
Alaleh Nouri	50%	138,029	57,972

(1) The fiscal 2015 Total Actual Payout for each NEO is derived by multiplying the approximate 42% funding level by the gross cash wages earned by such NEO during fiscal 2015 as calculated in accordance with the Performance Bonus Plan.

(2) Mr. Lichtwardt retired and resigned from the Company effective September 14, 2015.

The annual incentive award payouts for fiscal 2015 performance made to the NEOs are reported in the Summary Compensation Table under "Executive Compensation" below. Additional information about these awards is reported in the Grants of Plan-Based Awards Table under "Executive Compensation" below.

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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 RSU awards, but in fiscal 2012, our executives were granted performance-based RSUs ("PSUs") in addition to stock options and RSUs. Since fiscal 2013, our executives were granted MSUs in addition to time-based 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), 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 2015 Equity Awards

For fiscal 2015, the CEO proposed equity grant awards 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 equity awards to be granted for each executive officer, other than the CEO, as further described below. Equity awards for fiscal 2015 consisted of a mix RSUs and MSUs under the 2015 MSU Program. The Compensation Committee decided not to award stock options for fiscal 2015, but may choose to award them in the future.

For our CEO, the independent members of our Board assessed his individual performance and outstanding equity holdings, internal equity, role hierarchy and retention needs in determining the equity awards to be granted to him and awarded a mix of equity awards for fiscal 2015 such that approximately 50% were in the form of RSUs and 50% were in the form of MSUs. Due to a limitation under the Company's 2007 Incentive Award Plan, which restricts the total number of shares that may be granted to any one individual in a calendar year, Mr. Levine's annual equity awards could not be granted in their entirety during calendar year 2014 when all other annual grants to the NEOs for fiscal year 2015 were made. Therefore, a portion of his total annual equity award was granted in calendar year 2015.

The Compensation Committee believes that tying a portion of the executives' equity incentive compensation to performance criteria better aligns the executives' goals and incentives with both the Company's strategic plans and with the interests of the Company's stockholders. In fiscal 2015, the Compensation Committee approved our 2015 MSU Program for our executives, including the NEOs, with two performance periods, each beginning on the first day of fiscal 2015 and ending on the last day of fiscal 2016 and the last day of fiscal 2017, respectively, further linking the compensation of participants in this program to the creation of long-term stockholder value. For each award granted, 50% of the shares subject to the award will vest at the end of each performance period, subject to meeting minimum performance thresholds and upward or downward adjustment based on our performance as further described below.

The 2015 MSU Program uses the Russell 2000 index as a performance benchmark and requires that the Company's TSR meet that of the Russell 2000 for each performance period in order for the

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target number of shares of our common stock for such performance period to be earned by each participating executive, including participating NEOs. The actual shares earned will be calculated on a sliding scale based on stock price performance above and below the Russell 2000 benchmark, up to a maximum of 150% of the target number of shares. For purposes of the 2015 MSU Program, TSR is measured as the average closing price for the last fiscal quarter of the performance period (adjusted for dividends, if any) minus the average closing price for the fiscal quarter preceding the performance period divided by the average closing price for the fiscal quarter preceding the performance period.

If the Company's TSR for the relevant measurement period is below that of the Russell 2000, for each percentage point that the Company has underperformed relative to the Russell 2000, the actual shares earned will be reduced below the target amount on a 3-for-1 basis. By way of example only, if the Company's TSR is 5 percentage points below the Russell 2000's TSR for the performance period, the shares earned for that period will be 85% of the target amount ( $100\% - (5\% \times 3)$ ). If the Company's TSR for the relevant measurement period exceeds that of the Russell 2000, for each percentage point that the Company has overperformed relative to the Russell 2000, the actual shares earned will be increased above the target amount on a 2-for-1 basis, up to a maximum of 150% of target. By way of example only, if the Company's TSR is 10 percentage points above the Russell 2000's TSR for the performance period, the shares earned for that period will be 120% of the target amount ( $100\% + (10\% \times 2)$ ).

The Compensation Committee believes using a single performance metric for the 2015 MSU Program is appropriate because the metric used is tied directly to stockholders' return, which the Compensation Committee believes, ultimately, is the key indicator of whether the executives have performed well. In addition, the Compensation Committee set the target amount of the equity awards granted to executives under the 2015 MSU Program at what it deemed was the appropriate level based on each individual executive's performance, experience and retention needs, and assuming the Company's performance would track to the index. If the Company did not perform as well as anticipated, the executive would therefore earn less than the targeted amount.

We are still within the measurement periods for the 2015 MSU Program and, to date, no shares of our common stock have been earned pursuant to MSU awards under the 2015 MSU Program.

In fiscal 2015, each NEO received equity awards in the aggregate amounts as follows:

Name	MSUs	RSUs
	Target Shares (#)	(#)(1)
Joshua Levine	250,000	250,000
Gregory Lichtwardt(2)	55,808	55,808
Kelly Londy	62,009	62,009
Alaleh Nouri	10,000	10,000

- (1) Each RSU award vests in equal annual installments over four years starting from the vesting commencement date of such award.
- (2) Mr. Lichtwardt retired and resigned from the Company effective as of September 14, 2015.

Previously-Granted MSU Awards

With respect to the 2013 MSU Program, the Compensation Committee determined that the performance requirements were not met for either of the first or second performance periods and, accordingly, the MSUs associated with both such performance periods were cancelled. With respect to the first performance period of the 2014 MSU Program, which ended on the last day of fiscal 2015, the

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Compensation Committee determined that the performance requirements outlined for such first performance period were met at 132.1% of target. Accordingly, the shares of our common stock associated with the first performance period of the 2014 MSU Program were earned and issued to the grantees of such awards in accordance with terms of the 2014 MSU Program. The second performance period of the 2014 MSU Program ends on the last day of fiscal 2016 and, to date, no shares of our common stock subject to the second performance period of the 2014 MSU Program have been earned.

The equity awards made to the NEOs in fiscal 2015 are reported in the Summary Compensation Table under "*Executive Compensation*" below. Additional information about these awards, including the number of shares subject to each award and the award's grant date fair value and applicable vesting schedules, is reported in the Grants of Plan-Based Awards Table under "*Executive Compensation*" below.

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

Effective January 1, 2015, we entered into amended and restated employment agreements with each of our executives, including the NEOs, to document the material terms and conditions of each executive's employment, including his or her annual base salary, target annual cash incentive award opportunity and equity awards. Each executive officer's employment agreement includes a three year term (with automatic successive three year term renewal unless the Company or the executive officer provides timely notice of non-renewal) and specifies the payments and benefits that each executive will receive upon a potential termination of his or her employment under certain circumstances. 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 at the time of termination; 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 other 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 executive officers, including the NEOs, are eligible for severance payments and benefits in the event of the termination of their employment by the Company without "cause" or by the executive for "good reason". In addition, our executive officers, including the NEOs, are eligible for certain enhanced severance payments and benefits in the event such termination without cause or

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resignation for good reason occurs within three months prior to or twelve months following a change in control of the Company. We believe that the agreements contain severance provisions that are generally comparable to the 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.

Each NEO's employment agreement provides that the NEO's employment is "at will" and describes the payments and benefits that each such NEO will receive upon a termination of his or her employment under certain circumstances or in the event of a termination upon a change in control of the Company. For additional information, see "*Potential Payments and Benefits Upon Termination or Change in Control*" below.

**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 executive officers, including the NEOs.

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 such participant's 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. One hundred percent of the Company's matching contributions made to the 401(k) employee savings plan on behalf of an employee vests on the first anniversary of such employee's service. 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.

Given that 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.

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.

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

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**Other Compensation Policies**

Stock Ownership Requirements

Our Board has adopted 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 and its committees and to provide a flexible framework within which the Board may conduct its oversight of the Company's business. The Corporate Governance Guidelines require that certain executive officers and non-employee director own shares of the Company's 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 board cash retainer (excluding committee retainer);

*Chief Executive Officer:* the greater 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 Commercial Officer and any other Executive Vice President:* the greater 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 greater of (a) the number of shares having a value equal to one times annual base salary and (b) 17,500 shares.

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 and all non-employee directors are in compliance with such stock ownership requirements or are on track to be in compliance within the appropriate timeframe specified in the Corporate Governance Guidelines.

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

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Follow-on awards are considered as part of our fiscal review process. We do not seek to time the grant of stock options, RSUs or performance-based equity awards 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 a share 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 exercise price for our stock options is based on the closing price per share of the Company's common stock as reported on the NASDAQ Global Select Market on the date of grant.

Insider Trading, Anti-Hedging and Pledging Policy

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 vesting to cover and pay the withholding tax requirements in accordance with Company policy. In addition, our insider trading policy prohibits all of our employees, including our NEOs, and our directors from engaging any speculative transactions in Company securities, including purchasing on margin, engaging in short sales, engaging in transactions in put options, call options or other derivative securities, or engaging in any other forms of hedging transactions.

Our employees, including our NEOs, and directors are also prohibited from pledging or using Company securities as collateral for loans.

**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 CEO and each of the three other most highly compensated executive officers of the Company (other than our CFO) 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 Compensation 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 Compensation 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, however, complicated 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 the Company's 2007 Incentive Award Plan or Performance Bonus 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.

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table sets forth the compensation for each of fiscal years 2015, 2014, and 2013 earned by the following persons, who we refer to as our named executive officers or NEOs:

our current principal executive officer;

our former principal financial officer who retired and resigned from the Company effective as of September 14, 2015; and

our two other most highly compensated executive officers who were serving as executive officers at the end of fiscal year 2015.

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	Stock Awards (\$)(2)	Option Awards (\$)(2)	Non-Equity Incentive	All Other Compensation (\$)(4)	Total (\$)
						Plan Compensation (\$)(3)		
Joshua H. Levine, President and Chief Executive Officer	2015	662,481		2,974,500		333,890	30,567	4,001,438
	2014	637,519		3,270,250		857,592	18,401	4,783,762
	2013	473,485(5)		2,129,500	667,260		8,040	3,278,285
Gregory Lichtwardt,(6) Executive Vice President, Operations and Chief Financial Officer	2015	390,116		576,219		114,694	614	1,081,643
	2014	292,989(7)		1,794,375		255,671	631	2,343,666
	2013							
Kelly Lundy, Executive Vice President, Chief Commercial Officer	2015	401,539		640,245		118,052	5,226	1,165,062
	2014	368,077		342,000		310,240	7,077	1,027,394
	2013	331,450		686,052	75,432		12,963	1,105,897
Alaleh Nouri,(8) Senior Vice President, General Counsel and Corporate Secretary	2015	276,058	37,500(9)	121,350		57,972	5,081	497,961
	2014	255,574	37,500(9)	331,193		99,112	8,893	732,272
	2013							

- (1) Amounts shown reflect salary amounts paid to each NEO during each respective fiscal year. Amounts shown in the salary column for 2015 are comprised of the salary rate paid through September 30, 2014 and the rate approved by the Board beginning on October 1, 2014. Other than with respect to Ms. Nouri, amounts shown in the salary column for 2014 are comprised of the salary rate paid through September 30, 2013 and the increased rate approved by our Board beginning October 1, 2013. For Ms. Nouri, amounts shown in the salary column for 2014 are comprised of the salary rate paid through September 30, 2013, an increased rate approved by the Compensation Committee beginning October 1, 2013 in connection with annual merit increases, and an increased rate approved by the Compensation Committee beginning February 3, 2014 in connection with Ms. Nouri's appointment as Interim General Counsel.
- (2) The amounts shown represent the aggregate grant date fair value of stock awards and stock options as determined in accordance with FASB ASC Topic 718. These amounts may not actually reflect to the actual value that will be realized by our NEOs. The assumptions used to calculate the value of stock awards and stock options are set forth under Note 2 and Note 10 of the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015.
- (3) Amounts reflect annual cash incentive awards earned under our Performance Bonus Plan for each fiscal year. Amounts earned in any fiscal year are actually paid in the following fiscal year. No annual incentive award payments were earned for fiscal 2013.
- (4) All Other Compensation consists of the following:



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<b>Name</b>	<b>Year</b>	<b>Company matching contribution to 401(k) Plan (\$)</b>	<b>Life insurance premiums paid by the Company (\$)</b>	<b>Personal Travel Expenses (\$)</b>
Joshua Levine	2015	13,099	768	16,700
Gregory Lichtwardt	2015		614	
Kelly Londy	2015	4,612	614	
Alaleh Nouri	2015	4,658	423	

(5) Mr. Levine's salary amount for fiscal 2013 reflects his employment having commenced on October 12, 2012.

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- (6) Mr. Lichtwardt retired and resigned from the Company effective September 14, 2015.
- (7) Mr. Lichtwardt's salary amount for fiscal 2014 reflects his employment having commenced on September 3, 2013.
- (8) Ms. Nouri was not a named executive officer of the Company in fiscal 2013.
- (9) In connection with her promotion to Interim General Counsel in February 2014, Ms. Nouri received a retention bonus of \$75,000. \$37,500 of the bonus amount was paid on July 1, 2014 and the remainder was paid in August 2014.

**Grants of Plan-Based Awards for Fiscal 2015**

The following table sets forth information regarding awards granted under our annual cash incentive plan and equity awards made under our 2007 Incentive Award Plan to each of our NEOs during the fiscal year ended June 30, 2015. The per-share exercise price of each stock option grant was not less than the fair market value of our Company's common stock on the date of grant (which 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)			Estimated Future Payouts Under Equity Incentive Plan Awards(5)		All Other Stock Awards: Number of Shares of Stock or Units (#)(6)	Grant Date Fair Value of Stock and Option Awards (\$)(7)
			Target Threshold(\$)(2)	Maximum (\$)(3)	Maximum (\$)(4)	Target Threshold(#)(#)	Maximum (#)		
Joshua Levine	10/31/14	8/27/14						200,000	1,266,000
	3/31/15	3/19/15						50,000(8)	465,000
	10/31/14	8/27/14				100,000	150,000		355,000
	10/31/14	8/27/14				100,000	150,000		444,000
	3/31/15	3/19/15				25,000(9)	37,500(9)		218,500
	3/31/15	3/19/15				25,000(9)	37,500(9)		226,000
			397,489	794,977	1,025,521				
Gregory Lichtwardt(10)	10/31/14	8/26/14						55,808	353,265
	10/31/14	8/26/14				27,904	41,856		99,060
	10/31/14	8/26/14				27,904	41,856		123,894
			136,541	273,081	\$ 352,275				
Kelly Londy	10/31/14	8/26/14						62,009	392,517
	10/31/14	8/26/14				31,004	46,506		110,064
	10/31/14	8/26/14				31,005	46,508		137,662
			140,539	281,077	362,590				
Alaleh Nouri	8/29/14	7/31/14						10,000	81,400
	9/30/14	7/31/14				5,000	7,500		17,750
	9/30/14	7/31/14				5,000	7,500		22,200
			69,015	138,029	178,058				

(1) The Estimated Future Payouts Under Non-Equity Incentive Plan Awards columns refer to the potential payouts under our annual cash incentive plan, the 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, 2015, assuming that exactly the minimum threshold amount for each of the three Company financial performance measures under the Performance Bonus Plan is achieved, resulting in 50% funding of the Performance Bonus Plan pool. 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.

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- (3) This column shows the annual target award opportunities that would have been payable to the NEOs for our fiscal year ended June 30, 2015, assuming that the target amount for each of the three Company financial performance measures under the Performance Bonus Plan is achieved, resulting in 100% funding of the Performance Bonus Plan pool.
- (4) This column shows the annual maximum award opportunity that would have been payable to NEOs for our fiscal year ended June 30, 2015. This amount is calculated at 129% of the target amount.
- (5) The Estimated Future Payouts Under Equity Incentive Plan Awards columns represent the minimum, target, and maximum number of MSUs that, upon converting to shares of Company common stock, could be received by each listed officer. MSU Awards granted to the listed officers in fiscal year 2015 have a two-year performance period and a three-year performance period, each beginning on July 1, 2014, and 50% of the shares vest on the last day of each performance period, subject to the certification of certain performance criteria by the Compensation Committee. The number of shares of Company common stock to be received at vesting will range from 0% to 150% of the target amount, based on TSR of

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Company common stock measured against the TSR of the Russell 2000 Index at the end of each performance period. The TSR is based upon the percentage increase or decrease between the average closing stock price over the fiscal quarter preceding the beginning and end of the performance periods. The Company does not pay any dividends.

- (6) Unless otherwise noted, the stock awards reflected in this column are RSU grants that will vest in equal annual installments over four years starting from the vesting commencement date of October 31, 2014.
- (7) The amounts in this column represent the grant date fair value of each award, as determined in accordance with FASB ASC Topic 718.
- (8) RSU award will vest in equal annual installments over four years starting from the vesting commencement date of March 31, 2015. The RSU award granted to Mr. Levine on March 31, 2015 represented a portion of his annual equity compensation for fiscal 2015. Due to a limitation under the Company's 2007 Incentive Award Plan, which restricts the total number of shares that may be granted to any one individual in a calendar year, Mr. Levine's annual equity award could not be granted in its entirety during calendar year 2014 when all other annual grants for fiscal year 2015 were made. Therefore, a portion of his total annual equity award was granted in calendar year 2015.
- (9) The MSU awards granted to Mr. Levine on March 31, 2015 represented a portion of his annual equity compensation for fiscal 2015. Due to a limitation under the Company's 2007 Incentive Award Plan, which restricts the total number of shares that may be granted to any one individual in a calendar year, Mr. Levine's annual equity award could not be granted in its entirety during calendar year 2014 when all other annual grants for fiscal year 2015 were made. Therefore, a portion of his total annual equity award was granted in calendar year 2015.
- (10) Mr. Lichtwardt retired and resigned from the Company effective September 14, 2015.

**Outstanding Equity Awards at Fiscal 2015 Year-End**

The following table sets forth the exercisable and unexercisable stock options and other stock awards held by our NEOs as of June 30, 2015. Market value for stock awards is determined by multiplying the number of shares by the closing price of our stock on June 30, 2015, the last trading day of the fiscal year.

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Name	Grant Date	Option Awards(1)				Stock Awards(2)			
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Units of Stock That Have Not Vested (\$)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, or Other Rights that Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, or Other Rights that Have Not Vested (\$)(3)
Joshua Levine	11/30/12	129,167	70,833	6.28	11/30/22				
	11/30/12					100,000	674,000		
	10/31/13					112,500	758,250		
	3/31/14					37,500	252,750		
	10/31/14					200,000	1,348,000		
	3/31/15					50,000	337,000		
	10/31/13							150,000(5)	1,011,000
	3/31/14							50,000(5)	337,000
Gregory Lichtwardt(7)	10/31/13					93,750	631,875		
	10/31/14					55,808	376,146		
	10/31/13							125,000(5)	842,500
	10/31/14							55,808(6)	376,146
Kelly Londy	11/30/11	89,583	10,417	4.01	11/30/21				
	10/31/12	13,600(8)	6,800	6.96	10/31/22				
	11/30/11					6,875	46,338		
	10/31/12					11,650	78,521		
	12/31/12					6,875(9)	46,338		
	4/30/13					30,000	202,200		
	10/31/14					62,009	417,941		
	10/31/13							45,000(5)	303,300
Alaleh Nouri	1/31/11	27,000		8.56	1/31/21				
	11/30/11	7,104	1,146	4.01	11/30/21				
	10/31/12	9,333	4,667	6.96	10/31/22				
	11/30/2011					675	4,550		
	10/31/2012					2,850	19,209		
	10/31/2013					10,125	68,243		
	3/31/2014					18,750	126,375		
	8/29/2014					10,000	67,400		
9/30/2014							10,000(6)	67,400	

- (1) Unless otherwise described in the footnotes below, the shares of common stock subject to stock options will vest over a four-year period, with 25% of the shares to vest upon completion of one year of service measured from the vesting commencement date, and the balance will vest in 36 successive equal monthly installments upon the completion of each additional month of service thereafter.
- (2) Unless otherwise described in the footnotes below, restricted stock unit awards will vest over a four-year period with 25% of the shares subject to the award vesting annually on each anniversary of the vesting commencement date.
- (3) Market value of shares or units of stock that have not vested is computed by multiplying (i) \$6.74, the closing price on the NASDAQ Global Select Market of our common stock on June 30, 2015, the last trading day of fiscal year 2015, by (ii) the number of shares or units of stock.

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- (4) The MSUs reported are based on achieving certain target performance metrics.
- (5) 50% of the shares subject to the MSU award will vest if the performance goals for the first performance period ending June 30, 2015 are met and certified and the remaining 50% will vest if the performance goals for the second performance period ending June 30, 2016 are met and certified. As of June 30, 2015, the shares issuable upon the achievement of the performance goals for the first performance period were not yet vested or released even though such performance goals were met because the Compensation Committee of the Board had not yet met to approve and certify the achievement. On July 8, 2015, the Compensation Committee of the Board certified achievement of the performance goals for the first performance period and the shares subject to first performance period of the MSU award were vested and issued at a rate of 132.1% of target.
- (6) 50% of the shares subject to the MSU award will vest if the performance goals for the performance period ending June 30, 2016 are met and certified and the remaining 50% will vest if the performance goals for the performance period ending June 30, 2017 are met and certified.

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- (7) Mr. Lichtwardt retired and resigned from the Company effective September 14, 2015.
- (8) 1/48<sup>th</sup> of the aggregate number of shares subject to the option will vest each month after the date of grant.
- (9) Restricted stock unit award will vest over a three-year period with 25% of the shares subject to the award vesting immediately on the date of grant and 25% of the shares subject to the award vesting annually on each anniversary of the vesting commencement date thereafter.

**Option Exercises and Stock Vested During Fiscal 2015**

The following table reports stock option exercises and the vesting of RSUs during the fiscal year ended June 30, 2015 and the value realized upon exercise or vesting:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(1)
Joshua Levine			100,000	686,125
Gregory Lichtwardt(2)			31,250	197,813
Kelly Londy			34,575	255,760
Alaleh Nouri			22,975	179,785

- (1) The value realized equals the closing price of our common stock on the date of vesting, multiplied by the number of shares vested.
- (2) Mr. Lichtwardt retired and resigned from the Company effective September 14, 2015.

**Potential Payments and Benefits Upon Termination or Change in Control**

Effective January 1, 2015, we entered into amended and restated employment agreements with each of our NEOs, which, among other things, provide for certain payments and benefits upon their termination of employment under specified circumstances and in connection with a termination or resignation of employment under certain conditions within a specified period prior to or following a change in control of the Company. Except as set forth below, our NEOs will forfeit any unvested stock options, RSUs and performance-based equity awards if their employment with us is terminated.

*Termination by the Company Without Cause or by the Executive for Good Reason*

The NEOs' employment agreements define "Cause" as (i) material breach of the employment agreement, or of a Company policy or of a law, rule or regulation applicable to the Company or its operations; (ii) demonstrated and material neglect of duties, or failure or refusal to perform the material duties of the NEO's position, or the failure to follow the reasonable and lawful instructions of the Company; (iii) gross misconduct or dishonesty, self-dealing, fraud or similar conduct that the Company reasonably determines has caused, is causing or reasonably is likely to cause harm to the Company; or (iv) the NEO's conviction of or plea of guilty or *nolo contendere* to any crime other than a traffic offense that is not punishable by a sentence of incarceration, provided that a termination pursuant to (ii) will be effective only if such failure continues after the NEO has been given written notice thereof and fifteen (15) business days thereafter in which to cure, unless the Company reasonably determines that the reasons for termination are not capable of being cured.

The NEOs' employment agreements generally define "Good Reason" as the occurrence of any one of the following events, unless the Company cures the circumstances constituting Good Reason within 30 days after notice from the NEO that Good Reason exists: (i) a material reduction in the NEO's base salary and/or a material breach of the NEO's employment agreement resulting from the failure to provide the benefits required therein; (ii) any action or inaction that constitutes a material breach by the Company of the NEO's employment agreement; (iii) a material diminution in the NEO's authority,





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duties or responsibilities such that they are materially inconsistent with his/her position in the Company; or (iv) relocation of the Company's headquarters to a location that materially increases the NEO's commute. In order for a resignation with Good Reason to be effective, each NEO must provide written notice of his or her resignation for Good Reason to the Company within 60 days after the date the NEO becomes aware of the initial occurrence of any of the foregoing, and the separation date must occur not later than six months after the NEO becomes aware of the initial occurrence of the event constituting Good Reason.

In the event of a termination by the Company without Cause or by an executive for Good Reason, the amount of the severance payments and benefits to which each such executive is entitled depends on such executive's position with the Company. For each executive other than Mr. Levine, our CEO, the severance payments and benefits consist of (i) six months of the executive's annual base salary, (ii) reimbursement of insurance premiums payable to retain group health coverage as of the termination date for such executive and such executive's eligible dependents under COBRA for six months, (iii) a prorated portion of such executive's target bonus for the fiscal year during which termination occurs, and (iv) outplacement assistance in accordance with the Company's then-current policies and practices with respect to outplacement assistance for other similarly situated executives of the Company. Under the terms of Mr. Levine's employment agreement, in the event his employment is terminated by the Company without Cause or if he resigns his employment for Good Reason, his severance payments and benefits consist of (i) 12 months of his annual base salary, (ii) reimbursement of insurance premiums payable to retain group health coverage as of the termination date for him and his eligible dependents under COBRA for 12 months, (iii) a prorated bonus for the fiscal year in which the separation occurs based upon the number of months he was employed during the fiscal year, and (iv) outplacement assistance in accordance with the Company's then-current policies and practices with respect to outplacement assistance for other similarly situated executives of the Company.

Termination in Connection with a Change in Control of the Company

Each of our NEO's severance payments and benefits are generally larger in the event that the termination of employment occurs in connection with a change in control of the Company. Each NEO's employment agreement generally defines "change in control" to include the following:

the direct or indirect acquisition of beneficial ownership by a person or group of persons of more than 50% of (i) the outstanding shares of the Company's common stock or (ii) the combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of directors (other than trustees or other fiduciaries holding securities under a Company employee benefit plan or an entity in which the Company directly or indirectly beneficially owns at least 50% of the voting securities);

the consummation by the Company of a merger or consolidation which merger or consolidation results in (i) the holders of voting securities of the Company outstanding immediately before such merger or consolidation failing to continue to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the then outstanding voting securities of the corporation or entity resulting from or surviving such merger or consolidation or (ii) individuals who are directors of the Company just prior to such merger or consolidation not constituting more than 50% of the members of the Board of the surviving entity or corporation immediately after the consummation of such merger or consolidation; or

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all or substantially all of the assets of the Company and its subsidiaries are, in any transaction or series of transactions, sold or otherwise disposed of (or consummation of any transaction, or series of related transactions, having similar effect), other than to an affiliate.

For each of our executives, including the NEOs, in the event such executive's employment is terminated without Cause or such executive resigns for Good Reason, in each case within three months prior to or twelve months following a change in control, the severance payments and benefits consist of the following:

24 months of the executive's annual base salary;

200% of the executive's target annual bonus for the fiscal year in which the termination occurs;

reimbursement of two times the insurance premiums payable to retain group health coverage as of the termination date for such executive and such executive's eligible dependents under COBRA for 12 months;

full and immediate vesting of all outstanding unvested options and RSUs; and

outplacement assistance in accordance with the Company's then-current policies and practices with respect to outplacement assistance for other similarly situated executives of the Company.

Termination as a Result of Death or Disability

In the event of Mr. Levine's termination of employment because of incapacity or death, his employment agreement provides for the acceleration of vesting for stock options and RSUs previously granted to Mr. Levine that would have vested within twelve months of such termination.

In the event of termination of employment of any of our other NEOs because of incapacity or death, their respective employment agreements provide for the acceleration of vesting for stock options and RSUs previously granted to each such NEO that would have vested within six months of such termination.

Restrictive Covenants and Release of Claims

In consideration for the potential receipt of payments and benefits upon termination of employment, each of our executives, including the NEOs, is subject to compliance with certain restrictive covenants as set forth in their individual employment agreements. Generally, these covenants prohibit our executives from disclosing our proprietary or confidential information during their employment with the Company and thereafter, soliciting any of our employees to leave employment with the Company or any of our customers or suppliers to do business with any of our competitors for the duration of their employment with the Company and for one year thereafter, and from competing with the Company for the duration of their employment. Severance benefits may cease in the event of violation of these covenants. In addition, severance payments and benefits are conditioned upon an executive entering into a full release of claims in favor of the Company.

Section 4999 of the Code

If, in connection with a change in control of the Company, any payments or benefits payable to our NEOs would be subject to the excise tax imposed by Section 4999 of the Code, their payments and benefits will be reduced to the extent necessary so that no amount will be subject to this excise tax, provided that the reduction will occur only if the NEO will be in a more favorable after-tax position than if no reduction had been made. We believe that this approach protects the value of compensation already awarded to our executives and mitigates any potential personal bias against a potential corporate transaction.

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The Compensation Committee does not consider the potential payments and benefits under these arrangements when making compensation decisions for our executives, including the NEOs. These arrangements serve very specific purposes that are unrelated to the determination of our NEOs compensation for a specific year.

Potential Payments to our NEOs on Termination of Employment

The tables below quantify potential payments to our NEOs who were employed by us at the end of fiscal year 2015 in the event of a termination of employment or a change in control of our Company, based on the terms of employment agreements in effect as of June 30, 2015. The amounts shown assume that the termination and change in control, as applicable, occurred on June 30, 2015, the last business day of fiscal year 2015. The amounts set forth in the tables below represent what we believe are reasonable estimates of the amounts that would be paid to the NEOs upon their termination of employment, including any termination in connection with a change in control, but exclude (a) any accrued amounts payable to them through the date of separation (including any earned but unpaid bonus) and (b) the value of any stock awards or option awards that vested on or before June 30, 2015. The actual amounts to be paid can only be determined at the time of the NEOs' separation from our Company or upon the occurrence of a change in control.

The value of the stock option and RSU vesting acceleration was calculated based on the assumption that the change in control and the executive's employment termination occurred on June 30, 2015. The closing price of our stock on the NASDAQ Global Select Market as of June 30, 2015 was \$6.74 per share, which was used as the value of our stock for purpose of these calculations. The value of the vesting acceleration for stock options was calculated by multiplying the number of accelerated option shares as of June 30, 2015 by the spread between the closing price of our stock as of June 30, 2015 and the exercise price for such unvested option shares. The value of vesting acceleration for RSUs was calculated by multiplying the number of accelerated RSUs by the closing price of our stock as of June 30, 2015. The values reflected also assume that the payments and benefits to the NEOs are not reduced by virtue of the provisions in their employment agreements relating to Section 4999 of the Code.

**Joshua Levine**

	<b>Termination by Company without Cause or by NEO for Good Reason (No Change in Control) (\$)</b>	<b>Termination by Company without Cause or by NEO for Good Reason in connection with a Change in Control (\$)</b>
<b>Benefits</b>		
Base Salary Severance	665,000	1,330,000
Target Bonus	798,000	1,596,000
COBRA Premium Reimbursement	26,594	53,188
Options Acceleration		32,583
RSU Acceleration		5,897,500
<b>Total</b>	<b>\$ 1,489,594</b>	<b>\$ 8,909,271</b>

Table of Contents**Gregory Lichtwardt(1)**

	<b>Termination by Company without Cause or by NEO for Good Reason (No Change in Control) (\$)</b>	<b>Termination by Company without Cause or by NEO for Good Reason in connection with a Change in Control (\$)</b>
<b>Benefits</b>		
Base Salary Severance	200,000	800,000
Target Bonus	280,000	560,000
COBRA Premium Reimbursement	13,175	52,700
Options Acceleration		
RSU Acceleration		2,226,667
<b>Total</b>	<b>\$ 493,175</b>	<b>\$ 3,639,367</b>

(1)

Mr. Lichtwardt retired and resigned from the Company effective September 14, 2015.

**Kelly Londy**

	<b>Termination by Company without Cause or by NEO for Good Reason (No Change in Control) (\$)</b>	<b>Termination by Company without Cause or by NEO for Good Reason in connection with a Change in Control (\$)</b>
<b>Benefits</b>		
Base Salary Severance	200,000	800,000
Target Bonus	280,000	560,000
COBRA Premium Reimbursement	13,297	53,188
Options Acceleration		26,942
RSU Acceleration		1,512,577
<b>Total</b>	<b>\$ 493,297</b>	<b>\$ 2,952,707</b>

**Alaleh Nouri**

	<b>Termination by Company without Cause or by NEO for Good Reason (No Change in Control) (\$)</b>	<b>Termination by Company without Cause or by NEO for Good Reason in connection with a Change in Control (\$)</b>
<b>Benefits</b>		
Base Salary Severance	137,500	550,000
Target Bonus	137,500	275,000
COBRA Premium Reimbursement	8,824	35,296
Options Acceleration		2,102
RSU Acceleration		353,176

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<b>Total</b>	\$	283,824	\$	1,215,574
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The following table sets forth summary information concerning the compensation earned by our non-employee directors for their service during fiscal 2015.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	All Other Compensation (\$)(2)	Total (\$)
Elizabeth Dávila	66,500	119,996	40,000	226,496
Jack Goldstein, Ph.D.	55,500	119,996	40,000	215,496
Louis J. Lavigne, Jr.	105,500	119,996		225,496
Richard Pettingill	43,500	119,996	40,000	203,496
Emad Rizk, M.D.	44,000	119,996		163,996
Robert S. Weiss	54,500	119,996	40,000	214,496
Dennis Winger	66,000	119,996	40,000	225,996

(1)

The amounts reflected in this column represent the grant date fair value for financial statement purposes for the fiscal year ended June 30, 2015 associated with the award of RSUs granted in fiscal 2015, measured in accordance with FASB ASC Topic 718. See Note 2 and Note 10 of the notes to our consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015 for a discussion of how all assumptions made by us are derived in determining the FASB ASC Topic 718 fair values of our equity awards. The following table provides additional information regarding each RSU grant made to the individuals who served as non-employee directors of the Company in fiscal 2015, as well as options and RSUs held by them at the end of fiscal 2015:

Name	Grant Date	Outstanding Option Awards at June 30, 2015	RSU Awards Granted during fiscal 2015	Outstanding RSU Awards at June 30, 2015
Elizabeth Dávila	11/28/14	90,424	17,416	17,416
Jack Goldstein, Ph.D.	11/28/14	19,000	17,416	17,416
Louis J. Lavigne, Jr.	11/28/14	36,896	17,416	17,416
Richard Pettingill	11/28/14	11,164	17,416	17,416
Emad Rizk, M.D.	11/28/14		17,416	17,416
Robert S. Weiss	11/28/14	178,424	17,416	17,416
Dennis Winger	11/28/14	56,795	17,416	17,416

(2)

The amounts reflected in this column represent RSU release net-settlement reimbursement.

Table of Contents**Director Cash Compensation**

Effective November 2013, each non-employee director received an annual cash retainer of \$35,000 per year, paid quarterly. In addition, Mr. Lavigne, received an annual cash retainer of \$50,000, paid quarterly, for serving as Chairperson of our Board, and Ms. Dávila received an annual cash retainer of \$10,000, paid quarterly, for serving as the Vice Chairperson of our Board. Directors who served on the standing committees of our Board and the chairperson of each such committee received an additional annual cash retainer as follows:

Committee	Chairperson retainer (\$)	Member retainer (\$)	Number of meetings covered
Audit Committee	\$ 25,000	\$ 10,000	8
Compensation Committee	15,000	5,000	6
Nominating and Corporate Governance Committee	10,000	3,000	4

For meetings of standing committees in excess of the number set forth above, and for each Board meeting in excess of four, each director, including the chairperson, received \$1,000 per meeting attended in-person and \$500 per meeting attended telephonically.

In addition to the foregoing, all of our directors are reimbursed for the reasonable expenses incurred in connection with participating in the meetings of our Board and committees of our Board. Employee directors are not compensated for board services in addition to their regular employee compensation.

**Non-Employee Director Equity Compensation**

Pursuant to guidelines for annual equity awards adopted by our Board in November 2010 and affirmed in November 2014, each of our non-employee directors receives an annual RSU grant equal to the number of shares of our common stock obtained by dividing \$120,000 by the fair market value (as of the date of grant) of one share of our common stock, such RSUs to be granted on the last day of the month in which our Annual Meeting of stockholders occurs, with a vesting commencement date of the date of the Annual Meeting. On November 28, 2014, each then-current director was granted an RSU grant covering 17,416 shares of the Company's common stock under the 2007 Incentive Award Plan, with a vesting commencement date of November 20, 2014. The annual RSU grants vest in full on the first anniversary of the vesting commencement date and are subject to 100% acceleration of vesting in the event of a change of control of the Company. We expect to make an annual RSU grant to each of our continuing directors in accordance with these guidelines on approximately November 30, 2015. In November 2012, the Board revised the equity compensation for newly elected non-employee directors such that upon initial appointment to our Board, a non-employee director will receive an RSU grant equal to the number of shares of our common stock obtained by dividing \$120,000 by the fair market value (as of the date of grant) of one share of our common stock. The RSU grant will be prorated for the number of months the newly elected non-employee director will serve on the Board prior to the next Annual Meeting of stockholders. The vesting commencement date for the initial RSU grant is the date of appointment for the new director, with full vesting on the next Annual Meeting of stockholders. Vesting of the initial RSU grant would be accelerated in full in the event of a change in control of our Company.

No additional option or RSU grants are provided for committee membership or for serving as the chairperson of a committee.

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Our current Corporate Governance Guidelines require non-employee directors of the Company to own the number of shares having a value equal to at least three times the non-employee director's regular annual cash board retainer.

Non-employee directors 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 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 non-employee directors who have served in that capacity for at least one year are in compliance with the ownership levels provided in the Corporate Governance Guidelines or are on track to be in compliance within the time period provided by the guidelines.

**EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth as of June 30, 2015 certain information regarding our equity compensation plans. All of our equity compensation plans have been approved by our security holders.

Plan category	A Number of securities to be issued upon exercise of outstanding options, warrants, and rights	B Weighted average exercise price of outstanding options, warrants, and Rights(1)(3)	C Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column A)
Equity compensation plans approved by security holders	7,018,130(2)(3)\$	7.91	2,844,633(4)
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>7,018,130(2)(3)\$</b>	<b>7.91</b>	<b>2,844,633(4)</b>

- (1) The weighted average exercise price does not take into account the shares issuable upon vesting of outstanding restricted stock units and performance stock units, which have no exercise price.
- (2) Includes 2,379,925 shares subject to outstanding stock options, 3,324,870 shares subject to outstanding RSU grants, 1,137,997 shares subject to outstanding performance based MSU grants, and 20,000 shares subject to outstanding performance stock units all under our 2007 Incentive Award Plan and 155,338 shares subject to outstanding stock options under the our 1998 Stock Option Plan.
- (3) This table does not include equity awards that have been assumed by the Company in connection with the acquisition of TomoTherapy Incorporated. As of June 30, 2015, an additional 1,254 shares of the Company's common stock were subject to outstanding stock options under TomoTherapy's 2002 Stock Option Plan and 2007 Incentive Award Plan (with a weighted average exercise price of \$5.63 per share). Shares issued in respect of these assumed awards do not count against the share limits of the 2007 Incentive Award Plan. The Company does not grant additional awards under such plans.
- (4) Includes 2,014,365 shares available for future issuance under the 2007 Incentive Award Plan and 830,268 shares reserved for issuance under the Company's 2007 Employee Stock Purchase Plan.



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**SECURITY OWNERSHIP**

**Security Ownership of Certain Beneficial Owners and Management**

The following table presents information as to the beneficial ownership of our common stock as of September 30, 2015 by:

each of our NEOs;

each of our current directors;

all of our current directors and executive officers as a group; and

each stockholder known by us to be the beneficial owner of more than 5% of our common stock.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Unless otherwise indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Shares of our common stock subject to options or warrants that are currently exercisable, or exercisable within 60 days of September 30, 2015, are deemed to be outstanding and to be beneficially owned by the person holding the options or warrants for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

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

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*This table lists applicable percentage ownership based on 79,864,804 shares of common stock outstanding as of September 30, 2015.*

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
<i>5% Stockholders</i>		
Primecap Management Company(1) 225 South Lake Ave., #400 Pasadena, CA 91101	8,665,700	10.9%
Blackrock, Inc.(2) 55 East 52 <sup>nd</sup> Street New York, NY 10022	6,492,172	8.1%
Kornitner Capital Management, Inc.(3) 5420 West 61 <sup>st</sup> Place, Shawnee Mission, KS 66205	4,926,132	6.2%
The Vanguard Group(4) 100 Vanguard Blvd., Malvern, PA 19355	4,656,341	5.8%
Partner Fund Management, L.P.(5) 4 Embarcadero Center, Suite 3500 San Francisco, CA 94111	4,192,823	5.2%
<i>Named Executive Officers and Directors</i>		
Joshua H. Levine(6)	694,816	*
Kelly Londy(7)	216,858	*
Kevin Waters(8)	42,085	*
Alaleh Nouri(9)	76,643	*
Robert S. Weiss(10)	373,962	*
Elizabeth Dávila(11)	178,962	*
Dennis Winger(12)	172,333	*
Louis J. Lavigne, Jr.(13)	158,348	*
Jack Goldstein, Ph.D.(14)	96,638	*
Richard R. Pettingill(15)	49,694	*
Emad Rizk(16)	66,505	*
All current executive officers and directors as a group (11 persons)	2,126,844	2.7%
<i>Former Executive Officers</i>		
Gregory Lichtwardt(17)	116,229	*

\*  
Less than 1%.

(1) Based upon a Schedule 13G/A filed with the SEC on February 13, 2015 reporting beneficial ownership as of December 31, 2014. Primecap Management Company has sole power to vote 8,665,700 of these shares and sole power to dispose of all of these shares.

(2) Based upon a Schedule 13G/A filed with the SEC on January 23, 2015 reporting beneficial ownership as of December 31, 2014. Blackrock, Inc., a parent holding company, has sole power to vote 6,492,172 and sole power to dispose of all of these shares.

(3) Based upon a Schedule 13G filed with the SEC on January 22, 2015 reporting beneficial ownership as of December 31, 2014. Kornitner Capital Management Inc. ("KMC") has sole power to vote 4,926,132 shares and sole power to dispose 4,769,169 shares, and

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shared power to dispose 156,963 shares. KCM is an investment adviser with respect to our shares of common stock for the accounts of other persons who have the right to receive, and the power to direct the receipt of, dividends from, or the proceeds from the sale of, our common stock.

- (4) Based upon a Schedule 13G/A filed with the SEC on February 11, 2015 reporting beneficial ownership as of December 31, 2014. The Vanguard Group has sole power to vote 97,642 shares and sole power to dispose 4,563,999 shares, and shared power to dispose 92,342 shares. Vanguard Fiduciary Trust Company is the beneficial owner of 92,342 shares and Vanguard Investments Australia, Ltd. is the beneficial owner of 5,300 shares. All of remaining shares may be deemed beneficially owned by The Vanguard Group.
- (5) Based on a Schedule 13G/A dated May 26, 2015 filed with the SEC, Partner Fund Management, L.P. ("PFM") and Partner Fund Management GP, LLC ("PFM-GP") may be deemed to beneficially own 4,115,898 shares. Partner Investment Management, L.P. ("PIM") and Partner Investment Management GP, LLC ("PIM-GP") may be deemed to beneficially own 76,925 shares. Brian D. Grossman ("Grossman") and Christopher M. James ("James" and, collectively with PFM, PFM-GP, PIM, PIM-GP and Grossman, the "Reporting Persons") may be deemed to beneficially own 4,192,823 shares. The Schedule 13G/A was jointly filed by PFM, PFM-GP, PIM, PIM-GP, Grossman and James with respect to shares of common stock of the above-named issuer owned by PFM Healthcare Master Fund, L.P., a Cayman Islands limited partnership ("HCM"), PFM Healthcare Opportunities Master Fund, L.P., a Cayman Islands limited partnership ("HCOPP"), PFM Oncology Opportunities Master Fund, L.P., a Cayman Islands limited partnership ("ONCOPP"), and PFM Healthcare Principals Fund, L.P., a Delaware limited partnership ("HCP" and, collectively with HCM, HCOPP and ONCOPP, the "Funds"). PFM is the investment advisor for HCM, HCOPP and ONCOPP. PIM is the investment advisor for HCP. PFM-GP and PIM-GP are, respectively, the general partners of PFM and PIM. Grossman is the portfolio manager for the health care strategy for the Funds. James is the chief investment officer for PIM and PFM and member manager of PFM-GP and PIM-GP.
- (6) Amount shown includes 145,833 shares that may be acquired under stock options that are currently exercisable or exercisable within 60 days of September 30, 2015.
- (7) Amount shown includes 113,217 shares that may be acquired under stock options that are currently exercisable or exercisable within 60 days of September 30, 2015.
- (8) Mr. Waters was promoted to the position of Chief Financial Officer at the Company effective September 15, 2015. Mr. Waters does not have any stock options that are currently exercisable or exercisable within 60 days of September 30, 2015.
- (9) Amount shown includes 45,521 shares that may be acquired under stock options that are currently exercisable or exercisable within 60 days of September 30, 2015.
- (10) Amount shown includes 178,424 shares that may be acquired under stock options that are currently exercisable or exercisable within 60 days of September 30, 2015.
- (11) Amount shown includes 90,424 shares that may be acquired under stock options that are currently exercisable or exercisable within 60 days of September 30, 2015. Includes 71,122 shares held by The Dávila Family Trust, with respect to which Ms. Dávila has shared voting rights with her spouse.

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- (12) Amount shown includes 56,795 shares that may be acquired under stock options that are currently exercisable or exercisable within 60 days of September 30, 2015.
- (13) Amount shown includes 36,896 shares that may be acquired under stock options that are currently exercisable or exercisable within 60 days of September 30, 2015.
- (14) Amount shown includes 19,000 shares that may be acquired under stock options that are currently exercisable or exercisable within 60 days of September 30, 2015.
- (15) Amount shown includes 11,164 shares that may be acquired under stock options that are currently exercisable or exercisable within 60 days of September 30, 2015.
- (16) Dr. Rizk does not have any stock options that are currently exercisable or exercisable within 60 days of September 30, 2015.
- (17) Mr. Lichtwardt retired and resigned from the Company effective September 14, 2015. Mr. Lichtwardt does not have any stock options that are currently exercisable or exercisable within 60 days of September 30, 2015.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who beneficially own more than 10% of our common stock to file reports of ownership and reports of changes in ownership of our common stock and other equity securities with the SEC. Directors, executive officers and beneficial owners of more than 10% of our common stock are required by SEC regulations to furnish us with copies of all these forms they file.

Based solely upon our review of the copies of Forms 3, 4 and 5 received by us, or written representations from reporting persons that no forms were required of such persons, we believe that during our fiscal year ended June 30, 2015, all Section 16(a) reports were timely filed.

**CORPORATE GOVERNANCE AND BOARD OF DIRECTORS MATTERS**

**Director Independence**

Our Board consists of eight directors. Other than Joshua H. Levine, our President and CEO, our Board has determined that each of our current directors is independent under the director independence standards of the NASDAQ Stock Market.

**Board Leadership Structure**

Our Board has a general policy that the positions of Chairperson of the Board and CEO should be held by separate persons as an aid in the Board's oversight of management and to allow our CEO to focus on managing his day-to-day responsibilities to our Company. This policy is reflected in the Company's current Corporate Governance Guidelines. The Board believes that there may be advantages to having an independent chairperson for matters such as: communications and relations between the Board, the CEO, and other senior management; assisting the Board in reaching consensus on particular strategies and policies; and facilitating robust director, Board and CEO evaluation processes. Our CEO serves as a member of the Board, and the remaining board members, including Louis J. Lavigne, Jr., our current Chairperson of the Board, and Elizabeth Dávila, our Vice Chairperson of the Board, are independent.

The Corporate Governance Guidelines provide that the Board may consider having one person fill both the roles of CEO and Chairperson of the Board. In making such a determination, the Board should consider factors that include, but are not limited to, the size of the Company's business, the composition of the Board, of director candidates for Board seats, applicable regulations and the



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Company's succession planning goals. In the event the Board determines that it is in the best interests of the Company and its stockholders to have these roles filled by one individual, or if the Chairperson of the Board is otherwise not independent, then the Corporate Governance Guidelines provide that the Board shall appoint a Lead Independent Director who shall lead executive sessions.

**Majority Voting**

Our Bylaws provide for a majority voting standard in the election of directors in uncontested elections and our Corporate Governance Guidelines require all director nominees to submit their resignations to the Board, which resignations are contingent upon (1) their not receiving a majority of votes cast in uncontested elections and (2) the Board accepting the resignation.

**Board Oversight of Risk**

The Board, as a whole and through the various committees of the Board, oversees the Company's risk management process, including operational, financial, legal and regulatory, strategic and reputational risks. Our Board's approach to risk oversight is designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance stockholder value. A fundamental part of our risk oversight is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for us. In setting our business strategy, our Board assesses the various risks being mitigated by management and determines what constitutes an appropriate level of risk for the Company.

Board committees consider risks within their respective areas of oversight responsibility and the respective committee chairs advise the Board of any significant risks and management's response via periodic committee reports to the full Board. In particular, the Audit Committee focuses on financial and accounting risk, including internal controls. The Compensation Committee considers risks relating to the Company's compensation programs and policies. The Nominating and Corporate Governance considers risks relating to the Company's corporate governance.

While the Board oversees risk management, the Company's management is charged with managing risk on a day-to-day basis. The Company has strong internal processes and a robust internal control environment, which facilitates the identification and management of risks and regular communication with the Board. These processes include an enterprise risk management program, an enterprise risk management committee chaired by our General Counsel, quarterly management disclosure committee meetings, a Code of Conduct and Ethics, and a strong compliance program.

The results of the compensation risk assessment described below under "*Compensation Risk Consideration*" will be reported back to the full Board.

**Committees of the Board of Directors**

Our Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. From time to time, our Board may also create various ad hoc committees for special purposes. A copy of the charter for each such standing committee can be found on our website, [www.accuray.com](http://www.accuray.com), under the section titled "*Investors*" and under the subsection "*Corporate Governance*."

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The current membership of each of the three standing committees of our Board, as well as the number of meetings and actions by written consent of each such committee during the fiscal year ended June 30, 2015, is set forth below:

<b>Name of Director</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating and Corporate Governance Committee</b>
Louis J. Lavigne, Jr.		Chairperson	
Elizabeth Dávila	Member	Member	
Jack Goldstein, Ph.D.		Member	Chairperson
Robert S. Weiss	Member		Member
Dennis L. Winger	Chairperson		
Richard R. Pettingill			Member
Emad Rizk, M.D.		Member	
Number of meetings	9	6	4
Number of actions by written consent	3	3	0

Mr. Levine is not a member of any committee of our Board.

**Audit Committee**

The Audit Committee oversees our corporate accounting and financial reporting process. Among other matters, the Audit Committee evaluates the independent auditors' qualifications, independence and performance; determines the engagement of the independent auditors; reviews and approves the scope of the annual audit and the audit fee; discusses with management and the independent auditors the results of the annual audit and the review of our quarterly consolidated financial statements; approves the retention of the independent auditors to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent auditors on the Company's engagement team as required by law; reviews our critical accounting policies and estimates; oversees our internal audit function and annually reviews the Audit Committee charter and the Audit Committee's performance.

The members of the Audit Committee during fiscal 2015 were Mr. Winger, the chairperson of the committee, Ms. Dávila, and Mr. Weiss. All members of the Audit Committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and NASDAQ. Our Board has determined that Messrs. Weiss and Winger are Audit Committee financial experts as defined under the applicable rules of the SEC and each has the requisite financial sophistication as defined under the applicable rules and regulations of NASDAQ. Each of the members of the Audit Committee is independent as defined under the applicable rules and regulations of the SEC and NASDAQ.

**Compensation Committee**

The Compensation Committee reviews and recommends policies relating to compensation and benefits of our officers and employees. The Compensation Committee reviews and approves corporate goals and objectives relevant to compensation of our CEO and other executive officers, evaluates the performance of these officers in light of those goals and objectives, and sets the compensation of these officers (other than the CEO, whose compensation is set by the independent directors of the Board) based on such evaluations. The Compensation Committee also administers the issuance of stock options and other awards under our stock plans (other than awards granted to non-employee members of our Board). The 2007 Equity Incentive Plan permits delegation by the Compensation Committee to a committee of one or more members of the Board or one or more officers of the Company the authority to grant or amend awards to participants under the plan other than (i) senior executives of the Company who are subject to Section 16 of the Exchange Act, (ii) Covered Employees under

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Section 162(m) of the Code, or (iii) direct reports of the CEO (or members of the Board) to whom authority to grant or amend awards has been delegated thereunder. The Compensation Committee may at any time rescind the authority so delegated or appoint a new delegate. Effective as of July 1, 2010, the Compensation Committee delegated the authority to grant routine stock options and other awards under our stock plans (other than awards granted to employees who report directly to the CEO) to our CEO and CFO, collectively, within guidelines determined by the Compensation Committee, to newly hired employees of the Company, and effective March 25, 2011, the Compensation Committee delegated the authority to grant routine stock options and other awards made to employees of the Company (other than awards granted to employees who report directly to the CEO) under our stock plans to our CEO and CFO, collectively, within guidelines determined by the Compensation Committee, for the purpose of promotion or special recognition. The Compensation Committee also reviews and recommends policies relating to the compensation of non-employee directors. The Compensation Committee will review and evaluate, at least annually, the performance of the Compensation Committee as a whole and of its members, including compliance of the Compensation Committee with its charter.

The members of the Compensation Committee during fiscal 2015 were Mr. Lavigne, the chairperson of the Committee, Ms. Dávila, Dr. Goldstein and Dr. Rizk. Each of the members of the Compensation Committee is independent under the applicable rules and regulations of the SEC, NASDAQ and the Internal Revenue Service.

**Compensation Risk Consideration**

During fiscal 2015, at the direction of our Compensation Committee, Compensia, with the assistance of our management, conducted a review of the Company's compensation policies and practices and their respective risk profiles. Compensia presented the findings to the Compensation Committee for consideration. After consideration of the information presented, the Compensation Committee concluded that our compensation programs are designed with an appropriate balance of risk and reward in relation to our overall business strategy and do not encourage excessive or unnecessary risk-taking behavior.

In making this determination, the Compensation Committee considered our pay mix, our base salaries, and the attributes of our variable compensation programs including our annual bonus plan, our equity programs, and our sales compensation plans. We also have in place numerous business controls such as maximum payout levels in our bonus plan, a sales compensation committee, a recoupment policy and other internal business and operational approval processes.

The Compensation Committee believes that the design of our compensation programs as outlined in the "*Compensation Discussion and Analysis*" section above places emphasis on long-term incentives and competitive base salaries, while a portion of the total annual compensation is tied to short-term performance in the form of an annual bonus. The Compensation Committee concluded that this mix of incentives appropriately balances risk and also properly aligns our executives' motivations for the Company's long-term success, including stock price performance.

The results of the foregoing compensation risk assessment will be reported back to the full Board by the Compensation Committee.

**Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee is responsible for making recommendations to our Board regarding candidates for directorships and the size and composition of our Board. In addition, the Nominating and Corporate Governance Committee is responsible for reporting and making recommendations to our board concerning governance matters and for overseeing the performance evaluations of the members of our Board.



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The members of the Nominating and Corporate Governance Committee during fiscal 2015 were Dr. Goldstein, the chairperson of the Committee, Mr. Pettingill and Mr. Weiss. Each of the foregoing members of the Nominating and Corporate Governance Committee is independent under the applicable rules and regulations of the SEC and NASDAQ.

**Meetings Attended by Directors**

Our Board held a total of eleven meetings and acted by unanimous written consent one time during our fiscal year ended June 30, 2015. During fiscal 2015, all of our directors attended at least 75% of the total number of meetings held by our Board and each of the committee(s) of our Board on which he or she served during the period for which he or she was a director. The Chairperson of our Board, who is independent, chaired each Board meeting.

The independent directors hold meetings on a periodic basis. During our fiscal year ended June 30, 2015, the independent directors held six such meetings. The meetings of the independent directors typically take place in connection with the regularly scheduled meetings of the full Board. The independent directors may also meet at such other times as they deem necessary or appropriate.

Pursuant to our Corporate Governance Guidelines, our directors are encouraged to attend our Annual Meeting of stockholders. Other than Dr. Rizk, all then-current directors attended our 2014 Annual Meeting of Stockholders.

**Consideration of Director Nominees**

*Stockholder Nominations and Recommendations.* The policy of the Nominating and Corporate Governance Committee is to consider recommendations and properly submitted stockholder nominations for candidates for membership on our Board. A stockholder may make such a recommendation or nomination by following the procedures set forth below in the "*Recommendations and Nominations of Director Candidates*" section of this Proxy Statement.

*Director Qualifications.* The Nominating and Corporate Governance Committee believes that the members of our Board should have the highest professional and personal ethics and values, and conduct themselves in a manner that is consistent with our Code of Conduct and Ethics. While the Nominating and Corporate Governance Committee has not established specific minimum qualifications for director candidates, the Nominating and Corporate Governance Committee may consider the following criteria, among others, for candidates and nominees: (i) personal and professional integrity, ethics and values; (ii) experience in corporate management and a general understanding of market, finance and other elements relevant to the success of a publicly traded company; (iii) experience in our industry and with relevant social policy concerns; (iv) prior experience as a director of a publicly held company; (v) academic expertise in an area of our operations; and (vi) practical and mature business judgment, including ability to make independent analytical inquiries.

*Identifying and Evaluating Director Nominees.* Candidates for nomination to our Board typically come to the attention of our Board through professional search firms, although they may also be suggested by existing directors or executive officers, stockholders or other persons. The Nominating and Corporate Governance Committee reviews the qualifications of any candidates who have been properly brought to the Committee's attention. Such review generally includes discussions with persons familiar with the candidate and an interview with the candidate, and may include other actions that the Nominating and Corporate Governance Committee deems proper. The Nominating and Corporate Governance Committee considers the suitability of each candidate, including the current members of our Board, in light of the current size and composition of our Board. In evaluating the qualifications of the candidates, the Nominating and Corporate Governance Committee considers many factors, including issues of character, judgment, independence, age, expertise, diversity of experience, length of service, other commitments and other similar factors. The Company's Corporate Governance

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Guidelines provide that the Nominating and Corporate Governance Committee and the Board should see that the Board has the benefit of a wide range of skills, expertise, industry knowledge and other attributes, including cultural, gender and ethnic diversity, experience in industries beyond healthcare, and age diversity. The Nominating and Corporate Governance Committee assesses its achievement of diversity through the review of Board composition as part of the Board's annual self-assessment process. The Nominating and Corporate Governance Committee evaluates such factors, among others, and does not assign any particular weighting or priority to any of these factors. The Nominating and Corporate Governance Committee expects that it would evaluate candidates properly recommended by stockholders using the same criteria as other candidates.

**Code of Conduct and Ethics**

We are committed to maintaining the highest standards of business conduct and ethics. Our Code of Conduct and Ethics reflects our values and the business practices and principles of behavior that support this commitment. The code applies to all of our officers, directors and employees. Our Code of Conduct and Ethics can be found on our website, [www accuray.com](http://www accuray.com), under the section titled "Investors" and under the subsection "Corporate Governance."

**Compensation Committee Interlocks and Insider Participation**

None of the members of the Compensation Committee during fiscal 2015 has at any time been one of our executive officers or employees. None of our current executive officers currently serves, or in the past fiscal year has served, as a member of the Board or Compensation Committee of any entity that has one or more of its executive officers serving on our Board or Compensation Committee.

**Stockholder Communications**

We have established a process by which stockholders may send communications to our Board, any committee of our Board or any individual director, including non-employee directors. Stockholders may so communicate by writing to: Board of Directors, c/o Corporate Secretary, Accuray Incorporated, 1310 Chesapeake Terrace, Sunnyvale, California 94089. The Corporate Secretary will forward correspondence to our Board, one of the committees of our Board or an individual director, as the case may be, or, if the Corporate Secretary determines in accordance with his or her best judgment that the matter can be addressed by management, then to the appropriate executive officer.

**EXECUTIVE OFFICERS**

Set forth below is certain information regarding each of our executive officers as of September 30, 2015:

<b>Name</b>	<b>Age</b>	<b>Position(s)</b>
Joshua H. Levine	57	President, Chief Executive Officer and Director
Kevin Waters	38	Senior Vice President and Chief Financial Officer
Kelly Londy	48	Executive Vice President, Chief Commercial Officer
Alaleh Nouri		Senior Vice President, General Counsel and Corporate Secretary
	36	Secretary

Further information with respect to Mr. Levine, our current President and CEO, is provided above under "*Proposal One Election of Directors.*"

*Kevin Waters* has served as our Senior Vice President and Chief Financial Officer since September 2015 and previously served as our Senior Vice President, Finance, from October 2013 until September 2015. From January 2008 to October 2013, Mr. Waters served as Vice President, Finance, of Conceptus, Inc., a publicly traded company (acquired by Bayer) that provides innovative solutions in women's healthcare. From October 2006 to January 2008, Mr. Waters served in the role of Corporate

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Controller at Conceptus. Before Conceptus, Mr. Waters served as Corporate Controller at Laserscope, Inc., a manufacturer of urology and aesthetic laser products. Prior to this, Mr. Waters held various finance leadership positions at VISX, Incorporated, a manufacturer of laser vision correction technologies. Mr. Waters began his career at PricewaterhouseCoopers, LLP. He earned his B.S. in Business Administration, with a double concentration in Finance and Accounting, from Cal Poly San Luis Obispo.

*Kelly Lundy* has served as our Executive Vice President, Chief Commercial Officer, since April 2013 and previously served as our Senior Vice President, Chief Commercial Officer, from October 2011 to April 2013. From August 2009 to September 2011, Ms. Lundy served as Vice President and General Manager of Molecular Imaging, at GE Healthcare North America, where she optimized multi-business strategy with a focus on value proposition for improved cost, quality and access to new technologies. From July 2002 to August 2009, Ms. Lundy held multiple leadership roles at Philips Healthcare North America, including Vice President and General Manager. Prior to that, from March 1996 to July 2002, she held roles in Marketing, Executive Account Management and as a product specialist in the Magnetic Resonance and Women's Health businesses at GE Medical Systems. Ms. Lundy began her career as a radiographer and manager at the University of Michigan. Ms. Lundy holds a degree in Radiologic Technology from Washtenaw College and a B.B.A. from Cleary University where she graduated Suma Cum Laude.

*Alaleh Nouri* has served as our Senior Vice President, General Counsel and Corporate Secretary since August 2014. Ms. Nouri served as our Vice President, Associate General Counsel from December 2010 to February 2014 and as our Interim General Counsel from February 2014 to August 2014. From March 2009 to December 2010, Ms. Nouri served as Corporate Counsel at Mirion Technologies, Inc., a provider of radiation detection and monitoring services. Ms. Nouri started her career as an associate at the law firm of Orrick, Herrington & Sutcliffe LLP. Ms. Nouri holds a Bachelors of Commerce degree with specializations in International Business and Finance from the University of British Columbia in Canada and a J.D. from the University of California, Hastings College of Law.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### Review, Approval or Ratification of Transactions with Related Parties

During fiscal 2015, we do not believe that there have been any transaction or series of similar transactions to which we were, or are to be, a party in which the amount involved exceeds \$120,000 and in which any director, executive officer or holder of more than 5% of our common stock, or members of any such person's immediate family, had or will have a direct or indirect material interest. Any such transactions are required to be approved by the Audit Committee and we intend that such transactions will be on terms no less favorable to us than could be obtained from unaffiliated third parties. Our Code of Conduct and Ethics contains a written policy to the effect that any transaction of the nature described above must be approved by the Audit Committee or another independent body of the Board.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Our SEC filings are also available to the public at the SEC's website at [www.sec.gov](http://www.sec.gov) and through our website at [www accuray.com](http://www accuray.com).

**We will deliver promptly, without charge, upon written or oral request a separate copy of the annual report to any stockholder requesting a copy. To receive a copy of our annual report, you may write or call our Corporate Secretary at Accuray Incorporated, 1310 Chesapeake Terrace, Sunnyvale, California 94089, Attention: Alaleh Nouri, Senior Vice President, General Counsel and Corporate Secretary, telephone: 408-716-4600.**

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**Stockholders Sharing the Same Address**

We have adopted a procedure called "householding." Under this procedure, we are delivering only one copy of the Notice of Internet Availability of Proxy Materials and, as applicable, any additional proxy materials to multiple stockholders who share the same address, unless we have received contrary instructions from an affected stockholder.

We will deliver promptly upon written or oral request a separate copy of the Notice of Internet Availability of Proxy Materials, Annual Report or the Proxy Statement to any stockholder at a shared address to which a single copy of any of those documents was delivered. To receive a separate copy of the Notice of Internet Availability of Proxy Materials, Annual Report or Proxy Statement, you may write or call our Corporate Secretary at the contact information set forth above under "*Where You Can Find Additional Information.*" You may also access our Notice of Internet Availability of Proxy Materials, Annual Report and Proxy Statement on our website, *www accuray.com*, under the section titled "Investors" and under the subsection "SEC Filings."

If you are a holder of record and would like to revoke your householding consent and receive a separate copy of the Annual Report or Proxy Statement in the future, please contact Computershare, 250 Royall Street, Canton, MA 02021, telephone: (800) 851-9677. You will be removed from the householding program within 30 days of receipt of the revocation of your consent.

Any stockholders of record who share the same address and currently receive multiple copies of our Notice of Internet Availability of Proxy Materials, Annual Report and Proxy Statement who wish to receive only one copy of these materials per household in the future should contact our Corporate Secretary at the contact information listed above to participate in the householding program. Stockholders who participate in householding will continue to receive separate proxy cards.

A number of brokerage firms have instituted householding. If you hold your shares in "street name," please contact your bank, broker or other holder of record to request information about householding.

**Stockholder Proposals**

For a stockholder proposal to be considered for possible inclusion in our proxy statement for the Annual Meeting to be held in 2016, the proposal must be in writing and received by our Corporate Secretary at our principal executive offices no later than June 11, 2016. If, however, the date of next year's Annual Meeting is more than 30 days before or 30 days after the anniversary date of this year's Annual Meeting, the deadline for receipt by the Corporate Secretary of stockholder proposals intended to be included in our proxy statement will instead be a reasonable time before we begin to print and mail our proxy materials. Stockholder proposals must comply with the requirements of Rule 14a-8 promulgated under the Exchange Act and any other applicable rules established by the SEC.

For stockholder proposals that are not intended by the stockholder to be included in our proxy materials for next year's Annual Meeting, our Bylaws establish an advance notice procedure in order to permit such proposals to be brought before an annual meeting of stockholders. In general, notice must be received at our principal executive offices not less than 90 calendar days or more than 120 calendar days before the one-year anniversary of the date on which we first mailed our proxy statement to stockholders in connection with the previous year's Annual Meeting of stockholders. Therefore, to be presented at our 2016 Annual Meeting of stockholders, such a proposal must be received by us on or after June 11, 2016 but no later than July 11, 2016. If, however, the date of the Annual Meeting is more than 25 days earlier or more than 25 days later than such anniversary date, the Corporate Secretary must receive the notice not later than the close of business on the date that is ten calendar days following the date on which public announcement of the date of the Annual Meeting is first made. Our Bylaws also specify additional requirements as to the form and content of a stockholder's notice.

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**Recommendations and Nominations of Director Candidates**

If a stockholder or stockholder group wishes to recommend a nominee or nominees for director for possible inclusion in our proxy statement and proxy card relating to our 2016 Annual Meeting, the stockholder(s) should submit such recommendation in writing, including the nominee's name and qualifications for Board membership, to our Corporate Secretary at our principal executive offices. The stockholder(s) should also provide The written consent of each recommended nominee to serve as a member of our Board, if so elected, as well as a written statement that the recommended nominee intends to tender his or her irrevocable resignation upon his or her election or re-election, which resignation shall become effective only upon the nominee's failure to receive the requisite number of votes and the acceptance by the Board of such resignation.

If a stockholder desires to nominate a candidate for election of the Board, the stockholder must give timely notice to our Corporate Secretary at our principal executive offices. Under our Bylaws, the notice is timely if our Corporate Secretary receives it no earlier than June 11, 2016 (120 days prior to the anniversary of the mailing date of this year's proxy materials) and no later than July 11, 2016 (90 days prior to the anniversary of the mailing date of this year's proxy materials). If, however, the date of the Annual Meeting is more than 25 days earlier or more than 25 days later than the anniversary date of the prior Annual Meeting, notice must be received not later than the close of business on the date that is ten calendar days following the date on which public announcement of the date of the Annual Meeting is first made. The notice must be in writing and must include the nominee's name and qualifications for service on the Board. Our Bylaws also require that the notice include the written consent of each nominee to serve as a member of our Board, if so elected as well as a written statement that the director nominee intends to tender his or her irrevocable resignation upon his or her election or re-election, which resignation shall become effective only upon the nominee's failure to receive the requisite number of votes and the acceptance by the Board of such resignation. Stockholders are also advised to review our Bylaws, which contain additional requirements with respect to the nomination of directors by stockholders.

**OTHER MATTERS**

As of the date of this Proxy Statement, no stockholder had advised us of the intent to present any other matters, and we are not aware of any other matters to be presented, at the Annual Meeting. Accordingly, the only items of business that our Board intends to present at the Annual Meeting are set forth in this Proxy Statement.

If any other matter or matters are properly brought before the Annual Meeting, the persons named as proxyholders will use their discretion to vote on the matters in accordance with their best judgment as they deem advisable.

By order of the Board of Directors,

/s/ ALALEH NOURI

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Alaleh Nouri  
*Senior Vice President, General Counsel and Corporate Secretary*

Sunnyvale, California  
October 9, 2015













