UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from to

Commission File Number: 001-37725

ViewRay, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	**42-1777485** (I.R.S. Employer Identification No.)
2 Thermo Fisher Way **Oakwood Village, OH** (Address of principal executive offices)	**44146** (Zip Code)

Registrant's telephone number, including area code: (440) 703-3210

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01	VRAY	The Nasdaq Global Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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

As of August 1, 2019, the registrant had 98,480,277 shares of common stock, $0.01 par value per share, outstanding.

VIEWRAY, INC.
FORM 10-Q

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, or this Report, contains forward-looking statements, including, without limitation, in the sections captioned “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and elsewhere. Any and all statements contained in this Report that are not statements of historical fact may be deemed forward-looking statements. Terms such as “will”, “may,” “might,” “would,” “should,” “could,” “project,” “estimate,” “pro forma,” “predict,” “potential,” “strategy,” “anticipate,” “attempt,” “develop,” “plan,” “help,” “believe,” “continue,” “intend,” “expect,” “future” and terms of similar import (including the negative of any of the foregoing) may be intended to identify forward-looking statements. However, not all forward-looking statements may contain one or more of these identifying terms. Forward-looking statements in this Report may include, without limitation, statements regarding (i) the plans and objectives of management for future operations, including plans or objectives relating to the development of products, (ii) a projection of income (including income/loss), earnings (including earnings/loss) per share, capital expenditures, dividends, capital structure or other financial items, (iii) our future financial performance, including any such statement contained in a discussion and analysis of financial condition by management or in the results of operations included pursuant to the rules and regulations of the Securities and Exchange Commission, or the SEC, and (iv) the assumptions underlying or relating to any statement described in points (i), (ii) or (iii) above.

The forward-looking statements are not meant to predict or guarantee actual results, performance, events or circumstances and may not be realized because they are based upon our current projections, plans, objectives, beliefs, expectations, estimates and assumptions and are subject to a number of risks and uncertainties and other influences, many of which we have no control over. Actual results and the timing of certain events and circumstances may differ materially from those described by the forward-looking statements as a result of these risks and uncertainties. Factors that may influence or contribute to the inaccuracy of the forward-looking statements or cause actual results to differ materially from expected or desired results may include, without limitation:

- market acceptance of magnetic resonance imaging (“MRI”) guided radiation therapy;
- the benefits of MR Image-Guided radiation therapy;
- our ability to successfully sell and market MRIdian® in our existing and expanded geographies;
- the performance of MRIdian in clinical settings;
- competition from existing technologies or products or new technologies and products that may emerge;
- the pricing and reimbursement of MR Image-Guided radiation therapy;
- the implementation of our business model and strategic plans for our business and MRIdian;
- the scope of protection we are able to establish and maintain for intellectual property rights covering MRIdian;
- our ability to obtain regulatory approval in targeted markets for MRIdian;
- our ability to procure materials and components in connection with the manufacture and installation of MRIdian;
- estimates of our future revenue, expenses, capital requirements and our need for additional financing;
- our financial performance;
- our expectations related to the MRIdian linear accelerator technology, or MRIdian Linac;
- developments relating to our competitors and the healthcare industry; and
- other risks and uncertainties, including those listed under the section titled “Risk Factors.”

Any forward-looking statements in this Report reflect our current views with respect to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under Item 1A, titled “Risk Factors” and discussed elsewhere in this Report, and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. Given these uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. We disclaim any obligation to update the forward-looking statements contained in this Report to reflect any new information or future events or circumstances or otherwise, except as required by law.

This Report also contains estimates, projections and other information concerning our industry, our business, and the markets for certain devices, including data regarding the estimated size of those markets. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from reports, research surveys, studies and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources.

PART I—FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

VIEWRAY, INC.
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)
(Unaudited)

	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 122,053	$ 167,432
Accounts receivable	35,475	36,867
Inventory	57,963	49,462
Deposits on purchased inventory	5,792	8,142
Deferred cost of revenue	5,591	9,736
Prepaid expenses and other current assets	5,153	6,045
Total current assets	232,027	277,684
Property and equipment, net	21,975	13,958
Restricted cash	1,442	1,933
Right-of-use assets	12,780	—
Other assets	1,717	1,395
TOTAL ASSETS	$ 269,941	$ 294,970
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 19,241	$ 10,207
Accrued liabilities	18,910	9,983
Customer deposits	9,559	19,968
Operating lease liability, current	1,979	—
Deferred revenue, current	8,232	13,731
Total current liabilities	57,921	53,889
Deferred revenue, net of current portion	4,913	5,744
Long-term debt	55,445	55,364
Warrant liabilities	16,675	11,844
Operating lease liability, noncurrent	11,639	—
Other long-term liabilities	431	820
TOTAL LIABILITIES	147,024	127,661
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Convertible preferred stock, par value of $0.01 per share; 10,000,000 shares authorized at June 30, 2019 and December 31, 2018; no shares issued and outstanding at June 30, 2019 and December 31, 2018	—	—
Common stock, par value of $0.01 per share; 300,000,000 shares authorized at June 30, 2019 and December 31, 2018; 98,259,203 and 96,332,023 shares issued and outstanding at June 30, 2019 and December 31, 2018	973	952
Additional paid-in capital	585,080	565,334
Accumulated deficit	(463,136)	(398,977)
TOTAL STOCKHOLDERS' EQUITY	122,917	167,309
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 269,941	$ 294,970

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

VIEWRAY, INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue:				
Product	$ 27,905	$ 15,366	$ 46,779	$ 40,745
Service	2,143	958	3,434	1,650
Distribution rights	119	119	238	238
Total revenue	30,167	16,443	50,451	42,633
Cost of revenue:				
Product	22,814	14,654	44,847	34,365
Service	4,107	1,720	7,722	2,629
Total cost of revenue	26,921	16,374	52,569	36,994
Gross margin	3,246	69	(2,118)	5,639
Operating expenses:				
Research and development	6,463	4,389	11,494	8,159
Selling and marketing	7,663	3,394	12,548	6,640
General and administrative	15,398	10,503	30,507	20,349
Total operating expenses	29,524	18,286	54,549	35,148
Loss from operations	(26,278)	(18,217)	(56,667)	(29,509)
Interest income	687	2	907	4
Interest expense	(1,074)	(1,918)	(1,833)	(3,784)
Other (expense) income, net	(4,133)	(1,857)	(6,566)	6,485
Loss before provision for income taxes	$ (30,798)	$ (21,990)	$ (64,159)	$ (26,804)
Provision for income taxes	—	—	—	—
Net loss and comprehensive loss	$ (30,798)	$ (21,990)	$ (64,159)	$ (26,804)
Amortization of beneficial conversion feature related to Series A convertible preferred stock	$ —	$ —	$ —	$ (2,728)
Net loss attributable to common stockholders, basic and diluted	$ (30,798)	$ (21,990)	$ (64,159)	$ (29,532)
Net loss per share, basic and diluted	$ (0.32)	$ (0.30)	$ (0.66)	$ (0.41)
Weighted-average common shares used to compute net loss per share attributable to common stockholders, basic and diluted	97,572,389	74,531,274	97,129,389	71,776,802

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

VIEWRAY, INC.
Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity
(In thousands, except share and per share data)
(Unaudited)

	Convertible Preferred Stock			Common Stock				
	Shares	Amount	Additional Paid-in Capital	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Three Months Ended June 30, 2019								
Balance at March 31, 2019	—	$ —	$ —	96,933,098	$ 959	$ 572,855	$ (432,338)	$ 141,476
Issuance of common stock from option exercises	—	—	—	1,113,507	11	5,308	—	5,319
Stock-based compensation	—	—	—	—	—	4,907	—	4,907
Issuance of common stock from releases of restricted stock units	—	—	—	54,469	1	(1)	—	—
Issuance of common stock from warrant exercises	—	—	—	158,129	2	(2)	—	—
Reclassification of warrant liability to additional paid-in capital upon warrant exercises	—	—	—	—	—	2,013	—	2,013
Net loss	—	—	—	—	—	—	(30,798)	(30,798)
Balance at June 30, 2019	—	$ —	$ —	98,259,203	$ 973	$ 585,080	$ (463,136)	$ 122,917
Six Months Ended June 30, 2019								
Balance at December 31, 2018	—	$ —	$ —	96,332,023	$ 952	$ 565,334	$ (398,977)	$ 167,309
Issuance of common stock from option exercises	—	—	—	1,701,627	18	8,185	—	8,203
Stock-based compensation	—	—	—	—	—	9,459	—	9,459
Issuance of common stock from releases of restricted stock units	—	—	—	54,469	1	(1)	—	—
Issuance of common stock from warrant exercises	—	—	—	171,084	2	(2)	—	—
Reclassification of warrant liability to additional paid-in capital upon warrant exercises	—	—	—	—	—	2,105	—	2,105
Net loss	—	—	—	—	—	—	(64,159)	(64,159)
Balance at June 30, 2019	—	$ —	$ —	98,259,203	$ 973	$ 585,080	$ (463,136)	$ 122,917

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

VIEWRAY, INC.
Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity
(In thousands, except share and per share data)
(Unaudited)

	Convertible Preferred Stock			Common Stock				
	Shares	Amount	Additional Paid-in Capital	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Three Months Ended June 30, 2018								
Balance at March 31, 2018	3,000,581	$ 30	$ 22,177	72,022,089	$ 710	$ 362,142	$ (327,395)	$ 57,664
Issuance of common stock from option exercises	—	—	—	131,292	1	336	—	337
Stock-based compensation	—	—	—	—	—	1,683	—	1,683
Issuance of common stock from warrant exercises	—	—	—	1,773	—	—	—	—
Conversion of Series A preferred stock into common stock	(3,000,581)	(30)	(22,177)	3,000,581	30	22,177	—	—
Issuance of common stock from at-the-market offering (net of offering cost of $6)	—	—	—	33,097	—	272	—	272
Net loss	—	—	—	—	—	—	(21,990)	(21,990)
Balance at June 30, 2018	—	$ —	$ —	75,188,832	$ 741	$ 386,610	$ (349,385)	$ 37,966
Six Months Ended June 30, 2018								
Balance at December 31, 2017	—	$ —	$ —	67,653,974	$ 666	$ 321,174	$ (319,853)	$ 1,987
Issuance of common stock from option exercises	—	—	—	396,939	4	711	—	715
Stock-based compensation	—	—	—	—	—	2,873	—	2,873
Issuance of common stock from releases of restricted stock units	—	—	—	12,468	—	—	—	—
Issuance of common stock from warrant exercises	—	—	—	1,773	—	—	—	—
Issuance of common stock upon direct registered offering (net of offering cost of $177)	—	—	—	4,090,000	41	30,052		30,093
Issuance of preferred Series A stock upon direct registered offering	3,000,581	30	22,177	—	—	2,728	(2,728)	22,207
Issuance of common stock warrants in connection with direct registered offering	—	—	—	—	—	6,623	—	6,623
Conversion of Series A preferred stock into common stock	(3,000,581)	(30)	(22,177)	3,000,581	30	22,177	—	—
Issuance of common stock from at-the-market offering (net of offering cost of $6)	—	—	—	33,097	—	272	—	272
Net loss	—	—	—	—	—	—	(26,804)	(26,804)
Balance at June 30, 2018	—	$ —	$ —	75,188,832	$ 741	$ 386,610	$ (349,385)	$ 37,966

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

VIEWRAY, INC.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (64,159)	$ (26,804)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,033	1,586
Stock-based compensation	9,459	2,873
Accretion on asset retirement obligation	14	20
Change in fair value of warrant liabilities	6,935	(7,009)
Amortization of debt discount and interest accrual	184	1,770
Product upgrade reserve	5,523	—
Changes in operating assets and liabilities:		
Accounts receivable	1,392	6,763
Inventory	(8,810)	(10,312)
Deposits on purchased inventory	2,350	(499)
Deferred cost of revenue	(577)	(2,447)
Prepaid expenses and other assets	796	(1,079)
Accounts payable	8,256	(3,383)
Accrued expenses and other long-term liabilities	3,791	679
Customer deposits and deferred revenue	(16,739)	(10,996)
Net cash used in operating activities	(49,552)	(48,838)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,353)	(2,280)
Net cash used in investing activities	(4,353)	(2,280)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from at-the-market offering of common stock, gross	—	278
Payment of offering costs related to at-the-market offering of common stock	—	(6)
Proceeds from direct registered offering, gross	—	59,100
Payment of offering costs related to direct registered offering	—	(177)
Payment of debt issuance cost	(168)	—
Proceeds from the exercise of stock options	8,203	715
Net cash provided by financing activities	8,035	59,910
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(45,870)	8,792
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — BEGINNING OF PERIOD	169,365	58,532
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — END OF PERIOD	$ 123,495	$ 67,324
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 1,811	$ 2,014
Cash paid for taxes	$ 7	$ —
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Fair value of common stock warrants reclassified from liability to additional paid-in capital upon exercise	$ 2,105	$ —
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 1,647	$ —
Transfer of property and equipment from inventory and deferred cost of revenue	$ 4,394	$ 1,577
Purchase of property and equipment in accounts payable and accrued liabilities	$ 1,146	$ 13

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

1. Background and Organization

ViewRay, Inc., or ViewRay or the Company, and its wholly-owned subsidiary ViewRay Technologies, Inc., designs, manufactures and markets MRIdian, an MR Image-Guided radiation therapy system to simultaneously image and treat cancer patients.

Since inception, ViewRay Technologies, Inc. has devoted substantially all of its efforts towards research and development, initial selling and marketing activities, raising capital and the manufacturing, shipment and installation of MRIdian systems. In May 2012, ViewRay Technologies, Inc. was granted clearance from the U.S. Food and Drug Administration, or FDA, to sell MRIdian with Cobalt-60. In November 2013, ViewRay Technologies, Inc. received its first clinical acceptance of a MRIdian with Cobalt-60 at a customer site, and the first patient was treated with that system in January 2014. ViewRay Technologies, Inc. has had the right to affix the CE mark to MRIdian with Cobalt-60 in the European Economic Area since November 2014. In September 2016, the Company received the rights to affix the CE mark to MRIdian Linac, and in February 2017, the Company received 510(k) clearance from the FDA to market MRIdian Linac.

The Company's condensed consolidated financial statements have been prepared on the basis of the Company continuing as a going concern. The Company's principal sources of liquidity are cash flows from public and private offerings and available borrowings under its term loan agreement, as well as cash receipts from its sales of MRIdian systems. These have historically been sufficient to meet working capital needs, capital expenditures, operating expenses, and debt service obligations. During the six months ended June 30, 2019, the Company incurred a net loss of $64.2 million and used cash in operating activities of $49.6 million. The Company believes that its existing cash balance of $122.1 million as of June 30, 2019, together with anticipated cash proceeds from sales of MRIdian systems will be sufficient to provide liquidity to fund its operations for at least the next 12 months.

2. Summary of Significant Accounting Policies

Basis of Presentation

The condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States, or U.S. GAAP, and pursuant to the rules and regulations of the Securities and Exchange Commission, or the SEC. The condensed consolidated financial statements include the accounts of ViewRay, Inc. and its wholly-owned subsidiary, ViewRay Technologies, Inc. All inter-company accounts and transactions have been eliminated in consolidation.

In the opinion of management, all adjustments, including normal recurring adjustments, considered necessary for a fair presentation of the Company's unaudited condensed consolidated financial statements, have been included. The results of operations for the three and six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019 or any future period. These unaudited condensed consolidated financial statements and their notes should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Effective January 1, 2019, the Company adopted the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 842, or Topic 842, *Leases,* by using a modified retrospective transition approach. The adoption of Topic 842 had no impact on the Company's prior period financial statements. Refer to Note 6, Commitments and Contingencies for further information and related disclosures.

Significant Accounting Policies

The significant accounting policies used in preparation of these condensed consolidated financial statements are disclosed in the notes to consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on March 15, 2019, and have not changed significantly since that filing, except for the January 1, 2019 adoption of the new accounting guidance Topic 842, *Leases*, and a change in the recognition of certain revenue resulting from changes in facts and circumstances. Refer to the Recently Adopted Accounting Pronouncements below and to Note 6, Commitments and Contingencies, and Note 7, Revenue, for further information and related disclosures.

Recent Accounting Pronouncements

In August 2018, the FASB issued Accounting Standards Update, or ASU, No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement,* to modify the disclosure requirements on fair value measurements in Topic 820. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, and interim periods therein. The Company is allowed to early adopt either the entire standard or only the provisions that eliminate or modify the requirements of Topic 820. The Company is evaluating the impact of this update on its consolidated financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, and issued subsequent amendments to the initial guidance in September 2017 within ASU 2017-13, in January 2018 within ASU 2018-01, in July 2018 within ASU 2018-10 and ASU 2018-11, and in March 2019 within ASU 2019-01 (collectively, Topic 842). Topic 842 supersedes Topic 840, Leases, and requires lessees to recognize on their balance sheets all leases, with the exception of short-term leases, as a right-of-use asset and a corresponding lease liability measured at the present value of the lease payments. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The new standard requires expanded disclosures regarding leasing arrangements. Effective January 1, 2019, the Company adopted Topic 842 using a modified retrospective transition approach by applying the new standard to all leases existing at the date of initial application and not restating comparative periods. There was no cumulative-effect adjustment recorded to retained deficit upon adoption.

Topic 842 provides several optional practical expedients in transition. The Company elected to use the package of practical expedients permitted under the transition guidance, which allows the Company not to reassess its prior conclusions about lease identification, lease classification and initial direct costs for any leases that existed prior to January 1, 2019. The Company did not elect to use the other practical expedients provided.

Upon adoption, the Company recognized the right-of-use assets and operating lease liabilities totaling approximately $11.9 million and $12.6 million, respectively, to reflect the present value of remaining lease payments under existing lease arrangements with no impact to the opening balance of retained deficit as a result of adoption. The difference between the leased assets and lease liabilities represents the existing deferred rent liabilities balance, resulting from historical straight-lining of operating leases, which was effectively reclassified upon adoption to reduce the measurement of the leased assets.

In determining the present value of lease payments, the Company uses the rate implicit in the lease or when such rate is not readily available, we utilize our incremental borrowing rate based on the information available at the lease commencement date. Lease expense is recognized on a straight-line basis over the expected lease term. In determining the expected lease term, the Company may include options to extend or terminate the lease when it is reasonably certain that it will exercise any such option. For more information on the impact of adoption and the disclosures required by the new standard, refer to Note 6, Commitments and Contingencies.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The Company adopted ASU 2018-07 on January 1, 2019, and the adoption did not have a material impact on its condensed consolidated financial statements and related disclosures.

3. Balance Sheet Components

Property and Equipment, Net

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

	June 30, 2019	December 31, 2018
Prototype	$ 12,246	$ 12,425
Machinery and equipment	15,104	12,654
Leasehold improvements	4,621	4,600
Furniture and fixtures	666	636
Software	1,389	1,250
Construction in progress	7,672	148
Property and equipment, gross	41,698	31,713
Less: accumulated depreciation and amortization	(19,723)	(17,755)
Property and equipment, net	$ 21,975	$ 13,958

Depreciation and amortization expense related to property and equipment were $1.1 million and $0.9 million during the three months ended June 30, 2019 and 2018, and $2.0 million and $1.6 million during the six months ended June 30, 2019 and 2018, respectively.

Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	June 30, 2019	December 31, 2018
Accrued payroll and related benefits	$ 6,925	$ 5,047
Accrued accounts payable	3,813	3,626
Payroll withholding tax, sales and other tax payable	1,698	782
Accrued legal, accounting and professional fees	683	360
Product upgrade reserve	4,886	—
Other	905	168
Total accrued liabilities	$ 18,910	$ 9,983

Deferred Revenue

Deferred revenue consisted of the following (in thousands):

	June 30, 2019	December 31, 2018
Deferred revenue:		
Product	$ 1,729	$ 9,623
Service	8,782	6,981
Distribution rights	2,634	2,871
Total deferred revenue	13,145	19,475
Less: current portion of deferred revenue	(8,232)	(13,731)
Noncurrent portion of deferred revenue	$ 4,913	$ 5,744

Other Long-Term Liabilities

	June 30, 2019	December 31, 2018
Accrued interest, noncurrent portion	$ 225	$ —
Deferred rent, noncurrent portion	—	628
Other	206	192
Total other-long term liabilities	$ 431	$ 820

4. Fair Value of Financial Instruments

Assets and liabilities recorded at fair value on a recurring basis in the balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The assets' or liabilities' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company's financial instruments that are carried at fair value mainly consist of Level 1 assets and Level 3 liabilities. Level 1 assets include highly liquid bank deposits and money market funds, which were not material at June 30, 2019 and December 31, 2018.

Level 3 liabilities that are measured on a recurring basis relate to the 2017 and 2016 Placement Warrants, as described in Note 9. Placement warrant liabilities are valued using the Black-Scholes option-pricing model. Generally, increases (decreases) in the fair value of the underlying stock, volatility and estimated term would result in a directionally similar impact to the fair value of the warrants (see Note 9).

The gains and losses from re-measurement of Level 3 financial liabilities are recorded as part of other (expense) income, net in the condensed consolidated statements of operations and comprehensive loss. During the three and six months ended June 30, 2019, the Company recorded a loss of $1.8 million and a loss of $4.8 million, respectively, related to the change in fair value of the 2017 and 2016 Placement Warrants. During the three and six months ended June 30, 2018, the Company recorded a loss of $1.2 million and a gain of $7.0 million, respectively, related to the change in fair value of the 2017 and 2016 Placement Warrants. There were no transfers between Level 1, Level 2 and Level 3 in any periods presented.

The following table sets forth the fair value of the Company's financial liabilities by level within the fair value hierarchy (in thousands):

	At June 30, 2019			
	Level 1	Level 2	Level 3	Total
2017 Placement Warrants Liability	$ —	$ —	$ 10,944	$ 10,944
2016 Placement Warrants Liability	—	—	5,731	5,731
Total	$ —	$ —	$ 16,675	$ 16,675

	At December 31, 2018			
	Level 1	Level 2	Level 3	Total
2017 Placement Warrants Liability	$ —	$ —	$ 7,115	$ 7,115
2016 Placement Warrants Liability	—	—	4,729	4,729
Total	$ —	$ —	$ 11,844	$ 11,844

The following table sets forth a summary of the changes in fair value of the Company's Level 3 financial liabilities (in thousands):

	Six Months Ended June 30,	
	2019	2018
Fair value, beginning of period	$ 11,844	$ 22,420
Change in fair value of Level 3 financial liabilities	6,935	(7,009)
Fair value of 2016 Placement Warrants at exercise	(2,039)	—
Fair value of 2017 Placement Warrants at exercise	(65)	—
Fair value, end of period	$ 16,675	$ 15,411

5. Debt

SVB Term Loan

In December 2018, the Company entered into a term loan agreement, or the SVB Term Loan, with Silicon Valley Bank, for a principal amount of $56.0 million. The SVB Term Loan has a maturity date of December 1, 2023 and bears interest at a rate of 6.30% per annum to be paid monthly over the term of the loan. Beginning on December 1, 2020 (or June 1, 2021, if the Company achieves a trailing twelve-month revenue of at least a specified amount and elects to apply such later date), the Company will make thirty-six equal monthly payments of principal (or thirty equal payments, if the Company so elects). In addition, upon repayment of the SVB Term Loan in full, the Company will make a final payment equal to 3.15% of the original aggregate principal amount of the SVB Term Loan.

The Company used the proceeds of the SVB Term Loan and cash on hand to repay in full its outstanding obligations under its then outstanding term loan, or the CRG Term Loan, and to pay fees and expenses related thereto. The Company accounted for the termination of the CRG Term Loan as a debt extinguishment and recorded a debt extinguishment loss of $2.4 million from the difference between the net carrying amount of debt and the amount paid. The debt extinguishment loss includes $0.3 million in write-offs of unamortized debt discount and debt issuance costs associated with the CRG Term Loan.

The Company received net proceeds from the SVB Term Loan of $55.4 million after related legal and consulting fees totaling $0.6 million. Such fees are accounted for as debt discount and issuance costs and presented as a direct deduction from the carrying amount of debt on the Company's consolidated balance sheets. Debt discount, issuance costs and the final payment are amortized or accreted as interest expense over the term of the loan using the effective interest method.

The SVB Term Loan is secured by substantially all assets of the Company, except that the collateral does not include any intellectual property held by the Company, provided, however, the collateral shall include all accounts and proceeds of such intellectual property.

The SVB Term Loan contains customary representations and warranties and customary affirmative and negative covenants applicable to the Company and its subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, prepayment of other indebtedness, dividends and other distributions and transactions with affiliates. The SVB Term Loan also contains financial covenants that require the Company to maintain a minimum cash balance in accounts maintained at Silicon Valley Bank or one of its affiliates or else comply with a liquidity ratio and/or a minimum revenue target.

The SVB Term Loan includes standard events of default, including, among other things, subject in certain cases to customary grace periods, thresholds and notice requirements, the Company's failure to fulfill its obligations under the SVB Term Loan or the occurrence of a material adverse change in the Company's business, operations, or condition (financial or otherwise). In the event of default by the Company under the SVB Term Loan, Silicon Valley Bank would be entitled to exercise its remedies thereunder, including the right to accelerate the debt, upon which the Company may be required to repay all amounts then outstanding under the SVB Loan, which could harm the Company's financial condition.

The Company's scheduled future payments on the SVB Term Loan at June 30, 2019 are as follows (in thousands):

Year Ended December 31,		
The remainder of 2019	$	—
2020		1,555
2021		18,667
2022		18,667
2023		17,111
Total future principal payments		56,000
Less: unamortized debt discount		(555)
Carrying value of long-term debt		55,445
Less: current portion		—
Long-term portion	$	55,445

6. Commitments and Contingencies

Operating Leases

The Company leases office space in Oakwood Village, Ohio, Mountain View, California and Denver, Colorado under noncancelable operating lease agreements. The Company leases and occupies approximately 19,800 square feet of office space in Oakwood Village, Ohio, which expires in October 2021.

In June 2014, the Company entered into an office lease agreement to lease approximately 25,500 square feet of office space located in Mountain View, California, which expires in November 2019. In June 2018, the Company entered into an amendment to extend the term of the lease agreement through July 2025.

In April 2018, the Company entered into a lease agreement to lease approximately 24,600 square feet of additional office space located in Mountain View, California. The lease commenced in December 2018 and will expire in December 2025. The Company has the option to extend the term of the lease for a period of up to five years.

In May 2019, the Company entered into a sub-lease agreement to lease approximately 19,800 square feet of office space located in Denver, Colorado. The sub-lease commenced in June 2019 and will expire in May 2021.

In recognition of the right-of-use assets and the related lease liabilities, with the exception of the Oakwood Village, Ohio lease, the options to extend the lease term have not been included as the Company is not reasonably certain that it will exercise any such option. At June 30, 2019, the weighted-average remaining lease term in years is 5.7 years and the weighted-average discount rate used is 7.7%.

During the three and six months ended June 30, 2019, the Company recognized the following lease costs arising from lease transactions:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease cost	$ 677	$ 1,303

During the six months ended June 30, 2019, the Company recognized the following cash flow transactions arising from lease transactions:

	For the Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	$ 1,074
Right-of-use assets obtained in exchange for new operating lease liabilities	1,647

At June 30, 2019, the future payments and interest expense for the operating leases are as follows:

Year Ending December 31,	Future Payments
The remainder of 2019	$ 1,377
2020	3,148
2021	2,831
2022	2,496
2023	2,571
2024	2,604
Thereafter	1,924
Total undiscounted cash flows	$ 16,951
Less: imputed interest	(3,333)
Present value of lease liabilities	$ 13,618

The rent expense for operating leases for the three and six months ended June 30, 2018 using the accounting guidance in effect at that time was $0.2 million and $0.4 million, respectively.

At December 31, 2018, the future minimum payments for the operating leases were as follows (in thousands):

Year Ending December 31,	Future Minimum Payments
2019	$ 2,070
2020	2,353
2021	2,424
2022	2,496
2023	2,571
Thereafter	4,532
Total future minimum payments	$ 16,446

Legal Proceedings

In the normal course of business, the Company may become involved in legal proceedings. The Company will accrue a liability for legal proceedings when it is probable that a liability has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. At June 30, 2019 and December 31, 2018, the Company was not involved in any material legal proceedings.

Purchase Commitments

At June 30, 2019, the Company had $6.4 million in outstanding firm purchase commitments.

7. Revenue

The Company derives revenue primarily from the sale of MRIdian systems and related services as well as support and maintenance services on sold systems. Revenue is categorized as product revenue, service revenue and distribution rights revenue.

The following table presents revenue disaggregated by type and geography (in thousands):

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
U.S.				
Product	$ 22,288	$ 6,053	$ 22,288	$ 19,588
Service	1,320	502	1,954	898
Total U.S. revenue	$ 23,608	$ 6,555	$ 24,242	$ 20,486
Outside of U.S. ("OUS")				
Product	$ 5,617	$ 9,313	$ 24,491	$ 21,157
Service	823	456	1,480	752
Distribution rights	119	119	238	238
Total OUS revenue	$ 6,559	$ 9,888	$ 26,209	$ 22,147
Total				
Product	$ 27,905	$ 15,366	$ 46,779	$ 40,745
Service	2,143	958	3,434	1,650
Distribution rights	119	119	238	238
Total revenue	$ 30,167	$ 16,443	$ 50,451	$ 42,633

Product Revenue

Beginning in the second quarter of 2019, the Company determined that the MRIdian system and installation of the MRIdian system, which had previously been one performance obligation, are now two performance obligations as they are capable of being distinct and are distinct within the context of the system contracts. This change occurred due primarily to changes in facts and circumstances, whereby there are now readily available resources outside the Company that can perform the system installations.

Additionally, certain revenue contracts have terms that result in the control of the system transferring to the customer upon delivery and inspection, as opposed to historically upon customer acceptance. For contracts in which control of the system transfers upon delivery and inspection, the Company recognizes revenue for the systems at the point in time when delivery and inspection by the customer has occurred. For these same contracts, the Company recognizes installation revenue over the period of installation as the installation services are performed and control is transferred to the customer. For all contracts in which control continues to transfer upon post-implementation customer acceptance, revenue for the system and installation will continue to be recognized upon customer acceptance.

Certain customer contracts with distributors do not require ViewRay installation at the ultimate user site, and the distributors may either perform the installation themselves or hire another party to perform the installation. For sales of MRIdian systems for which the Company is not responsible for installation, revenue recognition occurs when the entire system is delivered and inspected, which is when the control of the system is transferred to the customer.

Distribution agreement

In connection with the distribution agreement entered into in December 2014, between the Company and Itochu Corporation, or Itochu, the Company received a distribution fee of $4.0 million in three installments from Itochu for serving as the Company's exclusive distributor for the sale and delivery of its MRIdian systems within Japan. In August 2016, the Company started recognizing distribution rights revenue ratably over the remaining term of the exclusive distribution agreement of approximately 8.5 years. A time-elapsed method is used to measure progress because control is transferred evenly over the remaining contractual period. The distribution rights revenues were $0.1 million for each of the three months ended June 30, 2019 and 2018, and $0.2 million for each of the six months ended June 30, 2019 and 2018, respectively.

Contract Balances

The timing of revenue recognition, billings and cash collections results in short-term and long-term trade receivables, customer deposits, deferred revenues and deferred cost of revenue on the condensed consolidated balance sheets.

Trade receivables are recorded at the original invoiced amount, net of an estimated allowance for doubtful accounts. Trade credit is generally extended on a short-term basis. The Company occasionally provides for long-term trade credit for its maintenance services so that the period between when the services are rendered to its customers and when the customers pay for that service is within one year. Thus, the Company's trade receivables do not bear interest or contain a significant financing component. Long-term trade receivables of $0.4 million were reported within other assets in the condensed consolidated balance sheets at June 30, 2019 and at December 31, 2018. These amounts are billed in accordance with the terms of the customer contracts to which they relate and are expected to be collected three to four years from the date of invoice as the underlying maintenance services are rendered. At times, billing occurs subsequent to revenue recognition, resulting in an unbilled receivable which represents a contract asset. This contract asset is recorded as an unbilled receivable and reported as part of accounts receivable on the condensed consolidated balance sheets.

Trade receivables are periodically evaluated for collectability based on past credit history of the respective customers and their current financial condition. Changes in the estimated collectability of trade receivables are included in the results of operations for the period in which the estimate is revised. Trade receivables that are deemed uncollectible are offset against the allowance for doubtful accounts. The Company generally does not require collateral for trade receivables. There were no allowances for doubtful accounts recorded at June 30, 2019 or December 31, 2018.

Customer deposits represent payments received in advance of system installation. For domestic and international sales, advance payments received prior to inventory shipments are recorded as customer deposits. Advance payments are subsequently reclassified to deferred revenue upon inventory shipment. All customer deposits, including those that are expected to be a deposit for more than one year, are classified as current liabilities based on consideration of the Company's normal operating cycle (the time between acquisition of the inventory components and the final cash collection from customers on these inventory components) which is in excess of one year.

Deferred revenue consists of deferred product revenue and deferred service revenue. Deferred product revenue arises from timing differences between the fulfillment of contract obligations and satisfaction of all revenue recognition criteria consistent with the Company's revenue recognition policy. Deferred service revenue results from the advance billing for services to be delivered over a period of time. Deferred revenues expected to be realized within one year or normal operating cycle are classified as current liabilities.

Deferred cost of revenue consists of cost for inventory items that have been shipped, but revenue recognition has not yet occurred. Deferred cost of revenue is included as part of current assets as the corresponding deferred product revenue is expected to be realized within one year or the Company's normal operating cycle.

During the three and six months ended June 30, 2019, the Company recognized $3.9 million and $17.4 million, respectively, of revenues that were included in the deferred revenue balance at the beginning of each reporting period. During the three and six months ended June 30, 2018, the Company recognized $6.8 million and $17.9 million, respectively, of revenues that were included in the deferred revenue balance at the beginning of each reporting period.

Variable Consideration

The Company records revenue from customers in an amount that reflects the transaction price it expects to be entitled to after transferring control of those goods or services. The Company estimates the transaction price at contract inception, including any variable consideration, and updates the estimate each reporting period for any changes. For the three and six months ended June 30, 2019 the Company recognized $0.0 million and $0.9 million, respectively, in revenue from performance obligations satisfied in the prior period. The cumulative catch-up adjustment resulted from a change in transaction price related to variable consideration that was constrained in prior periods.

8. Equity Financing

Public Offering of Common Stock

On August 14, 2018, the Company entered into an underwriting agreement with Morgan Stanley & Co. LLC and Jefferies LLC, as representatives of several underwriters, or the "Underwriters", in connection with the issuance and sale of 16,216,217 shares of the Company's common stock at a public offering price of $9.25 per share. In addition, the Company granted the Underwriters a 30-day option to purchase up to 2,432,432 additional shares of common stock on the same terms, which the Underwriters exercised in full. The Company completed the offering on August 17, 2018 under which it received aggregate net proceeds of approximately $161.9 million, after deducting underwriting discounts and commissions and offering expenses payable by the Company.

Direct Registered Offerings

In February 2018, the Company entered into a securities purchase agreement pursuant to which it sold (i) 4,090,000 shares of its common stock; (ii) 3,000,581 shares of its Series A convertible preferred stock and (iii) warrants to purchase 1,418,116 shares of its common stock, or the 2018 Offering Warrants, for total gross proceeds of $59.1 million, or the March 2018 Direct Registered Offering. The March 2018 Direct Registered Offering was closed on March 5, 2018. The 2018 Offering Warrants have an exercise price of $8.31 per share, became exercisable upon issuance and expire in March 2025.

Private Placements

In September 2016, the Company completed the final closing of a private placement offering, or the 2016 Private Placement, through which it sold (i) 4,602,506 shares of its common stock and (ii) warrants that provide the warrant holders the right to purchase 1,380,745 shares of common stock, or the 2016 Placement Warrants, and raised total gross proceeds of $13.8 million. The 2016 Placement Warrants have an exercise price of $2.95 per share, are exercisable at any time at the option of the holder and expire seven years from the date of issuance.

In January 2017, the Company completed the final closing of a private placement offering, or the 2017 Private Placement, through which it sold (i) 8,602,589 shares of its common stock and (ii) warrants that provide the warrant holders the right to purchase 1,720,512 shares of its common stock, or the 2017 Placement Warrants, and raised total gross proceeds of $26.1 million. The 2017 Placement Warrants have an exercise price of $3.17 per share, became exercisable in July 2017 and expire in January 2024.

At-The-Market Offering of Common Stock

In January 2017, the Company filed a shelf registration statement on Form S-3 with the SEC, which included a base prospectus covering the offering, issuance and sale of up to a maximum aggregate offering of $75.0 million of the Company's common stock, preferred stock, debt securities, warrants, purchase contracts and/or units. In January and April 2017, the Company agreed to sell up to a cumulative $50.0 million of its common stock in accordance with the terms of a sales agreement with FBR Capital Markets & Co., pursuant to an at-the-market offering program in accordance with Rule 415(a)(4) under the Securities Act. In January 2019, the Company filed a registration statement with the SEC which covers the offering, issuance and sale of up to a maximum aggregate offering price of $250.0 million of our common stock, preferred stock, debt securities, warrants, purchase contracts and/or units, including up to $100.0 million of the Company's common shares pursuant to the Company's at-the-market offering program with FBR.

As of June 30, 2019, the Company has sold approximately $40.4 million under this at-the-market offering program. No securities were sold in the six months ended June 30, 2018.

9. Warrants

Equity Classified Common Stock Warrants

In connection with a debt financing in December 2013, the Company issued warrants to purchase 128,231 shares of its common stock with an exercise price of $5.84 per share. These warrants are exercisable any time at the option of the holder until December 16, 2023. None of these warrants have been exercised to date and they all remained outstanding at June 30, 2019.

In connection with the merger of the Company and ViewRay Technologies, Inc. in July 2015, or the Merger, in July and August 2015, the Company conducted a private placement offering during which the Company issued warrants, or the 2015 Placement Warrants, that provide the warrant holder the right to purchase 198,760 shares of common stock at an exercise price of $5.00 per share. The 2015 Placement Warrants are exercisable at any time at the option of the holder until the five-year anniversary of its date of issuance. Prior to June 30, 2019, the Company issued 92,487 shares of its common stock upon the net exercise of 159,010 shares of the 2015 Placement Warrants. The remaining 39,750 shares of the 2015 Placement Warrants have not been exercised and remained outstanding at June 30, 2019.

In connection with the March 2018 Direct Registered Offering, the Company issued warrants to purchase 1,418,116 shares of common stock at an exercise price of $8.31 per share, or the 2018 Offering Warrants. The 2018 Offering Warrants became exercisable upon issuance and expire in March 2025. None of the 2018 Offering Warrants have been exercised to date and they all remained outstanding at June 30, 2019.

As separate classes of securities were issued in a bundled transaction, the gross proceeds from the March 2018 Direct Registered Offering of $59.1 million was allocated to common stock, Series A convertible preferred stock and the 2018 Offering Warrants based on their respective relative fair value upon issuance. The aggregate fair value of the 2018 Offering Warrants of $7.4 million was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions: expected term of seven years, expected volatility of 62.5%, risk-free interest rate of 2.8% and expected dividend yield of 0%. The allocated proceeds from the 2018 Offering Warrants of $6.6 million was recorded in additional paid-in-capital.

Liability Classified Common Stock Warrants

In connection with private placement offerings in 2017 and 2016, the Company issued common stock warrants, or the 2017 and 2016 Placement Warrants, which contain protection whereby the warrant holders will have the right to receive cash in the amount equal to the Black-Scholes value of the warrants upon the occurrence of a Change of Control, as defined in the 2017 and 2016 Placement Warrants. The 2017 and 2016 Placement Warrants were accounted for as a liability at the date of issuance and are adjusted to fair value at each balance sheet date, with the change in fair value recorded as a component of other income (expense), net in the condensed consolidated statements of operations and comprehensive loss. The key terms of the 2017 and 2016 Placement Warrants are as follows:

	Issuance Date	Term	Exercise Price Per Share	Warrants Exercised during the Six Months Ended June 30, 2019	Warrants Outstanding at June 30, 2019
2017 Placement Warrants	January 2017	7 years	$ 3.17	11,988	1,697,544
2016 Placement Warrants	August and September 2016	7 years	$ 2.95	236,327	878,739
Total				248,315	2,576,283

During the three and six months ended June 30, 2019, the Company recorded a loss of $1.8 million and a loss of $4.8 million, respectively, related to the change in fair value of the 2016 and 2017 Placement Warrants. During the three and six months ended June 30, 2018, the Company recorded a loss of $1.2 million and a gain of $7.0 million, respectively, related to the change in fair value of the 2016 and 2017 Placement Warrants. The fair value of the 2016 and 2017 Placement Warrants at June 30, 2019 and December 31, 2018, respectively, was estimated using the Black-Scholes option-pricing model and the following weighted-average assumptions:

	2017 Placement Warrants		2016 Placement Warrants	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Expected term (in years)	4.6	5.1	4.1	4.7
Expected volatility	57.7%	60.8%	58.6%	60.9%
Risk-free interest rate	1.7%	2.5%	1.7%	2.5%
Expected dividend yield	0%	0%	0	0%

10. Stock-Based Compensation

A summary of the Company's stock option activity and related information is as follows:

	Shares Available for Grant	Options Outstanding: Number of Stock Options Outstanding	Options Outstanding: Weighted-Average Exercise Price	Options Outstanding: Weighted-Average Remaining Contractual Life (Years)	Options Outstanding: Aggregate Intrinsic Value (In thousands)
Balance at December 31, 2018	1,908,626	11,603,708	$ 6.64	7.6	$ 10,151
Additional options authorized	3,853,280				
Options granted	(2,493,505)	2,493,505	8.35		
Options exercised	-	(1,701,627)	4.82		
Options canceled	410,410	(410,410)	6.67		
RSUs granted	(679,325)				
RSUs canceled	48,413				
Balance at June 30, 2019	3,047,899	11,985,176	$ 7.20	8.2	$ 21,838
Vested and exercisable at June 30, 2019		3,467,682	$ 4.50	6.5	$ 14,977
Vested and expected to vest at June 30, 2019		11,351,730	$ 7.16	8.1	$ 21,454

The weighted-average grant date fair value of options granted to employees were $4.79 and $4.18 per share during the six months ended June 30, 2019 and 2018, respectively. The grant date fair values of options vested were $3.3 million and $2.5 million during the six months ended June 30, 2019 and 2018, respectively.

Aggregate intrinsic value represents the difference between the estimated fair value of the underlying common stock and the exercise price of outstanding, in-the-money options. The aggregate intrinsic values of options exercised were $6.5 million and $2.2 million during the six months ended June 30, 2019 and 2018, respectively.

At June 30, 2019, total unrecognized compensation cost related to stock options granted to employees, net of estimated forfeitures, was $32.6 million which is expected to be recognized over a weighted-average period of 3.1 years.

Determination of Fair Value

The determination of the fair value of stock options on the date of grant using an option-pricing model is affected by the estimated fair value of the Company's common stock, as well as assumptions regarding a number of complex and subjective variables. The variables used to calculate the fair value of stock options using the Black-Scholes option-pricing model include actual and projected employee stock option exercise behaviors, expected price volatility of the Company's common stock, the risk-free interest rate and expected dividends. Each of these inputs is subjective and generally requires significant judgment to determine.

The fair value of employee stock options is estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions:

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Expected term (in years)	6.0	6.0
Expected volatility%	60.1%	61.2%
Risk-free interest rate%	2.5%	2.8%
Expected dividend yield%	0.0%	0.0%

Restricted Stock Units

From time to time, the Company grants Restricted Stock Units, or RSUs, to its Board of Directors and certain employees for their services. The RSUs granted to board members are either fully vested upon issuance or vest over a period of time from the grant date and will be released and settled upon termination of the board member's services or the occurrence of a change in control event. In January 2019, the Company granted RSUs to its Board of Directors as part of the director compensation program. In March 2019, the Company began granting RSUs to certain employees. These RSUs vest in equal annual installments over either two or three years from the grant date and are subject to the participants continuing service to the Company over that period. The fair value of RSUs is based on the closing market price of the Company's common stock on the grant date.

	RSUs	
	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2018	1,736,234	$ 9.65
RSUs granted	679,325	7.75
RSUs vested	(36,981)	6.26
Unvested at June 30, 2019	2,378,578	$ 9.22
Vested and unreleased	104,019	
Outstanding at June 30, 2019	2,482,597	

The total grant date fair value of RSUs awarded was $5.3 million for the six months ended June 30, 2019. The total fair value of RSUs vested was $0.2 million for the six months ended June 30, 2019. There were no RSUs awarded or vested in the six months ended June 30, 2018.

As of June 30, 2019, total unrecognized stock-based compensation cost related to RSUs was $14.3 million, which is expected to be recognized over a weighted-average period of 2.1 years. As of June 30, 2019, 2,111,168 RSUs are expected to vest.

Stock-Based Compensation Expense

Total stock-based compensation expense recognized in the Company's condensed consolidated statements of operations and comprehensive loss is classified as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Research and development	$ 453	$ 347	$ 844	$ 550
Selling and marketing	347	194	612	321
General and administrative	4,107	1,142	8,003	2,002
Total stock-based compensation expense	$ 4,907	$ 1,683	$ 9,459	$ 2,873

During the three and six months ended June 30, 2019 and 2018, there was no stock-based compensation expense capitalized as a component of inventory or recognized in cost of revenue. Stock-based compensation relating to stock-based awards granted to consultants was insignificant during the three and six months ended June 30, 2019 and 2018.

11. Income Tax

Due to the current operating losses, the Company recorded zero income tax expense during the six months ended June 30, 2019 and 2018, respectively. During these periods, the Company's activities were limited to U.S. federal and state tax jurisdictions, as it does not have any significant foreign operations. The federal and state effective tax rate before valuation allowance is approximately 24% for the six months ended June 30, 2019.

Due to the Company's history of cumulative losses and after considering all the available objective evidence, management concluded that it is not more likely than not that all of the Company's net deferred tax assets will be realized. Accordingly, the Company's deferred tax assets, which include net operating loss, or NOL, carryforwards and tax credits related primarily to research and development, continue to be subject to a valuation allowance as of June 30, 2019. The Company expects to continue to maintain a full valuation allowance until there is sufficient evidence to support recoverability of its deferred tax assets.

The Company had unrecognized tax benefits of $2.1 million and $1.6 million at June 30, 2019 and December 31, 2018, respectively. The reversal of the uncertain tax benefits would not affect the effective tax rate to the extent that the Company continues to maintain a full valuation allowance against its deferred tax assets. Unrecognized tax benefits may change during the next 12 months for items that arise in the ordinary course of business.

Interest and/or penalties related to income tax matters are recognized as a component of income tax expense. At June 30, 2019 and December 31, 2018, there were no accrued interest and penalties related to uncertain tax positions.

12. Net Loss per Share

Since the Company was in a loss position for all periods presented, diluted net loss per common share is the same as basic net loss per common share for all periods presented, because the inclusion of all potential common shares outstanding would have an anti-dilutive effect. The following weighted-average common stock equivalents were excluded from the calculation of diluted net loss per share for the periods presented, because including them would have an anti-dilutive effect:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Series A convertible preferred stock (if converted)	—	593,522	—	746,001
Options to purchase common stock	10,277,120	9,714,129	10,899,546	9,157,418
Common stock warrants	4,336,072	4,811,629	4,370,302	4,315,410
Restricted stock units	575,129	134,587	1,070,969	135,878
Total	15,188,321	15,253,867	16,340,817	14,354,707

13. Related Party Transactions

In December 2004, the Company entered into a licensing agreement with the University of Florida Research Foundation, or UFRF, whereby UFRF granted the Company a worldwide exclusive license to certain of UFRF's patents in exchange for 33,652 shares of common stock and a 1% royalty, with a minimum $0.1 million royalty payment per quarter, from sales of products developed and sold by the Company utilizing the licensed patents. Minimum royalty payments in any calendar year are credited against earned royalties for such calendar year. Royalty expenses based on 1% of net sales were $0.4 million and $0.4 million during the six months ended June 30, 2019 and 2018, respectively, and were recorded as product cost of revenue.

In January 2017, the Company entered into a sales consulting agreement with Puissance Capital Management, or PCM, to assist with business development activities in a key market in Asia. PCM is the investment manager of Puissance Cross Board Opportunities LLP, a stockholder in the Company. Theodore T. Wang, Ph.D., a former member of the Company's board of directors, is the managing member of the general partners of PCM. The sales consulting agreement has a term of one year with a total consideration of $1.3 million. This amount has been fully expensed in the first quarter of 2018.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The interim financial statements included in this Quarterly Report on Form 10-Q and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2018, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in the Annual Report filed with the SEC on March 15, 2019. In addition to historical information, this discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements are subject to risks and uncertainties, including those under "Risk Factors" in this Quarterly Report and the Annual Report that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements.

Unless otherwise indicated, references in this section to "ViewRay," "we," "us," "our" and "the Company" refer to ViewRay, Inc. and its consolidated subsidiary, ViewRay Technologies, Inc.

As a result of the merger of the Company and ViewRay Technologies, Inc. in July 2015, or the Merger, and the change in business and operations of the Company, a discussion of the past financial results of the Company is not pertinent, and under applicable accounting principles the historical financial results of ViewRay Technologies, Inc., the accounting acquirer, prior to the Merger are considered the historical financial results of the Company.

The following discussion highlights ViewRay's results of operations and the principal factors that have affected our financial condition as well as our liquidity and capital resources for the periods described and provides information that management believes is relevant for an assessment and understanding of the statements of financial condition and results of operations presented herein. The following discussion and analysis are based on ViewRay's unaudited condensed consolidated financial statements contained in this Quarterly Report, which we have prepared in accordance with U.S. GAAP. You should read the discussion and analysis together with such condensed consolidated financial statements and the related notes thereto.

Company Overview

We design, manufacture and market the ViewRay MRIdian®. The MRIdian is an innovative system that integrates high quality radiation therapy with simultaneous magnetic resonance imaging (MRI). There are two generations of the MRIdian: the first generation MRIdian with Cobalt-60 based radiation beams and the second generation MRIdian Linac, with more advanced linear accelerator or 'linac' based radiation beams.

The MRIdian combines MRI and external-beam radiation therapy to simultaneously image and treat cancer patients. MRI is a broadly used imaging tool that has the ability to clearly differentiate between types of soft tissue. In contrast, X-ray or computed tomography (CT), the most commonly used imaging technologies in radiation therapy today, are often unable to distinguish soft tissues such as the tumor and critical organs. MRIdian integrates MRI technology, radiation delivery and our proprietary software to clearly ***See*** the soft tissues, ***Shape*** the dose to accommodate for changes in anatomy and ***Strike*** the target precisely using real-time targeting throughout the treatment. The MRIdian system is ***Sized*** to fit into standard radiation therapy vaults without having to remove ceiling or walls. These capabilities allow MRIdian to deliver radiation to the tumor accurately, while reducing the radiation amount delivered to nearby healthy tissue, as compared to other radiation therapy treatments currently available. We believe this will lead to improved patient outcomes and reduced treatment-related side effects.

Both generations of the MRIdian have received 510(k) marketing clearance from the US Food and Drug Administration, or FDA, and permission to affix the Conformité Européene, or CE, mark.

- We received initial 510(k) marketing clearance from the FDA for our treatment planning and delivery software in January 2011.
- We received 510(k) marketing clearance for MRIdian, with Cobalt-60 as the radiation source, in May 2012. We received permission to affix the CE mark to MRIdian with Cobalt-60 in November 2014, allowing MRIdian with Cobalt-60 to be sold within the European Economic Area, or EEA. In August 2016, we received regulatory approval from the Japanese Ministry of Health, Labor and Welfare to market MRIdian with Cobalt-60 in Japan. In August 2016, we also received approval from the China Food and Drug Administration to market MRIdian with Cobalt-60 in China.
- In September 2016, we received the CE mark for the MRIdian Linac (with a linear accelerator as the radiation source) in the EEA. In February 2017, we received 510(k) clearance from the FDA to market MRIdian Linac. In June 2017, we received 510(k) clearance to market RayZR™, our high-resolution beam-shaping multi-leaf collimator. We also received MRIdian Linac regulatory approval in Taiwan and Canada in August 2017, and in Israel in November 2017. In March 2018, we received regulatory approval from the Japanese Ministry of Health, Labor and Welfare to market MRIdian Linac in Japan. We are also seeking required MRIdian Linac approvals in other countries.

MRIdian is the first radiation therapy solution that enables simultaneous radiation treatment delivery and real-time MRI imaging of a patient's internal anatomy. It generates high-quality images that differentiate between the targeted tumor, surrounding soft tissue and nearby critical organs. MRIdian also records the level of radiation dose that the treatment area has received, enabling physicians to adapt the prescription between treatments, as needed. We believe this improved visualization and accurate dose recording will enable better treatment, improve patient outcomes and reduce side effects. Key benefits to users and patients include: improved imaging and patient alignment; the ability to adapt the patient's radiation treatments to changes while the patient is still on the treatment table, or "on-table adaptive treatment planning"; MRI-based motion management; and an accurate recording of the delivered radiation dose. Physicians have already used MRIdian to treat a broad spectrum of radiation therapy patients with more than 45 different types of cancer, as well as patients for whom radiation therapy was previously not an option.

At June 30, 2019, six MRIdian with Cobalt-60 systems and 22 MRIdian Linac systems are in operation at 26 customers worldwide (12 in the United States and 14 outside the United States). In addition, eight MRIdian Linacs have been delivered to customers.

We currently market MRIdian through a direct sales force in North America. In the rest of the world, we market MRIdian through a hybrid model of both a direct sales force and distribution network. We market MRIdian to a broad range of worldwide customers, including university research and teaching hospitals, community hospitals, private practices, government institutions and freestanding cancer centers. As with the traditional linac market, our sales and revenue cycle vary based on the particular customer and can be lengthy, sometimes lasting up to 18 to 24 months (or more) from initial customer contact to order contract execution. Following execution of a sales contract, it generally takes nine to 15 months for a customer to customize an existing facility or construct a new vault. Upon the commencement of installation at a customer's facility, it typically takes approximately 60 to 90 days for us to install MRIdian and perform on-site testing of the system, including the completion of acceptance test procedures.

We generated total revenue of $30.2 million and $16.4 million, and had net losses of $30.8 million and $22.0 million, during the three months ended June 30, 2019 and 2018, respectively. We generated total revenue of $50.5 million and $42.6 million, and net losses of $64.2 million and $26.8 million, during the six months ended June 30, 2019 and 2018, respectively.

We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. We expect our expenses will increase substantially in connection with our ongoing activities, as we:

- add personnel to support our product development and commercialization efforts;
- continue our research and development efforts;
- seek regulatory approval for MRIdian in certain foreign countries; and
- operate as a public company.

Accordingly, we may seek to fund our operations through public or private equity, debt financings or other sources. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements as and when needed would have a negative impact on our financial condition and our ability to develop enhancements to and integrate new technologies into MR Image-Guided radiation therapy systems.

New Orders and Backlog

New orders are defined as the sum of gross product orders, representing MRIdian contract price, recorded in backlog during the period. Backlog is the accumulation of all orders for which revenue has not been recognized and which we consider valid. Backlog includes customer deposits or letters of credit, except when the sale is to a customer where a deposit is not deemed necessary or customary. Deposits received are recorded in a customer deposit liability account on the balance sheet. Orders may be revised or cancelled according to their terms or upon mutual agreement between the parties. Therefore, it is difficult to predict with certainty the amount of backlog that will ultimately result in revenue. The determination of backlog includes objective and subjective judgment about the likelihood of an order contract becoming revenue. We perform a quarterly review of backlog to verify that outstanding orders in backlog remain valid, and based upon this review, orders that are no longer expected to result in revenue are removed from backlog. Among other criteria to consider for a transaction to be in backlog, we must possess both an outstanding and effective written agreement for the delivery of a MRIdian signed by a customer with a minimum customer deposit or a letter of credit requirement except when the sale is to a customer where a deposit is not deemed necessary or customary (i.e. sale to a government entity, a large hospital, group of hospitals or cancer care group that has sufficient credit, sales via tender awards, or indirect channel sales that have signed contracts with end-customers). We decide whether to remove or add back an order from or to our backlog by evaluating the following criteria: changes in customer or distributor plans or financial conditions; the customer's or distributor's continued intent and ability to fulfill the order contract; changes to regulatory requirements; the status of regulatory approval required in the customer's jurisdiction, if any; the length of time the order has been on our backlog; and other reasons for potential cancellation of order contracts.

During the six months ended June 30, 2019, we received new orders for MRIdian systems totaling $60.9 million. At June 30, 2019, we had total backlog of $219.3 million.

Components of Statements of Operations

Revenue

Product Revenue. Product revenue consists of revenue recognized from sales of MRIdian systems, as well as optional components, such as additional planning workstations and body coils.

Following execution of an order contract, it generally takes nine to 15 months for a customer to customize an existing facility or construct a new vault for the purchased system. Upon the commencement of installation at a customer's facility, it typically takes approximately 60 to 90 days to complete the installation and on-site testing of the system, including the completion of acceptance test procedures. On-site training takes approximately one week and can be conducted concurrently with installation and acceptance testing. Order contracts generally include customer deposits upon execution of the agreement, and in certain cases, additional amounts due at shipment or commencement of installation, and final payment due generally upon customer acceptance.

Beginning in the second quarter of 2019, for new contracts in which control of the system transfers upon delivery and inspection, the Company recognizes revenue for the system at the point in time when delivery and inspection has occurred. For these same contracts, the Company recognizes installation revenue over a period of time as control of the installation services are transferred. For all contracts in which control continues to transfer upon post-installation customer acceptance, revenue for the system and installation will continue to be recognized upon customer acceptance. For sales of MRIdian systems for which we are not responsible for installation, revenue is recognized when the entire system is delivered, which is when the control of the system is transferred to the customer.

Service Revenue. Our contracts typically include service warranty at no additional costs for one year. In addition, we offer multi-year, post-installation maintenance and support contracts that provide various levels of service support, which enables our customers to select the level of on-going support services, including parts and labor, which they require. These post-installation contracts are for a period of one to five years and provide services ranging from on-site parts and labor, and preventative maintenance to labor only with a longer response time. We also offer technology upgrades to our MRIdian systems, when and if available, for an additional fee. Service revenue is recognized ratably over the term during which the contracted services are provided.

Distribution Rights Revenue. In December 2014, we entered into a distribution agreement with Itochu Corporation, or Itochu, pursuant to which we appointed Itochu as our exclusive distributor for the promotion, sale and delivery of MRIdian products within Japan. As consideration for the exclusive distribution rights granted, we received $4.0 million, which was recorded as deferred revenue and since August 2016, distribution rights revenue has been recognized ratably over the remaining term of the distribution agreement, which expires in December 2024. A time-elapsed method is used to measure progress because the control is transferred evenly over the contractual period.

Cost of Revenue

Product Cost of Revenue. Product cost of revenue primarily consists of the cost of materials, installation and services associated with the manufacturing and installation of MRIdian systems, and royalty payments to the University of Florida Research Foundation. Product cost of revenue also includes lower of cost or net realizable value inventory, or LCNRV, adjustments if the carrying value of the inventory is greater than its net realizable value. There was no LCNRV charge for the six months ended June 30, 2019 and 2018.

We expect our materials, installation and service costs to decrease as we continue to scale our operations, improve product designs and work with our third-party suppliers to lower costs. We expect to continue to lower costs as we transition to MRIdian Linac.

Service Cost of Revenue. Service cost of revenue is comprised primarily of personnel costs, training and travel expenses to service and perform maintenance on installed MRIdian systems. Service cost of revenue also includes the costs of replacement parts under maintenance and support contracts.

Operating Expenses

Research and Development. Research and development expenses consist primarily of compensation and related costs for personnel, including stock-based compensation, employee benefits and travel expenses. Other significant research and development costs arise from third-party consulting services, laboratory supplies, research materials, medical equipment, computer equipment and licensed technology, and related depreciation and amortization. We expense research and development costs as incurred. As we continue to invest in improving MRIdian and developing new technologies, we expect our research and development expenses to increase.

Selling and Marketing. Selling and marketing expenses consist primarily of compensation and related costs for our direct sales force, sales management, and marketing and customer support personnel, and include stock-based compensation, employee benefits and travel expenses. Selling and marketing expenses also include costs related to trade shows and marketing programs. We expense selling and marketing costs as incurred. We expect selling and marketing expenses to increase in future periods as we expand our sales force and our marketing and customer support organizations and increase our participation in trade shows and marketing programs.

General and Administrative. Our general and administrative expenses consist primarily of compensation and related costs for our operations, finance, human resources, regulatory, and other administrative personnel, and include stock-based compensation, employee benefits and travel expenses. In addition, general and administrative expenses include third-party consulting, legal, audit, accounting services, quality and regulatory functions and facilities costs, and gain or loss on the disposal of property and equipment. We expect our general and administrative expenses to increase as our business grows and as we invest in the development of our MRIdian Linac.

Interest Income

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

Interest Expense

Interest expense consists primarily of interest and amortization related to our SVB Term Loan.

Other Income (Expense), Net

Other income (expense), net consists primarily of changes in the fair value of the 2017 and 2016 Placement Warrants and foreign currency exchange gains and losses.

The outstanding 2017 and 2016 Placement Warrants are re-measured to fair value at each balance sheet date with the corresponding gain or loss from the adjustment recorded as a component of other income (expense), net.

Results of Operations

The following tables set forth our results of operations for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Revenue:				
Product	$ 27,905	$ 15,366	$ 46,779	$ 40,745
Service	2,143	958	3,434	1,650
Distribution rights	119	119	238	238
Total revenue	30,167	16,443	50,451	42,633
Cost of revenue:				
Product	22,814	14,654	44,847	34,365
Service	4,107	1,720	7,722	2,629
Total cost of revenue	26,921	16,374	52,569	36,994
Gross margin	3,246	69	(2,118)	5,639
Operating expenses:				
Research and development	6,463	4,389	11,494	8,159
Selling and marketing	7,663	3,394	12,548	6,640
General and administrative	15,398	10,503	30,507	20,349
Total operating expenses:	29,524	18,286	54,549	35,148
Loss from operations	(26,278)	(18,217)	(56,667)	(29,509)
Interest income	687	2	907	4
Interest expense	(1,074)	(1,918)	(1,833)	(3,784)
Other (expense) income, net	(4,133)	(1,857)	(6,566)	6,485
Loss before provision for income taxes	(30,798)	(21,990)	(64,159)	(26,804)
Provision for income taxes	—	—	—	—
Net loss	$ (30,798)	$ (21,990)	$ (64,159)	$ (26,804)

Comparison of the Three Months Ended June 30, 2019 and 2018

Revenue

	Three Months Ended June 30,		
	2019	2018	Change
	(in thousands)		
Product	$ 27,905	$ 15,366	$ 12,539
Service	2,143	958	1,185
Distribution rights	119	119	—
Total revenue	$ 30,167	$ 16,443	$ 13,724

Total revenue during the three months ended June 30, 2019 increased by $13.7 million compared to the three months ended June 30, 2018. The increase was primarily due to a $12.5 million increase in product revenue and a $1.2 million increase in service revenue during the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

Product Revenue. Product revenue increased by $12.5 million during the three months ended June 30, 2019 compared to the three months ended June 30, 2018. The increase was due to the revenue recognized on two more MRIdian Linac systems in the three months ended June 30, 2019 as compared to the three months ended June 30, 2018.

Service Revenue. Service revenue increased by $1.2 million during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 due to the increase in installed base.

Distribution Rights Revenue. Distribution rights revenue remained flat, as expected based on the ratable recognition of revenue over the term of this agreement, during the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

Cost of Revenue

	Three Months Ended June 30,		
	2019	2018	Change
	(in thousands)		
Product	$ 22,814	$ 14,654	$ 8,160
Service	4,107	1,720	2,387
Total cost of revenue	$ 26,921	$ 16,374	$ 10,547

Product Cost of Revenue. Product cost of revenue increased by $8.2 million during the three months ended June 30, 2019 compared to the three months ended June 30, 2018. Product cost of revenue in the three months ended June 30, 2019 was impacted by cost of revenue recognized on two more MRIdian Linac systems in the three months ended June 30, 2019 as compared to the three months ended June 30, 2018.

Service Cost of Revenue. Service cost of revenue increased by $2.4 million during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 primarily due to timing of services and increase in installed base for the three months ended June 30, 2019, as well as increased headcount of field service engineers.

Operating Expenses

	Three Months Ended June 30,		
	2019	2018	Change
	(in thousands)		
Research and development	$ 6,463	$ 4,389	$ 2,074
Selling and marketing	7,663	3,394	4,269
General and administrative	15,398	10,503	4,895
Total operating expenses	$ 29,524	$ 18,286	$ 11,238

Research and Development. Research and development expenses during the three months ended June 30, 2019 increased by $2.1 million, compared to the three months ended June 30, 2018. The increase was primarily attributable to a $1.4 million increase in personnel expense related to an increase in headcount, a $0.4 million increase in outside services and a $0.4 million increase in facilities costs, partially offset by a $0.5 million decrease in product development expenses.

Selling and Marketing. Selling and marketing expenses during the three months ended June 30, 2019 increased by $4.3 million, compared to the three months ended June 30, 2018. This increase was primarily attributable to a $3.6 million increase in personnel expense related to the increase in our direct salesforce, a $0.5 million increase in travel expense from the aforementioned increasing salesforce and a $0.1 million increase in marketing expense.

General and Administrative. General and administrative expenses during the three months ended June 30, 2019 increased by $4.9 million, compared to the three months ended June 30, 2018. This increase was primarily driven by a $4.0 million increase in personnel expense related to an increase in headcount, which included a $3.0 million increase in stock-based compensation expense for the increased headcount and executives hired since the second quarter of 2018. Additionally, we incurred a $0.8 million increase in consulting costs for former executives retained as consultants and a $0.3 million increase in professional services related costs. These increases were partially offset by a $0.3 million reduction in legal costs as there were no equity offerings this quarter.

Interest Expense

	Three Months Ended June 30,		
	2019	2018	Change
		(in thousands)	
Interest expense	$ (1,074)	$ (1,918)	$ 844

Interest expense decreased during the three months ended June 30, 2019 compared to the three months ended June 30, 2018, due to the lower interest rate of the SVB Term Loan as compared to the CRG Term Loan, which was paid off in December 2018.

Other (Expense) Income, Net

	Three Months Ended June 30,		
	2019	2018	Change
		(in thousands)	
Other (expense) income, net	$ (4,133)	$ (1,857)	$ (2,276)

Other (expense) income, net during the three months ended June 30, 2019 consisted primarily of a $3.8 million increase in the fair value of warrant liabilities related to the 2017 and 2016 Placement Warrants. Other (expense) income, net during the three months ended June 30, 2018 consisted primarily of a $1.2 million increase in the fair value of warrant liabilities related to the 2017 and 2016 Placement Warrants, and $0.4 million foreign exchange losses.

Comparison of the Six Months Ended June 30, 2019 and 2018

Revenue

	Six Months Ended June 30,		
	2019	2018	Change
		(in thousands)	
Product	$ 46,779	$ 40,745	$ 6,034
Service	3,434	1,650	1,784
Distribution rights	238	238	—
Total revenue	$ 50,451	$ 42,633	$ 7,818

Total revenue during the six months ended June 30, 2019 increased by $7.8 million compared to the six months ended June 30, 2018. The increase was primarily due to a $6.0 million increase in product revenue and a $1.8 million increase in service revenue during the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Product Revenue. Product revenue increased by $6.0 million during the six months ended June 30, 2019 compared to the six months ended June 30, 2018. The increase was due to the revenue recognized during the six months ended June 30, 2019 on one more MRIdian Linac system in the six months ended June 30, 2019 as compared to the six months ended June 30, 2018.

Service Revenue. Service revenue increased by $1.8 million during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 due to the increase in installed base.

Distribution Rights Revenue. Distribution rights revenue remained flat, as expected based on the ratable recognition of revenue over the term of this agreement, during the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Cost of Revenue

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Change
	(in thousands)		
Product	$ 44,847	$ 34,365	$ 10,482
Service	7,722	2,629	5,093
Total cost of revenue	$ 52,569	$ 36,994	$ 15,575

Product Cost of Revenue. Product cost of revenue increased by $10.5 million during the six months ended June 30, 2019 compared to the six months ended June 30, 2018. Product cost of revenue in the six months ended June 30, 2019 was impacted by cost of revenue recognized on one more MRIdian Linac system in the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. The total cost of revenue in the six months ended June 30, 2019 was also impacted by approximately $6.9 million of charges, primarily driven by higher than anticipated installation costs related to historical upgrade commitments. The $6.9 million includes $5.5 million of one-time charges and $1.4 million of expenses.

Service Cost of Revenue. Service cost of revenue increased by $5.1 million during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 primarily due to timing of services and increase in installed base for the six months ended June 30, 2019, as well as increased headcount of field service engineers.

Operating Expenses

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Change
	(in thousands)		
Research and development	$ 11,494	$ 8,159	$ 3,335
Selling and marketing	12,548	6,640	5,908
General and administrative	30,507	20,349	10,158
Total operating expenses	$ 54,549	$ 35,148	$ 19,401

Research and Development. Research and development expenses during the six months ended June 30, 2019 increased by $3.3 million, compared to the six months ended June 30, 2018. The increase was primarily attributable to a $2.8 million increase in personnel expense related to an increase in headcount and a $0.5 million increase in facilities costs.

Selling and Marketing. Selling and marketing expenses during the six months ended June 30, 2019 increased by $5.9 million, compared to the six months ended June 30, 2018. This increase was primarily attributable to a $4.5 million increase in personnel expense related to the increase in our direct salesforce, a $0.8 million increase in travel expense from the aforementioned increasing salesforce and a $0.4 million increase in marketing expense.

General and Administrative. General and administrative expenses during the six months ended June 30, 2019 increased by $10.2 million, compared to the six months ended June 30, 2018. This increase was primarily driven by a $8.6 million increase in personnel expense related to an increase in headcount, which included a $6.0 million increase in stock-based compensation expense for the increased headcount and executives hired since the first quarter of 2018. Additionally, we incurred a $1.1 million increase in consulting costs for former executives retained as consultants, a $0.5 million increase in facilities cost and a $0.5 million increase in various office expenses. These increases were partially offset by a $0.9 million reduction in legal costs as there were no equity offerings during the six months ended June 30, 2019.

Interest Expense

	Six Months Ended June 30, 2019	2018	Change
	(in thousands)		
Interest expense	$ (1,833)	$ (3,784)	$ 1,951

Interest expense decreased during the six months ended June 30, 2019 compared to the six months ended June 30, 2018, due to the lower interest rate of the SVB Term Loan as compared to the CRG Term Loan, which was paid off in December 2018.

Other (Expense) Income, Net

	Six Months Ended June 30, 2019	2018	Change
	(in thousands)		
Other (expense) Income, net	$ (6,566)	$ 6,485	$ (13,051)

Other (expense) income, net during the six months ended June 30, 2019 consisted primarily of a $6.9 million increase in the fair value of warrant liabilities related to the 2017 and 2016 Placement Warrants and was partially offset by $0.9 million of income related to insurance proceeds. Other (expense) income, net during the six months ended June 30, 2018 consisted primarily of a $7.0 million decrease in the fair value of warrant liabilities related to the 2017 and 2016 Placement Warrants, partially offset by $0.4 million in foreign exchange losses.

Liquidity and Capital Resources

Since our inception in 2004, we have incurred significant net losses and negative cash flows from operations. During the six months ended June 30, 2019 and 2018, we had net losses of $64.2 million and $26.8 million, respectively. At June 30, 2019 and December 31, 2018, we had an accumulated deficit of $463.1 million and $399.0 million, respectively.

At June 30, 2019 and December 31, 2018, we had cash and cash equivalents of $122.1 million and $167.4 million, respectively. To date, we have financed our operations principally through offerings of our capital stock, issuances of warrants, issuances of convertible promissory notes, use of term loans and receipts of customer deposits for new orders and payments from customers for systems installed and delivered. We may, from time to time, seek to raise capital through a variety of sources, including the public equity market, private equity financing, and public or private debt. In March 2018, we issued common stock, Series A convertible preferred stock and warrants to purchase common stock in the March 2018 Direct Registered Offering for gross proceeds of $59.1 million. In May 2018, we raised additional aggregate gross proceeds of $0.3 million through our at-the-market offering program under which we sold 33,097 shares of our common stock at an average sale price of $8.41 per share. In August 2018, we raised aggregate gross proceeds of $172.5 million via a public offering, in which we sold approximately 18.6 million shares of our common stock at a price of $9.25 per share. In December 2018, we entered into SVB Term Loan for a principal amount of $56.0 million. We used the proceeds from the SVB Term Loan and cash on hand to repay in full our obligations under the outstanding CRG Term Loan. We expect that our existing cash and cash equivalents, together with the sales of MRIdian systems will enable us to conduct our planned operations for at least the next 12 months.

In January 2019, we filed a registration statement with the SEC which covers the offering, issuance and sale of up to a maximum aggregate offering price of $250.0 million of our common stock, preferred stock, debt securities, warrants, purchase contracts and/or units, including up to $100.0 million of our common shares pursuant to our at-the-market offering program with FBR.

We could potentially use our available financial resources sooner than we currently expect, and we may incur additional indebtedness to meet future operating needs. Adequate additional funding may not be available to us on acceptable terms or at all. In addition, although we anticipate being able to obtain additional financing, we may be unable to do so. Our failure to raise capital as and when needed could have significant negative consequences for our business, financial condition and results of operations. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in the section titled "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K.

The following table summarizes our cash flows for the periods presented (in thousands):

	Six Months Ended June 30, 2019	2018
Cash used in operating activities	$ (49,552)	$ (48,838)
Cash used in investing activities	$ (4,353)	$ (2,280)
Cash provided by financing activities	$ 8,035	$ 59,910

Operating Activities

We have historically experienced cash outflows as we developed MRIdian with Cobalt-60 and MRIdian Linac and expanded our business. Our primary source of cash flow from operating activities is cash receipts from customers including sales of MRIdian systems and, to a lesser extent, up-front payments from customers. Our primary uses of cash from operating activities are amounts due to vendors for purchased components and employee-related expenditures.

During the six months ended June 30, 2019, cash used in operating activities was $49.6 million, as a result of our net loss of $64.2 million and the aggregate non-cash charges of $24.1 million. Our net operating assets and liabilities increased by $9.5 million in the six months ended June 30, 2019. Inventory increased $8.8 million, in anticipation of upcoming shipments and installations of MRIdian systems. Customer deposits and deferred revenue decreased $16.7 million and deposits on purchased inventory decreased $2.4 million as a result of revenue recognized for the nine units of MRIdian system sales and one unit of system upgrade partially offset by additional accrual for the units currently being installed. The net change in our operating assets and liabilities was partially offset by a decrease in accounts receivable of $1.4 million resulting from the timing of collections. Deferred costs increased by $0.6 million mainly due to the revenue recognized in the first six months of 2019 offset by the transfer of property and equipment from deferred cost of revenue. Accounts payable increased $8.3 million resulting from the build of inventory and the timing of payments. Accrued expense and other liabilities increased by a $3.8 million mainly due to an increase in payroll and related benefits and accrued travel costs. Non-cash charges included $9.5 million of stock-based compensation expense, $2.0 million of depreciation and amortization expense, a $6.9 million loss related to the change in fair value of the 2017 and 2016 Placement Warrants, $5.5 million for historical upgrade commitments and $0.2 million of amortization of debt discount and interest accrual related to the SVB Term Loan.

During the six months ended June 30, 2018, cash used in operating activities was $48.8 million, as a result of our net loss of $26.8 million and a $21.3 million net change in our operating assets and liabilities and aggregate non-cash charges of $0.7 million. The net change in our operating assets and liabilities was primarily a result of a change in inventory and deposits on purchased inventory, deferred cost of revenue, customer deposits and deferred revenue, and accounts payable, which was partially offset by a change in accounts receivable. Inventory and deposits on purchased inventory increased $10.3 million and $0.5 million, respectively, in anticipation of upcoming shipments and installations of MRIdian systems. Deferred cost of revenue increased $2.4 million primarily due to the shipment of additional components from MRIdian systems currently being installed. Customer deposits and deferred revenue decreased $11.0 million as a result of revenue recognized for the seven units of MRIdian system sales and one unit of system upgrade in the first six months of 2018. Accounts payable decreased $3.4 million resulting from the timing of collection. The net change in our operating assets and liabilities was partially offset by a $6.8 million decrease in accounts receivable resulting from the timing of collections. Non-cash charges included a $7.0 million gain related to the change in fair value of the 2017 and 2016 Placement Warrants, which was partially offset by $2.9 million of stock-based compensation expense, $1.8 million amortization of debt discount and interest accrual related to the CRG Term Loan and $1.6 million of depreciation and amortization expense.

Investing Activities

Cash used in investing activities of $4.4 million and $2.3 million during the six months ended June 30, 2019 and 2018, respectively, resulted from capital expenditures to purchase property and equipment.

Financing Activities

During the six months ended June 30, 2019, financing activities provided $8.0 million in cash, consisting primarily of $8.2 million from the exercise of stock options.

During the six months ended June 30, 2018, financing activities provided $59.9 million in cash, consisting of $59.1 million gross proceeds from the March 2018 Direct Registered Offering, $0.3 million gross proceeds from our at-the-market offering program and $0.7 million in proceeds from the exercise of stock options, partially offset by offering costs of $0.2 million for the March 2018 Direct Registered Offering.

SVB Term Loan

In December 2018, we entered into the SVB Term Loan for a principal amount of $56.0 million. The SVB Term Loan has a maturity date of December 1, 2023 and bears interest at a rate of 6.30% per annum to be paid monthly over the term of the loan. Beginning on December 1, 2020 (or June 1, 2021, if the Company achieves a trailing twelve-month revenue of at least a specified amount and elects to apply such later date), the Company will make thirty-six equal monthly payments of principal (or thirty equal payments, if the Company so elects). In addition, upon repayment of the SVB Term Loan in full, the Company will make a final payment equal to 3.15% of the original aggregate principal amount of the SVB Term Loan. The SVB Term Loan contains customary representations and warranties and customary affirmative and negative covenants applicable to the Company and its subsidiaries, including, among other things, restrictions on indebtedness, liens, investments, mergers, dispositions, prepayment of other indebtedness, dividends and other distributions and transactions with affiliates. The SVB Term Loan also contains financial covenants that require the Company to maintain a minimum cash balance in accounts maintained at Silicon Valley Bank or one of its affiliates or else comply with a liquidity ratio and/or a minimum revenue target.

We were in compliance with all financial covenants under the SVB Term Loan at June 30, 2019.

Off-Balance Sheet Arrangements and Contractual Obligations

We did not have any off-balance sheet arrangements as of June 30, 2019. As of December 31, 2018, we did not have any off-balance sheet arrangements except for our operating leases. Additionally, there were no material changes to our contractual obligations described in our Annual Report on Form 10-K filed with the SEC on March 15, 2019, except for the changes to operating lease obligations due to the adoption of Topic 842, *Leases.* See the section entitled "Notes to Condensed Consolidated Financial Statements – Note 6 – Commitments and Contingencies" in the condensed consolidated financial statements.

For our contractual obligations that are expected to have an effect on our liquidity and cash flow, see section "Notes to Condensed Consolidated Financial Statements – Note 6 – Commitments and Contingencies" in the condensed consolidated financial statements and "Note 5 – Debt" in the condensed consolidated financial statements.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

With the exception of the adoption of Topic 842, *Leases*, and change in the recognition of certain revenue resulting from changes in facts and circumstances (see the section entitled "Notes to Condensed Consolidated Financial Statements – Note 2 – Summary of Significant Accounting Policies" in the condensed consolidated financial statements), there have been no significant changes to our accounting policies during the six months ended June 30, 2019, as compared to the critical accounting policies described in our Annual Report on Form 10-K filed with the SEC on March 15, 2019. We believe that the accounting policies discussed in that Annual Report are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

JOBS Act Accounting Election

We are an "emerging growth company" within the meaning of the JOBS Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies that are not emerging growth companies.

Recently Issued and Adopted Accounting Pronouncements

We review new accounting standards to determine the expected financial impact, if any, that the adoption of each new standard will have. For the recently issued and adopted accounting standards that we believe may have an impact on our condensed consolidated financial statements, see the section entitled "Notes to Condensed Consolidated Financial Statements – Note 2 – Summary of Significant Accounting Policies" in the condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer, or CEO, and chief financial officer, or CFO, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our CEO and CFO have concluded that as of June 30, 2019, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (SEC), and that such required information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the second quarter of 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently involved in any material litigation. From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and one or more unfavorable outcomes in any claim or litigation against us could have a material adverse effect for the period in which they are resolved and on our business generally. In addition, regardless of their merits or their ultimate outcomes, lawsuits and legal proceedings are costly, divert management attention and may materially adversely affect our reputation, even if resolved in our favor.

The information under the caption “Commitments and Contingencies” in Note 6 of the unaudited condensed consolidated financial statements of this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for our fiscal year ended December 31, 2018. If any of the risks discussed in our Annual Report on Form 10-K are realized, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

Exhibit Number	Description	Incorporated by Reference			Filed Herewith
		Form	Exhibit	Date Filed	
2.1	Agreement and Plan of Merger and Reorganization, dated as of July 23, 2015, by and among ViewRay Inc., Acquisition Sub and ViewRay Technologies, Inc.	S-1/A	2.1	12/16/15	
3.1	Amended and Restated Certificate of Incorporation.	S-1/A	3.1	12/16/15	
3.2	Amended and Restated Bylaws of ViewRay, Inc.	8-K	3.2	5/10/18	
31.1	Certification of Principal Executive Officer Required under Securities Exchange Act Rule 13a-14(a) and 15d-14(a).				X
31.2	Certification of Principal Financial Officer under Securities Exchange Act Rule 13a-14(a) and 15d-14(a).				X
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. 1350 and Securities Exchange Act Rule 13a-14(b).				X
99.1	Sublease Agreement, dated as of May 22, 2019, by and between Denver EPA OC, LLC, Advanced Energy Industries, Inc., and ViewRay, Inc., for a building located in Denver, Colorado.				X
101	Interactive Data Files of Financial Statements and Notes				X
101.INS	Instant Document				X
101.SCH	XBRL Taxonomy Schema Document				X
101.CAL	XBRL Taxonomy Calculation Linkbase Document				X
101.DEF	XBRL Taxonomy Definition Linkbase Document				X
101.LAB	XBRL Taxonomy Label Linkbase Document				X
101.PRE	XBRL Taxonomy Presentation Linkbase Document				X

SIGNATURES

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

VIEWRAY, INC.

Dated: August 8, 2019	By:	/s/ Scott Drake
	Name:	Scott Drake
	Title:	Chief Executive Officer (Principal Executive Officer)
Dated: August 8, 2019	By:	/s/ Ajay Bansal
	Name:	Ajay Bansal
	Title:	Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott Drake, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ViewRay, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 8, 2019

/s/ Scott Drake
Scott Drake
Title: Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ajay Bansal, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ViewRay, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 8, 2019

/s/ Ajay Bansal
Ajay Bansal
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of ViewRay, Inc., a Delaware corporation (the "Company"), hereby certify that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the second quarter ended June 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

The foregoing certification (i) is given to such officers' knowledge, based upon such officers' investigation as such officers reasonably deem appropriate; and (ii) is being furnished solely pursuant to 18 U.S.C. § 1350 (section 906 of the Sarbanes-Oxley Act of 2002) and is not being filed as part of the Report or as a separate disclosure document and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Report), irrespective of any general incorporation language contained in such filing.

VIEWRAY, INC.

Dated: August 8, 2019

By: /s/ Scott Drake
Name: Scott Drake
Title: Chief Executive Officer
(Principal Executive Officer)

Dated: August 8, 2019

By: /s/ Ajay Bansal
Name: Ajay Bansal
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.1

SUBLEASE

THIS SUBLEASE ("Sublease") is made as of May 22, 2019 (the "**Effective Date**"), by and between **ADVANCED ENERGY INDUSTRIES, INC.,** a Delaware corporation ("**Sublandlord**"), and **VIEWRAY, INC.,** a Delaware corporation ("**Subtenant**").

RECITALS:

A.DENVER EPA OC, LLC, a Delaware limited liability company, as the landlord ("**Master Landlord**"), and Sublandlord, as the tenant, entered into that certain Office Lease dated August 9, 2018, attached hereto as Exhibit A and incorporated herein by this reference (the "**Master Lease**"), for the lease of certain premises consisting of approximately 52,226 square feet and as more particularly described in the Master Lease (the "**Master Premises**"), located in the building commonly known as 1595 Wynkoop Street, Denver Colorado 80202 (the "**Building**").

B.Upon full execution and delivery of this Sublease and the consent of the Master Landlord, Sublandlord desires to sublease to Subtenant, and Subtenant desires to sublease from Sublandlord a portion of the Master Premises consisting of approximately 19,809 square feet and known as Suite 900 (the "Subleased Premises"), as more particularly depicted on the Floor Plan attached as Exhibit B hereto, all on the terms and conditions set forth herein. That portion of the Master Premises located outside of the Subleased Premises may hereafter be referred to as the "Retained Premises."

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Capitalized Terms**. Capitalized terms used and not otherwise defined herein shall have the meaning given to them in the Master Lease.

2. **Sublease of Subleased Premises**. Sublandlord hereby subleases the Subleased Premises to Subtenant, and Subtenant hereby subleases the Subleased Premises from Sublandlord, on the terms and conditions set forth herein, including without limitation, the terms and conditions of the Master Lease, which are hereby incorporated herein; provided, however, any terms of the Master Lease which have expressly been modified by the terms of this Sublease shall only apply to Subtenant as they have been modified by the provisions of this Sublease. Subtenant expressly assumes all obligations of Sublandlord, as the tenant, under the Master Lease and applicable to the Sublease Term (as defined below) with respect to the Subleased Premises, except as expressly set forth herein. For the purposes of incorporation of the Master Lease by reference in this Sublease, except as otherwise expressly provided herein, and except to the extent that they are inapplicable or modified by the terms and provisions of this Sublease (a) references in the Master Lease to the "Premises" shall be deemed to refer to the Subleased Premises, (b) references in the Master Lease to "Landlord" shall be deemed to refer to Sublandlord under this Sublease, (c) references in the Master Lease to "tenant" shall be deemed to refer to Subtenant under the Sublease, and (d) references in the Master Lease to "this Lease" shall be deemed to refer to this Sublease.

3. **Sublease Term**. Sublandlord shall turn over possession of the Subleased Premises to Subtenant on the date Sublandlord obtains the Master Landlord Consent ("**Possession Date**"). The

term of this Sublease (“**Sublease Term**”) shall commence (the “**Sublease Commencement Date**”) on earlier of the following: (i) 30 days after the Possession Date, or (ii) the day the Subleased Premises are Ready for Occupancy (as defined in Section 6a below), and shall continue for 24 months thereafter (the “**Sublease Expiration Date**”). If the Sublease Commencement Date occurs on any day other than the first day of a month, then the Sublease Expiration Date shall be the last calendar day of the twenty fourth month and Subtenant will pay per diem Sublease Base Rent (pursuant to Section 4 below) for the additional days in the twenty fourth month). Notwithstanding the foregoing, Subtenant shall be subject to all the terms and provisions of this Sublease as of the date it takes possession of the Subleased Premises except that no Sublease Base Rent or Additional Rent shall be due and owing until the Sublease Commencement Date.

4. **Base Rent for the Subleased Premises**. Commencing on the Sublease Commencement Date and thereafter on or before the first (1st) day of each month through the end of the Sublease Term, prorated on a per diem basis for any partial month, Subtenant agrees to pay to Sublandlord, without any setoff or deduction unless expressly set forth in the Master Lease, net base rental as follows (“**Sublease Base Rent**”):

Months	Sublease Base Rent per Rentable Square Foot	Amount of monthly Sublease Base Rent
Month 1-12	$31.00 RSF	$51,173.25
Months 13-24	$32.00 RSF	$52,824.00

5. **Additional Rent for the Subleased Premises**. In addition to the Sublease Base Rent, commencing on the Sublease Commencement Date and thereafter on or before the first (1st) day of each month through the end of the Sublease Term, Subtenant shall pay to Sublandlord: (a) 37.93% of Tenant’s Proportionate Share of all operating expenses, real property taxes and janitorial services under the Master Lease in accordance with the terms and obligations set forth under the Master Lease; and (b) any other expenses under the Master Lease specifically chargeable to the Subleased Premises during the Sublease Term (“**Additional Rent**”). Sublease Base Rent and Additional Rent shall collectively be referenced hereunder as “**Sublease Rent**.” All payments of Sublease Rent shall be made to Sublandlord at 1625 Sharp Point, Fort Collins, Colorado 80525, Attn.: Accounts Receivable, or at such other place as Sublandlord may, from time to time, designate in write.

6. **Conditions of Subleased Premises**.

(a) Sublandlord is presently completing certain tenant finish work in the Subleased Premises pursuant to a construction permit with the City of Denver which alterations are necessary for Subtenant to legally use and occupy the Subleased Premises (the “**TI Work**”). In the event that Sublandlord has not delivered the Subleased Premises to Subtenant, for any reason whatsoever, on or before June 15, 2019 (the “**Outside Date**”) in a Ready for Occupancy (as defined herein) condition, then Subtenant shall, as its sole and exclusive remedy and as liquidated damages, be entitled to a credit against the Sublease Base Rent that will become owing as of the Sublease Commencement Date in an amount equal to one day’s Sublease Base Rent for each day following the Outside Date, and continuing until Sublandlord delivers possession of the Subleased Premises to Subtenant. For purposes of this Sublease, “**Ready for Occupancy**” shall mean that Sublandlord has completed the TI Work and received either a certificate of occupancy or other applicable governmental sign-off or acknowledgement that the TI Work is completed and Subtenant may legally occupy the Subleased Premises for the conduct of its business therein.

(b) Upon completion of the TI Work by Sublandlord in a Ready for Occupancy condition as set forth above, Subtenant agrees to accept the Subleased Premises in its then "**AS IS, WHERE IS**" condition, without any obligation on the part of Sublandlord to further modify, improve or otherwise prepare the Subleased Premises for Subtenant's occupancy. Subtenant shall not make any alterations, repairs, additions, improvements or installations (other than readily removable furniture, equipment and trade fixtures) in or to the Subleased Premises without the prior written approval of Sublandlord and the Master Landlord, subject to the terms and conditions set forth under the Master Lease.

7. **Use of Subleased Premises**. Subtenant shall comply with the terms of the Master Lease relating to the use and occupancy of the Subleased Premises by the "Tenant" under the Master Lease. Subtenant shall abide by the Rules and Regulations described in the Master Lease, as from time to time in force and effect. Notwithstanding the generality of the foregoing, in no event whatsoever shall Subtenant permit or suffer the use of any portion of the Subleased Premises for any use or purpose prohibited by the Master Lease. Subtenant shall have non-exclusive access to and the right to use the common areas of the Building, subject to the terms, obligations and conditions set forth under the Master Lease applicable to the Subleased Premises.

8. **Parking**. Sublandlord hereby grants to Subtenant the parking rights and obligations with respect to the Subleased Premises to 26 unreserved parking spaces in the parking garage of the Building, subject to the terms and obligations set forth under the Master Lease, including payment obligations to Master Landlord.

9. **Insurance.**

(a) During the Sublease Term, Subtenant, at its sole cost and expense, shall provide and maintain insurance in conformity with all the provisions of Section 7.2 Master Lease; provided that (i) with respect to liability and property coverage and claims arising out of or in connection with the Subleased Premises, all policies evidencing the insurance required to be maintained by Subtenant shall be primary and non-contributing to any insurance that may be carried by the Master Landlord and Sublandlord; (ii) with respect to liability and property coverage and claims arising out of or in connection with the Retained Premises, all policies evidencing the insurance required to be maintained by Sublandlord under the Master Lease shall be primary and non-contributing to any insurance that may be carried by the Master Landlord and Subtenant; (iii) the Sublandlord shall be added as an additional insured on Subtenant's liability insurance; and (iv) the Subtenant shall be added as an additional insured on Sublandlord's liability insurance.

(b) Sublandlord and Subtenant shall each look first to (and each hereby waives claims against the other to the extent of) any insurance it actually maintains or is required to maintain (whether under the Master Lease or under this Sublease) before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty.

10. **Assignment and Subletting**. Subtenant may not assign this Sublease or sublet the Subleased Premises during the Sublease Term without the reasonable prior consent of Sublandlord and Master Landlord pursuant to the Master Lease.

11. **Subordination to and Compliance with Master Lease**. This Sublease is subject and subordinate, in all respects, to the Master Lease. In the event that either Sublandlord or Subtenant shall receive any notice from Master Landlord regarding a default pursuant to any of the provisions of the

Master Lease, the party receiving such notice shall promptly give a copy thereof to the other party. If either Subtenant or Sublandlord shall default in the performance of any of their obligations under the Master Lease, Master Landlord shall have the right (after allowing for any and all applicable notices and cure periods under the Master Lease) to make, demand or institute any appropriate action or proceeding against Subtenant and/or Sublandlord for the enforcement of the obligations of Subtenant and Sublandlord. If the Master Lease is terminated by operation of law or as of right under the terms of the Master Lease, except through the default of Sublandlord, Sublandlord shall not be liable to Subtenant in any manner whatsoever for such termination; and if this Sublease is terminated due to a default under the Master Lease committed by Sublandlord (other than a default caused by Subtenant under this Sublease), then Sublandlord shall indemnify and hold Subtenant harmless from and against any and all actions, claims, demands, actual damages (excluding special, consequential or punitive), liabilities and expenses of every kind or nature (including, without limitation, reasonable attorneys' fees) based upon or incurred on account of any violation of any such terms, covenants or conditions of the Master Lease.

12. **Security Deposit**.

(a) Subtenant shall, upon execution of this Sublease, provide Sublandlord with payment in the sum of $55,300.13 (the "**Security Deposit**") as financial assurance for the full and prompt performance by Subtenant of all of its obligations under this Sublease. Said Security Deposit may be co-mingled with other funds of Sublandlord and shall bear no interest. Sublandlord shall not be required to exhaust its remedies against Subtenant before having recourse to the Security Deposit as provided in Section 12(b) hereof, and any such recourse shall not affect any remedies of Sublandlord under this Sublease or the Master Lease, or which are otherwise available at law or in equity.

(b) If an Event of Default by Subtenant occurs under this Sublease, or this Sublease is terminated as a result of an Event of Default by Subtenant, Sublandlord shall have the option (but not the obligation) to use, apply or retain all or any portion of the amounts received under the Security Deposit for the payment of any Sublease Rent or other charge in default or for the payment of any other sum to which Sublandlord may become obligated by reason of Subtenant's Event of Default pursuant to the terms set forth under the Master Lease. If Sublandlord applies or retains any part of the proceeds of the Security Deposit, Subtenant shall, within ten (10) business days after demand from Sublandlord, restore the Security Deposit to its then-original amount, less any sum held by Sublandlord, and deliver it to Sublandlord or its designee so that Sublandlord or its designee shall have the full amount of the Security Deposit on hand at all times during the Sublease Tenn. Subtenant's failure to do so within ten (10) business days of receipt of such demand shall constitute a material breach of this Sublease.

(c) Sublandlord will return (any unapplied portion of) the Security Deposit to Subtenant within sixty (60) days after the Sublease Expiration Date, and will provide an itemized accounting of any amounts withheld at the time of the return of the Security Deposit.

13. **Certain Master Lease Matters**.

(a) With respect to the Subleased Premises, Subtenant shall be entitled to the maintenance, utilities and other services to which Sublandlord is entitled under the Master Lease and shall be subject to those limitations upon such maintenance and other services pertaining to Sublandlord under the Master Lease. Subtenant agrees that Sublandlord shall not be required to perform any of the obligations of the Master Landlord; and insofar as any of the obligations of

Sublandlord herein are required to be performed under the Master Lease by the Master Landlord, Subtenant shall rely on and look solely to the Master Landlord for the performance of such obligations. If the Master Landlord shall default in the performance of any of its obligations under the Master Lease, Subtenant shall have the right, at Subtenant's sole cost and expense, but in the name of Sublandlord, to make, demand or institute any appropriate action or proceeding against the Master Landlord for the enforcement of the obligations of the Master Landlord. Sublandlord agrees that it will sign such demands, pleadings or other papers that may be reasonably required and will otherwise cooperate with Subtenant as may be reasonably necessary to enable Subtenant to proceed in Sublandlord's name to enforce the obligations of the Master Landlord, including proper requests for the Master Landlord's consent to alterations by Subtenant to the Subleased Premises. Subtenant shall pay, and shall indemnify and hold Sublandlord harmless against, any and all liability arising in connection with this subsection (including reasonable attorney's fees), any and all costs and expenses incurred by Sublandlord pursuant to this subsection, or any and all liabilities, costs and expenses otherwise incurred by Sublandlord in the prosecution of any proceedings or actions so taken by Subtenant.

(b) Sublandlord represents, warrants and covenants as follows: (i) Sublandlord will not modify or amend the Master Lease in any manner which has any material access, parking, use or financial impact on either Subtenant or the Subleased Premises without the prior written consent of Subtenant, which consent shall not be unreasonably withheld, conditioned or delayed, and Sublandlord shall promptly furnish Subtenant with a copy of any amendment or modification to the Master Lease; (ii) attached hereto as Exhibit A is a true and complete copy of the Master Lease, and there are no other agreements between Master Landlord and Sublandlord with respect to the Master Premises; and (iii) the Master Lease is in full force and effect, and Sublandlord has no knowledge of any default (or breach with notice and/or the passage of time will become a default) under the Master Lease by either Master Landlord or Sublandlord.

14. **Exclusions**. Notwithstanding anything herein to the contrary, the following provisions of the Master Lease shall not be incorporated by reference into this Sublease: 10.1, 19.2, 22.1, 23.1 and Exhibit B.

15. **Use of Deck by Sublandlord**. The parties hereby acknowledge that there is an outdoor deck space adjacent to and part of the Subleased Premises generally located in the cross-hatched area shown in Exhibit C attached hereto and incorporated herein (the "**Deck**"), which Sublandlord shall have the right to use to hold events under the following terms and conditions: (i) Sublandlord shall provide written notice to Subtenant of Sublandlord's intent to use the Deck at least two (2) days prior to Sublandlord's anticipated event ("**Event**"), provided that, if Subtenant has a confidential meeting scheduled for the date and time proposed by Sublandlord, Subtenant shall have the right within twenty-four (24) hours of Subtenant's receipt of Sublandlord 's notice to reject such date and propose an alternative date and time for the Event, otherwise, such date shall be deemed approved by Subtenant, and in the event that Sublandlord does not agree to such alterative date, it may propose a new date pursuant to the same procedure set forth herein; (ii) access to the Deck by Sublandlord shall be via a badge system installed in the three areas marked as "Badge" in Exhibit C hereto, which badge system shall be installed and maintained by Sublandlord, at its sole cost and expense; (iii) access and use of the Deck by Sublandlord shall not include access to the two (2) additional patios located within the Subleased Premises; (iv) the right granted herein shall include, without limitation, the right of Sublandlord's representatives, guests, invitees, licensees and agents, including, but not limited to, any caterers, to access and use the Deck for purposes of setting up and preparing for, and attending the Event; and (v) Sublandlord shall cause the Deck to be left in as clean of a condition as it was prior to the Event.

16. **Landlord's Consent**.

(a) Notwithstanding anything in this Sublease to the contrary, this Sublease is expressly subject to and conditioned upon the Master Landlord granting its written consent to this Sublease in form and substance reasonably acceptable to Sublandlord and Subtenant (the "**Master Landlord Consent**") but at Sublandlord's sole cost and expense.

(b) Sublandlord shall promptly request the Master Landlord Consent, and use commercially reasonable efforts to obtain it, and Subtenant shall cooperate with Sublandlord, to obtain such consent and shall provide all reasonable information concerning Subtenant that the Master Landlord shall reasonably request. If Sublandlord fails to deliver the fully executed Master Landlord Consent to Subtenant within thirty (30) days after the Effective Date of this Sublease, Subtenant shall have the right to terminate this Sublease, in which event neither party will have any further liability or obligations hereunder.

17. **Subtenant's Representations, Warranties and Covenants**. Subtenant represents and warrants to Sublandlord as follows as of its date of execution of this Sublease: (i) Subtenant has full right, power and authority to enter into this Sublease; (ii) The person signing this Sublease on behalf of Subtenant is vested with authority to act on behalf of Subtenant with respect to this Sublease, and the execution of this Sublease by Subtenant has been duly authorized by all appropriate corporate action; and (iii) (A) Subtenant is not on any list of specially designated nationals and blocked persons subject to financial sanctions, trade embargos, economic sanctions, or other prohibitions that is maintained by the OFAC or any other similar list maintained by OFAC, (B) Subtenant is not acting, directly or indirectly, for or on behalf of any person, group, entity or nation on any such list or any other person, group, entity, nation or transaction banned or blocked pursuant to any law, order, rule or regulation that is enforced or administered by OFAC and (C) Subtenant is not entering into this Sublease or otherwise engaging in the transactions contemplated in this Sublease directly or indirectly on behalf of, or instigating or facilitating this Sublease or this transaction, directly or indirectly on behalf of, any such person, group, entity or nation.

18. **Indemnity**.

(a) Subtenant shall indemnify, defend, pay on behalf of, and hold harmless Sublandlord and its officers, directors, invitees, agents, employees, and servants from and against any loss, damage, liability, cost, claim, or expenses (including, without limitation, reasonable attorney's fees) arising from or in connection with (i) any act or omission occurring or failing to occur on the part of Subtenant, its officers, directors, invitees, agents, employees and servants occurring on or after the Sublease Commencement Date beyond applicable notice and cure periods as required under this Sublease with respect to the Subleased Premises; (ii) any accident, injury, or damage whatsoever occurring in the Subleased Premises during the Sublease Term; (iii) the use or occupation of the Subleased Premises by Subtenant or anyone claiming under or through Subtenant during the Sublease Term; and (iv) any material breach of the provisions of this Sublease, or the provisions of the Master Lease incorporated herein by reference relevant to the Subleased Premises, by Subtenant beyond applicable notice and cure periods; provided, however, that notwithstanding the foregoing, Subtenant shall not be liable for any loss, damage, liability, cost, claim or expense to the extent resulting from or relating to: (1) any consequential, special or punitive damages; (2) the negligence or willful misconduct of Sublandlord or its officers, directors, invitees, agents, employees, and servants; or (3) any breach of this Sublease by Sublandlord.

(b) Sublandlord shall indemnify, defend, pay on behalf of, and hold harmless Subtenant and its officers, directors, invitees, agents, employees, and servants from and against any loss, damage, liability, cost, claim, or expenses (including, without limitation, reasonable attorney's fees) arising from or in connection with (i) any act or omission occurring or failing to occur on the part of Sublandlord, its officers, directors, invitees, agents, employees and servants occurring with respect to the Master Lease prior to the Sublease Commencement Date; (ii) any act or omission occurring or failing to occur on the part of Sublandlord, its officers, directors, invitees, agents, employees and servants occurring with respect to the Retained Premises under the Master Lease after the Sublease Commencement Date and beyond applicable notice and cure periods; (iii) any accident, injury, or damage whatsoever occurring in the Master Premises prior to the Sublease Term, and occurring in the Retained Premises during the Sublease Term; (iv) the use or occupation of the Retained Premises by Sublandlord or anyone claiming under or through Sublandlord during the Sublease Term; and (v) any material breach of the provisions of this Sublease, or the provisions of the Master Lease incorporated herein by reference, by Sublandlord beyond applicable notice and cure periods; provided, however, that notwithstanding the foregoing, Sublandlord shall not be liable for any loss, damage, liability, cost, claim or expense to the extent resulting from or relating to: (1) any consequential, special or punitive damages; (2) the negligence or willful misconduct of Subtenant or its officers, directors, invitees, agents, employees, and servants; or (3) any breach of this Sublease by Subtenant.

19. **Notices**. All notices, consents, approvals or other communications (each, a "**Notice**") required to be given under this Sublease or pursuant to law shall be in writing and, unless otherwise required by law, shall be either personally delivered (against a receipt), or sent by reputable nationally• recognized overnight courier service, addressed to the party which is to receive such Notice as follows:

To Sublandlord:
Mr. Stuart C. Fischbeck
Director -- Facilities, Safety & Security
Advanced Energy Industries, Inc.
1625 Sharp Point Drive
Fort Collins, CO 80525

To Subtenant:

Prior to the Possession Date:
815 E. Middlefield Road
Mountain View, CA 94043
Attn: Robert McCormack, General Counsel

After the Possession Date:
to the Subleased Premises
Attn: Robert McCormack, General Counsel

or such other address as either party may designate by Notice to the other. Any Notice given pursuant hereto shall be deemed to have been received on delivery, if personally delivered or delivered by reputable overnight courier service, or attempted delivery if refused. Any Notice may be given on behalf of any party by its attorney. As used herein, the term "business days" shall mean all days except Saturdays, Sundays, and days on which national banks located within the State of Colorado are required or permitted to be closed.

20. **No Waivers**. Failure by either party in any instance to insist upon the strict performance of any one or more of the obligations of the other party under this Sublease, or to exercise any election herein contained, shall in no manner be or be deemed to be a waiver by such party of any defaults or breaches hereunder or of any of its rights and remedies by reason of such defaults or breaches, or a waiver or relinquishment for the future of the requirement of strict performance of any and all of the defaulting party's obligations hereunder. Further, no payment by Subtenant or receipt by Sublandlord of a lesser amount than the correct amount of Sublease Rent due hereunder shall be deemed to be other than a payment on account, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed to effect or evidence an accord and satisfaction, and Sublandlord may accept any checks or payments as made without prejudice to Sublandlord's right to recover the balance or pursue any other remedy in this Sublease or otherwise provided at law or in equity.

21. **End of Sublease Term**. On the expiration or earlier termination of the Sublease Term, or upon any reentry by Sublandlord to the Subleased Premises pursuant to applicable laws after a default by Subtenant (beyond any applicable notice and cure period), Subtenant (together with any party claiming by, through or under Subtenant) shall quit and surrender the Subleased Premises to Sublandlord in accordance with the terms and obligations set forth under the Master Lease; provided that Subtenant shall have no obligation to remove any of the TI Work performed by Sublandlord, and Subtenant shall have the right to remove any and all of its readily removable furniture, equipment and trade fixtures that it brings into the Subleased Premises after the Possession Date.

22. **Captions**. The captions in this Sublease are inserted only as a matter of convenience and for reference and in no way define, limit, enlarge or describe the scope or intent of this Sublease nor in any way affect this Sublease or the construction of any provisions hereof.

23. **Severability**. If any clause or provision of this Sublease or the application thereof to any person or circumstance becomes illegal, invalid or unenforceable to any extent because of present or future laws or any rule or regulation of any governmental body or entity, effective during the Sublease Term, the intention of the parties hereto is that the remainder of this Sublease and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

24. **Estoppel Certificate**. At any time and from time to time but not more than two (2) times each calendar year (except when related to a third party request to Sublandlord, in which event, no such limit shall apply), Subtenant, on or before the date specified in a: request therefor, which date shall not be earlier than ten (10) days from the making of such request, shall execute, acknowledge and deliver to Master Landlord and Sublandlord, as appropriate, a certificate in the form provided in the Master Lease. Each certificate delivered pursuant to this Section may be relied on by any prospective purchaser, assignee or transferee of Sublandlord's interest hereunder or of any part of Sublandlord's property.

25. **Brokers**. Sublandlord and Subtenant each represents and warrants to the other that it has not dealt with any broker or finder in connection with this Sublease, other than Todd M. Wheeler of Cushman & Wakefield ("**Sublandlord's Broker**") and Lee Diamond of CBRE, Inc. ("**Subtenant's Broker**"). Sublandlord will pay a commission to Sublandlord's Broker and Subtenant's Broker pursuant to a separate agreement. Sublandlord and Subtenant shall each indemnify and hold the other harmless from any claims for fees or commissions from anyone with whom either party has consulted

or negotiated with m regard to the Subleased Premises, other than Sublandlord's Broker and Subtenant's Broker.

26. **Amendment**. This Sublease may not be amended, modified or terminated, in whole or in part, nor may any of the provisions be waived, except by a written instrument executed by the party against whom enforcement of such amendment, modification, termination or waiver is sought and unless the same is permitted under the terms and provisions of the Master Lease.

27. **Governing Law**. This Sublease shall be governed by and construed in accordance with the law of the State of Colorado, without regard to the conflicts of law principles thereof.

28. **Counterparts**. This Sublease may be executed in separate counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank. Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Sublease as of the date first above written.

SUBLANDLORD:	**SUBTENANT:**
ADVANCED ENERGY INDUSTRIES, INC., a Delaware corporation	**VIEWRAY, INC.,** a Delaware corporation
By: /s/ Neil Brinker Printed Name: Neil Brinker Title: COO Date: May 22, 2019	By: /s/ Robert McCormack Printed Name: Robert McCormack Title: Sr. VP, General Counsel, Corp. Secretary Date: May 17, 2019