

ICAD INC  
Form DEF 14A  
May 16, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Schedule 14A**

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

Filed by the registrant   
Filed by a party other than the registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

iCAD, Inc.

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
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  - (5) Total fee paid:
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- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
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- (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:
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**iCAD, Inc.98**  
**Spit Brook Road, Suite 100**  
**Nashua, New Hampshire 03062**

May 15, 2008

Dear Fellow Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders which will be held on Tuesday, June 17, 2008, at 10:00 A.M. (local time), at the offices of Blank Rome LLP, 24th Floor, Boardroom, 405 Lexington Avenue, New York, NY 10174.

The Notice of Annual Meeting and Proxy Statement, which follow, describe the business to be conducted at the meeting.

Whether or not you plan to attend the meeting in person, it is important that your shares be represented and voted. After reading the enclosed Notice of Annual Meeting and Proxy Statement, please complete, sign, date and return your proxy card in the envelope provided. If the address on the accompanying material is incorrect, please advise our Transfer Agent, Continental Stock Transfer & Trust Company, in writing, at 17 Battery Place, New York, New York 10004.

Your vote is very important, and we will appreciate a prompt return of your signed proxy card. We hope to see you at the meeting.

Cordially,

Kenneth Ferry  
President and Chief  
Executive Officer

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**iCAD, Inc.**  
**98 Spit Brook Road, Suite 100**  
**Nashua, New Hampshire 03062**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JUNE 17, 2008**

To the Stockholders of iCAD, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of iCAD, Inc. will be held on Tuesday, June 17, 2008, at 10:00 A.M. (local time), at the offices of Blank Rome LLP, 24th Floor, Boardroom, 405 Lexington Avenue, New York, NY 10174, for the following purposes:

1. To elect directors for a one-year term and until their respective successors have been duly elected and qualified;
2. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on May 12, 2008 are entitled to notice of and to vote at the Annual Meeting or any adjournments thereof.

By Order of the Board of  
Directors,

Darlene M. Deptula-Hicks  
Executive Vice President of  
Finance and Chief  
Financial Officer, Treasurer  
and Secretary

May 15, 2008

IF YOU DO NOT EXPECT TO BE PRESENT AT THE MEETING:

**PLEASE FILL IN, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED FOR THAT PURPOSE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. THE PROXY MAY BE REVOKED AT ANY TIME PRIOR TO EXERCISE, AND IF YOU ARE PRESENT AT THE MEETING YOU MAY, IF YOU WISH, REVOKE YOUR PROXY AT THAT TIME AND EXERCISE THE RIGHT TO VOTE YOUR SHARES PERSONALLY.**

**PLEASE NOTE THAT ATTENDANCE AT THE MEETING WILL BE LIMITED TO STOCKHOLDERS OF iCAD, INC. AS OF THE RECORD DATE (OR THEIR AUTHORIZED REPRESENTATIVES) HOLDING EVIDENCE OF OWNERSHIP. IF YOUR SHARES ARE HELD BY A BANK OR BROKER, PLEASE BRING TO THE MEETING YOUR BANK OR BROKER STATEMENT EVIDENCING YOUR BENEFICIAL OWNERSHIP OF iCAD, INC. STOCK TO GAIN ADMISSION TO THE MEETING.**

**iCAD, Inc.**  
**PROXY STATEMENT**  
**ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD ON JUNE 17, 2008**

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of iCAD, Inc. (the "Company", "iCAD", "we", "us", or "our") for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held on June 17, 2008, including any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting.

Management intends to mail this proxy statement and the accompanying form of proxy to stockholders on or about May 19, 2008.

Proxies in the accompanying form, duly executed and returned to the management of the Company and not revoked, will be voted at the Annual Meeting. Any proxy given pursuant to such solicitation may be revoked by the stockholder at any time prior to the voting of the proxy by a subsequently dated proxy, by written notification to the Secretary of the Company, or by personally withdrawing the proxy at the meeting and voting in person.

The address and telephone number of the principal executive offices of the Company are:

98 Spit Brook Road,  
Suite 100  
Nashua, NH 03062  
Telephone No.:  
(603) 882-5200

**OUTSTANDING STOCK AND VOTING RIGHTS**

Only holders of the Company's common stock, par value \$.01 per share, (the "Common Stock") at the close of business on May 12, 2008, (the "Record Date") are entitled to receive notice of and to vote at the Annual Meeting. As of the Record Date, the Company had 39,238,332 shares of Common Stock outstanding. Each share of Common Stock is entitled to one vote on all matters. There are no cumulative voting rights.

**VOTING PROCEDURES**

The directors will be elected by the affirmative vote of the holders of a plurality of the shares of Common Stock that are present in person or represented by proxy at the Annual Meeting, provided a quorum is present. Therefore, the nominees receiving the greatest number of votes cast at the meeting will be elected as directors of the Company. A quorum is present if, as of the Record Date, at least a majority of the aggregate votes represented by holders of the shares of Common Stock outstanding as of the Record Date are present in person or represented by proxy at the Annual Meeting.

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Votes will be counted and certified by one or more Inspectors of Election who are expected to be employees of Continental Stock Transfer & Trust Company, the transfer agent for the Common Stock. In accordance with Delaware law, abstentions and "broker non-votes" (*i.e.*, proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other person entitled to vote shares as to a matter with respect to which the brokers or nominees do not have discretionary power to vote) will be treated as present for purposes of determining the presence of a quorum. Abstentions and broker non-votes will have no effect on the election of directors. For purposes of determining approval of any other matter presented at the meeting, abstentions will be deemed present and entitled to vote and will, therefore, have the same legal effect as a vote "against" a matter presented at the meeting. Broker non-votes will be deemed not entitled to vote on the subject matter as to which the non-vote is indicated and will, therefore, have no legal effect on the vote on that particular matter.

Proxies will be voted in accordance with the instructions thereon. Unless otherwise stated, all shares represented by a proxy will be voted as instructed. If a proxy is executed but no instructions as to how to vote are given the persons named as proxies in the accompanying proxy card intend to vote the shares represented in favor of the nominees for director listed below.

### **ELECTION OF DIRECTORS**

The Company's Certificate of Incorporation provides for the annual election of all of its directors. Currently, at each Annual Meeting of Stockholders, directors are elected for a one year term. Each director will be elected to serve during his or her elected term until a successor is elected and qualified or until the director's earlier resignation or removal.

At the Annual Meeting, proxies granted by stockholders will be voted individually for the election, as directors of the Company, of the seven persons listed below, unless a proxy specifies that it is not to be voted in favor of a nominee for director. In the event any of the nominees listed below is unable to serve, it is intended that the proxy will be voted for such other nominees as are designated by the Board of Directors. Each of the persons named below, who are presently members of the Company's Board of Directors, has indicated to the Board of Directors of the Company that he or she will be available to serve. Mr. James Harlan, whose term will expire at the conclusion of the Annual Meeting, will not stand for election at the Annual Meeting and will depart the Board of Directors at the conclusion of the Annual Meeting. His position will not be replaced, reducing the total number of directors to seven.

All nominees have been recommended by the Company's Nominating and Corporate Governance Committee. Mr. Ecock was recommended as a director to the Company's Nominating and Corporate Governance Committee by Mr. Kenneth Ferry, the Company's Chief Executive Officer.

**THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE ELECTION OF THE NOMINEES SPECIFIED BELOW.**

The following table sets forth the name, age and principal occupation of the nominees for election at this Annual Meeting and the length of continuous service as a director of the Company.

<b>Name</b>	<b>Age</b>	<b>Principal Occupation or Employment</b>	<b>Director Since</b>
Dr. Lawrence Howard	55	General Partner of Hudson Ventures, LP	2006
Kenneth Ferry	54	Chief Executive Officer and President of iCAD, Inc.	2006
Rachel Brem, MD	49	Director of Breast Imaging and Intervention, Professor of Radiology and Vice-Chairperson of the Department of Radiology, The George Washington University Medical Center	2004
Steven Rappaport	59	Partner of RZ Capital, LLC	2006
Maha Sallam, PhD	41	Vice President of the CT Program of iCAD, Inc.	2002
Elliot Sussman, MD	56	President and CEO of Lehigh Valley Hospital and Health Network	2002
Anthony Ecock	46	Senior Operating Executive of Welsh, Carson, Anderson & Stowe	2008

*Dr. Lawrence Howard* was appointed Chairman of the Board in 2007 and has been a director of the Company since November 2006. Dr. Howard has been, since March 1997, a general partner of Hudson Ventures, L.P. (formerly known as Hudson Partners, L.P.), a limited partnership that is the general partner of Hudson Venture Partners, L.P. (“HVP”), a limited partnership that is qualified as a small business investment company. Since March 1997, Dr. Howard has also been a managing member of Hudson Management Associates LLC, a limited liability company that provides management services to HVP. Since November 2000, Dr. Howard has been a General Partner of Hudson Venture Partners II, and a limited partner of Hudson Venture II, L.P. He was a founder and has been since November 1987, and continues to be, a director of Presstek, Inc. (“Presstek”), a public company which has developed proprietary imaging and consumables technologies for the printing and graphic arts industries, and served in various officer positions at Presstek from October 1987 to June 1993, lastly as its Chief Executive Officer.

*Kenneth Ferry* has served as the Company's President and Chief Executive Officer since May 2006. He has over 25 years of experience in the healthcare technology field, with more than 10 years experience in senior management positions. Prior to joining the Company, from October 2003 to May 2006, Mr. Ferry was Senior Vice President and General Manager for the Global Patient Monitoring business for Philips Medical Systems, the market leader in the medical diagnostic imaging and patient monitoring systems industry. In this role he was responsible for Research & Development, Marketing, Business Development, Supply Chain and Manufacturing, Quality and Regulatory, Finance and Human Resources. From September 2001 to October 2003, Mr. Ferry served as Senior Vice President for Philips Medical Systems Division. From 1983 to 2001, Mr. Ferry served in a number of management positions with Hewlett Packard Company, a global provider of products, technologies, software solutions and services to individual consumers and businesses and Agilent Technologies, Inc., a provider of core bio-analytical and electronic measurement solutions to the communications, electronics, life sciences and chemical analysis industries.

*Dr. Rachel Brem* is currently the Director of Breast Imaging and Intervention, Professor of Radiology and the Vice-Chairman in the Department of Radiology at The George Washington University Medical Center, positions she has held since 2000. From 1991 to 1999 Dr. Brem was previously the Director of Breast Imaging at the John Hopkins Medical Institution. Dr. Brem's research includes Minimally Invasive Breast Biopsy, New Technologies for the Earlier Diagnosis of breast cancer including Computer Aided Detection, as well as Nuclear Medicine Imaging of the Breast and Electrical Impedance Imaging of the Breast.

*Steven Rappaport* has been a partner of RZ Capital, LLC since July 2002, a private investment firm that also provides administrative services for a limited number of clients. From March 1995 to July 2002, Mr. Rappaport was Director, President and Principal of Loanet, Inc., an online real-time accounting service used by brokers and institutions to support domestic and international securities borrowing and lending activities. Loanet, Inc. was acquired by SunGard Data Systems in May 2001. From March 1992 to December 1994, Mr. Rappaport was Executive Vice President of Metallurg, Inc. ("Metallurg") and President of Metallurg's subsidiary, Shieldalloy Corporation. He served as Director of Metallurg from 1985 to 1998. From March 1987 to March 1992, Mr. Rappaport was Director, Executive Vice President and Secretary of Telerate, Inc. ("Telerate"), an electronic distributor of financial information. Telerate was acquired by Dow Jones over a number of years commencing in 1985 and culminating in January 1990, when it became a wholly-owned subsidiary. Mr. Rappaport practiced corporate and tax law at the New York law firm of Hartman & Craven from August 1974 to March 1987. He became a partner in the firm in 1979. Mr. Rappaport is currently serving as an independent director of Presstek and a number of open and closed end American Stock Exchange funds of which Credit Suisse serves as the investment adviser.

*Maha Sallam, PhD* has been a Vice President of the Company since July 2002. From 1997 until the Company's acquisition of Intelligent Systems Software, Inc. ("ISSI") in July 2002, Dr. Sallam served as Director and as President then Executive Vice President of Regulatory Affairs and Clinical Testing at ISSI, and was one of ISSI's founders. Dr. Sallam served iCAD as Vice President of Regulatory Affairs until 2003. Subsequently, she was responsible for the Company's Advocacy and Research Grants program. In 2005, Dr. Sallam took responsibility for new product initiatives in the Computed Tomography (CT) area and continues to serve as the Company's Vice President for the CT Program. Dr. Sallam has over 17 years of research and medical device industry experience.



*Dr. Elliot Sussman* is currently President and Chief Executive Officer of Lehigh Valley Hospital and Health Network, a position he has held since 1993. Dr. Sussman is the Leonard Parker Pool Professor of Health Systems Management, Professor of Medicine, and Professor of Health Evaluation Sciences at Pennsylvania State University's College of Medicine. Dr. Sussman served as a Fellow in General Medicine and a Robert Wood Johnson Clinical Scholar at the University of Pennsylvania, and trained as a resident at the Hospital of the University of Pennsylvania. Dr. Sussman is a director and the Chairperson of the compensation committee of the Board of Directors of Universal Health Realty Income Trust, a public company involved in real estate investment trust primarily engaged in investing in healthcare and human service-related facilities.

*Anthony Ecock* has been Senior Operating Executive with the private equity investment firm, Welsh, Carson, Anderson & Stowe ("WCAS"), since 2007. Mr. Ecock has over 9 years of experience in the healthcare technology field and with more than 15 years in senior management positions. At WCAS, Mr. Ecock is responsible for helping portfolio companies identify and implement growth, as well as earnings improvement opportunities. Before joining WCAS, he served as Vice President and General Manager of GE Healthcare's Enterprise Sales organization, a unit of the General Electric Company, from 2003 to 2007. From 1999 to 2003 he served as Senior Vice President and Global General Manager of the Hewlett Packard Company. Mr. Ecock spent most of his career at the consulting firm of Bain & Company, where he was a Partner, Practice Leader for Information Technology and Global Program Director for Consultant Training.

The following is information with respect to the director whose term of office expires at this Annual Meeting:

*James Harlan*, 56, is an entrepreneur and investor who has helped found and lead development of a number of energy and technology enterprises both internationally and in the United States. He helped found HNG Storage Company, a natural gas storage, development and operations company in 1991 and has been the Executive Vice President and Chief Financial Officer of HNG Storage Company since 1998. In 2001, Mr. Harlan founded the Vendevco group which holds interests in real estate, oil/gas exploration and production, among other businesses. From 1991 to 1997 Mr. Harlan served as General Manager of Pacific Resources Group where he was responsible for development of various manufacturing and distribution businesses in Asia. He also served as operations research and policy analyst for the White House Office of Energy Policy and Planning from 1977 to 1978, the Department of Energy from 1978 to 1981, and U.S. Synthetic Fuels Corporation from 1981 to 1984. Mr. Harlan is also a director of Applied Energetics, Inc., a public company involved in the development and marketing of applied energy systems, primarily for military applications.

## **DIRECTOR INDEPENDENCE**

The Board has determined that Drs. Brem and Sussman and Messrs. Rappaport, Harlan and Ecock, meet the director independence requirements under the applicable Marketplace Rule of The Nasdaq Stock Market LLC. In reaching this conclusion the Board reviewed the definition of independence under the applicable Nasdaq Marketplace Rule and the answers to annual questionnaires completed by each of the independent directors and also considered the investments in convertible notes of the Company made by certain of the independent directors during 2006.

## **BOARD OF DIRECTORS MEETINGS AND BOARD COMMITTEES**

During the fiscal year ended December 31, 2007, the Board of Directors held seven meetings. In addition, the Board took action by unanimous written consent in lieu of meetings. During 2007, each of the Company's directors, attended at least seventy-five percent of the aggregate of: (1) the total number of meetings of the Board of Directors; and (2) the total number of meetings of all committees on which they served.

The Company's current policy strongly encourages that all of its Directors attend all Board and Committee meetings and the Company's Annual Meeting of Stockholders, absent extenuating circumstances that would prevent their attendance. Five of eight directors attended last year's Annual Meeting of Stockholders.

## **BOARD COMMITTEES**

The Board of Directors maintains an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee. The Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee are comprised solely of persons who meet the definition of an "Independent Director" under the NASDAQ Marketplace Rules. In addition, the Board has determined that each member of the Audit Committee meets the independence requirements of applicable Securities and Exchange Commission ("SEC") rules. The Audit Committee and the Nominating and Corporate Governance Committee operate under written charters adopted by the Board of Directors. A copy of the Audit Committee charter is attached as Exhibit A to this Proxy Statement. A copy of the Nominating and Corporate Governance Committee charter is attached as Exhibit B to this Proxy Statement. The Compensation Committee adopted a charter, a copy of which was filed as Exhibit B to our Definitive Proxy Statement on Schedule 14A filed with the SEC on June 13, 2007. None of the charters referred to above is available on our website.

The Audit Committee, among other things, selects the firm to be appointed as the independent registered public accounting firm to audit our financial statements and reviews and discusses the scope and results of each audit with the independent registered public accounting firm and with management. The Audit Committee held six meetings during 2007. During fiscal 2007 the Audit Committee consisted of, and currently consists of, Mr. Rappaport, Chairperson, and Messrs. Harlan and Sussman. In addition, Mr. George Farley served on the Audit Committee until his resignation as a director of iCAD in May 2007. The Board of Directors had determined that Mr. Rappaport qualified as the Audit Committee's "financial expert" under applicable SEC rules and determined that each member met the criteria of "independent director" under applicable Nasdaq and SEC rules

The Nominating and Corporate Governance Committee is responsible for, among other things, developing and recommending to the Board corporate governance policies for iCAD, establishing procedures for the director nomination process and recommending nominees for election to the Board. The Nominating and Corporate Governance Committee held two meetings during 2007. During fiscal 2007 the Nominating and Corporate Governance Committee consisted of, and currently consists of, Mr. Harlan, Chairperson, and Dr. Brem each of whom was determined by the Board to have met the criteria of an "independent director" under applicable Nasdaq rules.

The Compensation Committee of the Board of Directors is responsible for, among other things, assisting the Board in overseeing our executive compensation strategy and reviewing and approving the compensation of our executive officers and administering our various stock option and incentive plans. Under our 2007 Stock Incentive Plan certain of the administrative functions may be delegated to our Chief Executive Officer or Chief Financial Officer. The Compensation Committee held four meetings during 2007. During fiscal 2007 the Compensation Committee consisted of, and currently consists of, Dr. Sussman, Chairperson, and Dr. Brem. The Board of Directors determined that each met the criteria of an "independent director" under applicable Nasdaq rules.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 ("Exchange Act") requires certain of our officers and our directors, and persons who own more than 10 percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors, and greater than 10 percent stockholders are required by SEC regulation to furnish the us with copies of all Section 16(a) forms they file.

Based solely on our review of copies of such forms received by us, we believe that during the year ended December 31, 2007, all filing requirements applicable to all of our officers, directors, and greater than 10% beneficial stockholders were timely complied with, except for Messrs. Robert Howard and George Farley (former directors), Mr. Harlan and Drs. Sussman, Howard, Brem and Sussman who filed late Forms 4 with respect to a stock option grant made to each of them on April 20, 2007.

## **CODE OF BUSINESS CONDUCT AND ETHICS**

iCAD has developed and adopted a comprehensive Code of Business Conduct and Ethics to cover all employees. Copies of the Code of Business Conduct and Ethics can be obtained, without charge, upon written request, addressed to:

iCAD, Inc.  
98 Spit Brook Road, Suite 100  
Nashua, NH 03062  
Attention: Corporate Secretary

## **COMMUNICATIONS WITH THE BOARD**

The Board of Directors, through its Nominating and Corporate Governance Committee, has established a process for stockholders to send communications to the Board of Directors. Stockholders may communicate with the Board of Directors individually or as a group by writing to: The Board of Directors of iCAD, Inc. c/o Corporate Secretary, 98 Spit Brook Road, Suite 100, Nashua, NH 03062. Stockholders should identify their communication as being from an iCAD stockholder. The Corporate Secretary may require reasonable evidence that the communication or other submission is made by an iCAD stockholder before transmitting the communication to the Board of Directors.

## **CONSIDERATION OF DIRECTOR NOMINEES**

Stockholders wishing to recommend director candidates to the Nominating and Corporate Governance Committee must submit their recommendations in writing to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, iCAD, Inc., 98 Spit Brook, Suite 100, Nashua, NH 03062.

The Nominating and Corporate Governance Committee will consider nominees recommended by iCAD stockholders provided that the recommendation contains sufficient information for the Nominating and Corporate Governance Committee to assess the suitability of the candidate, including the candidate's qualifications, and complies with the procedures set forth below under "Deadline and Procedures for Submitting Board Nominations". In addition, it must include information regarding the recommended candidate relevant to a determination of whether the recommended candidate would be barred from being considered independent under NASDAQ Marketplace Rule 4200, or, alternatively, a statement that the recommended candidate would not be so barred. Candidates recommended by stockholders that comply with these procedures will receive the same consideration that candidates recommended by the Committee receive. A nomination which does not comply with the above requirements will not be considered.

The qualities and skills sought in prospective members of the Board are determined by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee generally requires that director candidates be qualified individuals who, if added to the Board, would provide the mix of director characteristics, experience, perspectives and skills appropriate for iCAD. Criteria for selection of candidates will include, but not be limited to: (i) business and financial acumen, as determined by the Committee in its discretion, (ii) qualities reflecting a proven record of accomplishment and ability to work with others, (iii) knowledge of our industry, (iv) relevant experience and knowledge of corporate governance practices, and (v) expertise in an area relevant to iCAD. Such persons should not have commitments that would conflict with the time commitments of a Director of iCAD. Such persons shall have other characteristics considered appropriate for membership on the Board of Directors, as determined by the Nominating and Corporate Governance Committee.

## **DEADLINE AND PROCEDURES FOR SUBMITTING BOARD NOMINATIONS**

Our Amended and Restated By-laws, adopted by our Board of Directors in March 2008, added a provision that requires a stockholder wishing to nominate a candidate for election to our Board of Directors at a meeting of our stockholders to give written notice containing the required information specified below delivered personally to, or mailed to and received by our Corporate Secretary at our principal executive offices (currently located at 98 Spit Brook Road, Suite 100, Nashua , NH 03062), not less than 50 days nor more than 75 days prior to the meeting; provided, however, that, in the event that we give less than 65 days notice or prior public disclosure of the date of the meeting to our stockholders, notice by the stockholder to be timely must be received by our Corporate Secretary not later than the close of business on the tenth day following the earlier of (i) the day on which such notice of the date of the meeting was mailed or (ii) such public disclosure was made. Any such notice must set forth: (i) the name and record address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (ii) the class or series and number of shares of our stock which are held of record, owned beneficially and represented by proxy by such stockholder as of the record date for the meeting (if such date shall then have been made publicly available) and of the date of such notice; (iii) a representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iv) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) under which the nomination or nominations are to be made by such stockholder; (v) the name, age, business address and residence address of the nominee and such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed by us pursuant to the proxy rules of the SEC, had each nominee been nominated, or intended to be nominated by our Board of Directors; and (vi) the written consent of each nominee to serve as our director, if so elected.

## **COMPENSATION OF DIRECTORS**

Compensation of Directors is determined by the Board in conjunction with recommendations made by the Compensation Committee. The following is the 2007 compensation paid to those members of the Board who are not employed by us or any of our subsidiaries and were not employed by us or any of our subsidiaries at any time during 2007 (the "Non-Employee Directors").

## Cash Compensation

### a) Amounts.

For 2007, each Non-Employee Director received an annual retainer of \$18,000 except for the Chairperson of the Board who received an annual retainer of \$35,000. In addition to the \$18,000 retainer, the Chairperson of the Audit Committee received an annual fee of \$7,500; the Chairperson of the Compensation Committee received an annual fee of \$5,000 and the Chairperson's of other Board committees receive an annual fee of \$3,000. iCAD's designated "financial expert" also receive an additional annual fee of \$5,000 unless the financial expert is also the Chairperson of the Audit Committee and received the \$7,500 fee for acting as such Chairperson.

Additionally, for each Board or Board Committee meeting attended in person, each Non-Employee Director received \$1,000. For each Board meeting attended telephonically, each Non-Employee Director received \$1,000. For each Board Committee meeting attended telephonically, each Non-Employee Director received \$500.

### b) Payment Dates.

The Non-Employee Director annual board retainer, Committee Chair retainer and the designated financial expert retainer was paid quarterly, in arrears on the 20th day of April, July, October and January of each year (or if such date was not a business day on the next following business day). The \$1,000 and/or \$500 fees for attendance at Board or Board Committee meetings was also paid in arrears on the 20th day of April, July, October and January of each year (or if such date was not a business day on the next following business day) for meetings attended in the immediately preceding quarter (each a "payment date").

### c) Election to receive options in lieu of cash fees. .

In lieu of receiving the cash payments set forth above, each Non-Employee Director was entitled to choose to receive five-year non-qualified stock options to purchase that number of shares of our Common Stock that has a Black Sholes value (as determined by us using the same methodology as it uses to calculate options for purposes of its audited financial statements) on a given payment date equal to the value of the cash fees the director would otherwise be entitled to. An election, once made, was irrevocable and covered all of the cash fees for the ensuing year. Any option issued under this election vested immediately upon the date of issuance and had an exercise price equal to the fair market value of the Common Stock on the applicable payment date and were not subject to forfeiture as a result of the director ceasing to act as a director of iCAD. In 2007, we had three non-employee directors elect to receive options in lieu of cash fees.

## Equity Compensation

### a.) Initial Awards of Options for New Directors.

Any person who is elected or appointed as an Non-Employee Director and who has not served as a director of iCAD in the prior calendar year automatically receives, on the date of election or appointment to the Board, an award of five-year immediately exercisable non-qualified stock options to purchase 25,000 shares of Common Stock at an exercise price equal to the fair market value of Common Stock on the date of grant and will not be subject to forfeiture as a result of the director ceasing to act as a director of iCAD.

b.) Quarterly Option Awards.

On each payment date in 2007, each Non-Employee Director was granted five-year immediately exercisable non-qualified options to purchase shares of our Common Stock. The options were payable in arrears for Board or Board Committee services rendered by the Non-Employee Director in the three month period immediately preceding the date of the award or "Service Period". The exercise price of the options are equal to the fair market value of the Common Stock on the applicable quarterly payment date and are not subject to forfeiture as a result of the director ceasing to act as a director of iCAD. A total of 3,750 options were granted to each director who served for the entire Service Period. Any Non-Employee Director who served for only a portion of the Service Period received proportionately fewer options.

The following table provides information on director compensation paid by us during 2007. An executive officer who serves on our Board does not receive additional compensation for serving on the Board.

**DIRECTOR COMPENSATION**

<b>Name</b>	<b>Fees earned or paid in cash (\$)</b>	<b>Option Awards (1) (2) (\$)</b>	<b>Total (\$)</b>
Robert Howard (3)			