ICAD INC
Form PRE 14A
June 01, 2007

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 x
Filed by a party other than the registrant ¨

Check the appropriate box:

x	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.
(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x	No fee required	
¨	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
	(1)	Title of each class of securities to which transaction applies:
	(2)	Aggregate number of securities to which transaction applies:
	(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
	(4)	Proposed maximum aggregate value of transaction:
	(5)	Total fee paid:
¨	Fee paid previously with preliminary materials.	
¨	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.	
(1)	Amount previously paid:	
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(3)	Filing Party:	
(4)	Date Filed:	

iCAD, Inc.

98 Spit Brook Road, Suite 100
Nashua, New Hampshire 03062

June ___, 2007

Dear Fellow Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders which will be held on [Tuesday, July 17, 2007], at 10:00 A.M. (local time), at the Sheraton Tara Hotel, 11 Tara Boulevard, Nashua, NH 03062.

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

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON [JULY 17, 2007]

To the Stockholders of iCAD, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of iCAD, Inc. (the "Company" or "iCAD") will be held on [Tuesday, July 17, 2007], at 10:00 A.M. (local time), at the Sheraton Tara Hotel, 11 Tara Boulevard, Nashua, NH 03062 for the following purposes:

1. To elect three Class II directors for three-year terms (or one-year terms if the amendment to iCAD's Certificate of Incorporation referred to in item 3 below is approved) and until their respective successors have been duly elected and qualified;

2. To consider and vote upon a proposal to adopt an amendment to iCAD's Certificate of Incorporation to increase the number of shares of common stock that iCAD has authority to issue from 50,000,000 to 85,000,000 and consequently, to increase the total number of shares of all classes of capital stock that iCAD has authority to issue from 51,000,000 to 86,000,000;

3. To consider and vote upon a proposal to adopt an amendment to iCAD's Certificate of Incorporation to provide for the annual election of all of its directors;

4. To consider and vote upon the proposal to approve the adoption of the Company's 2007 Stock Incentive Plan; and

5. 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 29, 2007 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 Assistant Secretary

June ___, 2007

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 [JULY 17, 2007]

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 July 17, 2007, 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 June___, 2007.

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") and holders of the Company's Series A Preferred Stock at the close of business on May 29, 2007, (the "Record Date") are entitled to receive notice of and to vote at the Annual Meeting. As of the Record Date, the Company had 38,076,930 shares of Common Stock outstanding. Each share of Common Stock is entitled to one vote on all matters. In addition, holders of the Company's Series A Preferred Stock vote together with holders of the Common Stock as a single class on all actions to be voted on by the stockholders. Each share of Series A Preferred Stock entitles the holder to 100 votes per share. Based upon 4,600 shares of Series A Preferred Stock outstanding on the Record Date, the holders of the Series A Preferred Stock are entitled to an aggregate of 460,000 votes. 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 and Series A Preferred Stock voting together as one class that are present in person or represented by proxy at the Annual Meeting, provided a quorum is present. Therefore, the three nominees receiving the greatest number of votes cast at the meeting will be elected as Class II directors of the Company. The affirmative vote of the holders of a majority of the votes represented by the Common Stock and Series A Preferred Stock, voting together as a single class, entitled to vote on the proposals will be required to approve the proposals to amend our Certificate of Incorporation. All other matters at the Annual Meeting will be decided by the affirmative vote of the holders of a majority of the votes represented by the shares of Common Stock and Series A Preferred Stock cast with respect thereto, provided a quorum is present. 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 and Series A Preferred Stock outstanding as of the Record Date are present in person or represented by proxy at the Annual Meeting.

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. Absentions 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 although it will have the same practical effect as a vote against the two proposals to amend the Company's Certificate of Incorporation.

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 three nominees for director listed below and for the approval of Proposal I, Proposal II and Proposal III.

ELECTION OF DIRECTORS

The Company's Certificate of Incorporation provides that the Company's Board of Directors is divided into three classes (Class I, Class II and Class III). Currently, at each Annual Meeting of Stockholders, directors constituting one class are elected for a three-year term. At this year's Annual Meeting, three (3) Class II directors will be elected to hold office for a term expiring at the Annual Meeting of Stockholders to be held in 2010 (or 2008 if Proposal II is adopted) and the remaining five directors will continue in office. The current terms of our Class I and Class III directors expire in 2009 and 2008, respectively. However, if our stockholders approve the amendment to our Certificate of Incorporation as described in Proposal II of this Proxy Statement, the terms of all of our directors, including the directors to be elected at this Annual Meeting, will expire at the 2008 Annual Meeting of Stockholders and the Board of Directors shall consist of one class. In either case, each director will be elected to serve during his 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 Class II directors of the Company, of the 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.

All nominees have been recommended by the Company's Nominating and Corporate Governance Committee.

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.

CLASS II DIRECTORS

Name of Nominee	Age	Principal Occupation or Employment	Director Since
James Harlan	55	Executive Vice President and CFO of HNG Storage Company	2000
Maha Sallam, PhD	40	Vice President of the Company	2002
Dr. Elliot Sussman	55	President and CEO of Lehigh Valley Hospital and Health Network	2002

James Harlan was the founder and has been the Executive Vice President and Chief Financial Officer of HNG Storage Company, a natural gas storage, development and operations company since 1998. From 1991 to 1997 Mr. Harlan served as General Manager and Chief Financial Officer of Pacific Resources Group where he was responsible for the planning and financial development of various manufacturing and distribution businesses in Asia. He also served as operations research and planning 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 Ionatron, Inc. ("Ionatron"), a public company involved in the development and marketing of directed energy weapon technology and products that include direct energy weapons for defense and security customers primarily in the U.S. Government.

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 and then as Vice President of Regulatory Affairs and Clinical Testing at ISSI. Dr. Sallam served iCAD as Vice President of Regulatory Affairs until the acquisition of CADx in 2003 and then held responsibility for the Company's Advocacy and Research Grants. In 2005, she took responsibility for new product initiatives in the Computed Tomography (CT) area and she continues to serve as Vice President for the CT Program. Dr. Sallam was one of ISSI's founders and has over seventeen years of research and medical device industry experience, and has a broad range of expertise in initiating new products in the Medical Image Analysis and Computer-Aided Detection areas.

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. Dr. Sussman is also a director of the Board of Directors of VIASYS Healthcare, Inc., a healthcare technology company.

The following tables set forth similar information with respect to incumbent directors in Class I and Class III of the Board of Directors who are not nominees for election at this Annual Meeting:

CLASS I DIRECTORS

Name of Nominee	**Age**	**Principal Occupation or Employment**	**Director Since**
Kenneth Ferry	53	Chief Executive Officer and President of iCAD, Inc.	2006
Steven Rappaport	58	Partner of RZ Capital, LLC	2006

Kenneth Ferry has served as a Director and 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 a $2.5 billion 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 August 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 and Agilent Technologies, Inc.

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, Inc. ("Presstek"), a public company which has developed proprietary imaging and consumables technologies for the printing and graphic arts industries and as an independent director of a number of open and closed end funds of which Credit Suisse serves as the investment adviser.

CLASS III DIRECTORS

Name of Nominee	Age	Principal Occupation or Employment	Director Since
Robert Howard	84	Chairman of the Board of Directors of the Company	1984
Dr. Rachel Brem	48	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	2004
Dr. Lawrence Howard	54	General Partner of Hudson Ventures, LP	2006

Robert Howard, the founder and Chairman of the Board of Directors of the Company, a non-executive position, is the co-founder and has served since March 2007 as the Chairman of the Board and Chief Executive Officer of America Hears, Inc., a manufacturer and distributor of digital hearings aids. Mr. Howard was Chief Executive Officer of the Company from its establishment in 1984 until December of 1993. He was the founder, and from 1969 to April 1980 he served as President and Chairman of the Board, of Centronics Data Computer Corp. ("Centronics"), a manufacturer of a variety of computer printers, including the first impact dot matrix printer, which was invented by Mr. Howard. He resigned from Centronics' board of directors in 1983. From April 1980 until 1983, Mr. Howard was principally engaged in the management of his investments. Commencing in mid-1982, Mr. Howard, doing business as R.H. Research, developed the ink jet technology upon which the Company was initially based and he contributed this technology, without compensation, to the Company. Mr. Howard was Chairman of the Board of Presstek from July 1988 to September 1998 and served as Chairman Emeritus of the Board of Presstek from September 1998 to December 2000. Mr. Howard was Chairman of the Board of Ionatron from its inception in 2002 until he resigned as its Chairman and a director in March 2006. Mr. Howard is the father of Lawrence Howard, a member of the Company's Board.

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.

Dr. Lawrence 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 and served in various officer positions at Presstek from October 1987 to June 1993, lastly as its Chief Executive Officer. Dr. Howard is the son of Robert Howard, the Chairman of the Company's Board of Directors.

DIRECTOR INDEPENDENCE

The Board has determined that Messrs. Harlan and Rappaport and Drs. Brem and Sussman, 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, 2006, the Board of Directors held eight meetings. In addition, the Board took action by unanimous written consent in lieu of meetings. During 2006, each of the Company’s directors, with the exception of Dr. Herschel Sklaroff who resigned from the Board in December 2006, 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. Six 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 has adopted a charter, a copy of which is filed as Exhibit A to this Proxy Statement. The Nominating and Corporate Governance Committee has adopted a charter, a copy of which was filed as Exhibit A to our Definitive Proxy Statement on Schedule 14A filed with the SEC on May 25, 2005. The Compensation Committee has adopted a charter, a copy of which is attached as Exhibit B to this Proxy Statement. 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 seven meetings during 2006. During fiscal 2006 the Audit Committee consisted of Messrs. Harlan, Sussman and George Farley, who ceased being a director in May 2007. The Board of Directors had determined that Mr. Farley qualified as the Audit Committee's “financial expert” under applicable SEC rules. In January 2007 the Audit Committee was reconstituted for 2007 and the Board of Directors appointed Messrs. Rappaport, Harlan and Sussman as the members of the Audit Committee and determined that each met the criteria of "independent director" under applicable Nasdaq and SEC rules and that Mr. Rappaport also meets the criteria of a financial expert.

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 four meetings during 2006. During fiscal 2006 the Nominating and Corporate Governance Committee consisted of Mr. Farley, Chairman, Dr. Brem and Dr. Sklaroff until his resignation as a director of iCAD in December 2006. In January 2007 the Nominating and Corporate Governance Committee was reconstituted for 2007 and currently consists of Mr. Harlan, Chairman and Dr. Brem each of whom was determined by the Board to have met the criteria of an "independent director".

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. The Compensation Committee held three meetings during 2006. During fiscal 2006 the Compensation Committee consisted of Dr. Sussman, Chairman, Mr. Harlan and Dr. Brem. In January 2007 the Compensation Committee was reconstituted for 2007 and the Board of Directors appointed Dr. Sussman, Chairman and Dr. Rachel Brem as the members of the Compensation Committee and determined that each met the criteria of an "independent director".

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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. As noted under the section Certain Relationships and Related Transactions, in September 2006 we entered into Note Purchase Agreements with respect to the purchase of a total of $300,000 principal amount of our 7.25% Convertible Promissory Notes by Mr. Harlan.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 ("Exchange Act") requires our officers and directors, and persons who own more than 10 percent of a registered class of the Company's 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 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, 2006, all filing requirements applicable to all of our officers, directors, and greater than 10% beneficial stockholders were timely complied with, except for Robert Howard, Dr. Elliot Sussman and Dr. Herschel Sklaroff who filed a late Form 4 with respect to a stock option grant on November 14, 2006.

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 Assistant 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 Assistant Corporate Secretary, 98 Spit Brook Road, Suite 100, Nashua, NH 03062. Stockholders should identify their communication as being from an iCAD stockholder. The Assistant 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 Assistant 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. Candidates recommended by stockholders that comply with these procedures will receive the same consideration that candidates recommended by the Committee receive. The recommendations must also state the name of the stockholder who is submitting the recommendation. 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. 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

A stockholder wishing to nominate a candidate for election to the Board at the Annual Meeting of Stockholders to be held in 2008 is required to give written notice containing the required information specified above addressed to the Nominating and Corporate Governance Committee, c/o Assistant Corporate Secretary , iCAD, Inc., 98 Spit Brook Road, Suite 100, Nashua, NH 03062 of his or her intention to make such a nomination. The notice of nomination and other required information must be received by iCAD's Assistant Corporate Secretary no later than [__________, 2008].

With respect to the deadlines discussed above, if the date of the Annual Meeting of Stockholders to be held in 2008 is advanced by more than thirty days or delayed (other than as a result of adjournment) by more than thirty days from the anniversary of the Annual Meeting held in 2007, a stockholder must submit any such nomination to the Nominating and Corporate Governance Committee no later than the close of business on the sixtieth day prior to the date of the 2008 Annual Meeting.

COMPENSATION OF DIRECTORS

Compensation of Directors is determined by the Board in conjunction with recommendations made by the Nominating and Corporate Governance Committee. The following is the 2006 compensation that was paid and the 2007 compensation to be paid to those members of the Board who are not employees of iCAD or any or any of its subsidiaries and have not been employed by iCAD or any of its subsidiaries at any time since December 31, 2005 (the "Non-Employee Directors").

2006 Compensation:

1. <u>Cash Compensation</u>.

For 2006, each Non-Employee Director received an annual retainer of $18,000 except for the Chairperson of the Board of Directors who received an annual retainer of $35,000. In addition to the annual $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 received an annual fee of $3,000. iCAD's "financial expert" received an additional annual fee of $5,000.

With respect to Board or Board Committee meetings held after October 20, 2006 but prior to January 1, 2007, each Non-Employee Directors received $1,000 for each Board or Board Committee meeting attended in person, $1,000 for each Board meeting attended telephonically and $500 for each Board Committee meeting attended telephonically. These amounts were paid in January 2007.

2. <u>Equity Compensation</u>

In November 2006 each Non-Employee Director was granted a five-year, immediately exercisable non-qualified options to purchase 15,000 shares of common stock at an exercise price equal to the fair market value of the Common Stock on the date of issuance. These options are not subject to forfeiture as a result of the director ceasing to act as a director of iCAD.

2007 Compensation

<u>Cash Compensation</u>

a) <u>Amounts.</u> For 2007, each Non-Employee Director will receive an annual retainer of $18,000 except for the Chairperson of the Board who will receive an annual retainer of $35,000. In addition to the $18,000 retainer, the Chairperson of the Audit Committee will also receive an annual fee of $7,500; the Chairperson of the Compensation Committee will also receive an annual fee of $5,000 and the Chairperson's of other Board committees will also receive an annual fee of $3,000. iCAD's designated "financial expert" will also receive an additional annual fee of $5,000 unless the financial expert was 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 will receive $1,000. For each Board meeting attended telephonically, each Non-Employee Director will receive $1,000. For each Board Committee meeting attended telephonically, each Non-Employee Director will receive $500.

b) Payment Dates. The Non-Employee Director annual board retainer, Committee Chair retainer and the designated financial expert retainer is paid quarterly, in arrears on the 20th day of April, July, October and January of each year (or if such date is 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 is also to be paid in arrears on the 20th day of April, July, October and January of each year (or if such date is 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 in (a) above, each Non-Employee Director was entitled to choose to receive five-year non-qualified stock options to purchase that number of shares of Common Stock that has a Black-Scholes value (as determined by iCAD 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. Any such election must be made by the director for an ensuing year during the "open window" period (as determined under iCAD's Insider Trading Policy) during the fourth quarter of the preceding year. The election must be made in writing and delivered to iCAD's Chief Executive Officer or Chief Financial Officer at our principal executive offices. The date of the open window period is the thirty calendar day period beginning three days after we release our third quarter financial results. An election, once made, is irrevocable and covers all of the cash fees for the ensuing year. Any option issued under this election will vest immediately upon the date of issuance and will have an exercise price equal to the fair market value of the Common Stock on the applicable Payment Date and will not be subject to forfeiture as a result of the director ceasing to act as a director of iCAD.

Equity Compensation

a.) Initial Awards of Options for New Directors.

Any person who is elected or appointed as an Non-Employee Director 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, each Non-Employee Director will be granted five-year immediately exercisable non-qualified options to purchase shares of Common Stock . The options will be 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 (the "Service Period"). The exercise price of these options will be equal to the fair market value of the Common Stock on the applicable quarterly payment date and will not be subject to forfeiture as a result of the director ceasing to act as a director of iCAD. A total of 3,750 options will be 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 will receive proportionately fewer options.

The following table provides information on director compensation paid by the Company during 2006.

DIRECTOR COMPENSATION

Name	Fees earned or paid in cash ($)	Option Awards (1) ($)	Total ($)
Robert Howard	35,000	15,781	50,781
Dr. Rachel Brem	18,000	26,302	44,302
George Farley	26,000	26,302	52,302
James Harlan	25,500	26,302	51,802
Dr. Lawrence Howard	2,250	26,302	28,552
Steven Rappaport	-	29,638	29,638
Dr. Herschel Sklaroff	18,000	15,781	33,781
Dr. Elliot Sussman	23,000	15,781	38,781

(1) The amounts included in the "Option Awards" column represent the compensation cost recognized by us in 2006 related to stock option awards to directors, computed in accordance with Statement of Financial Accounting Standards No. 123R. For a discussion of valuation assumptions, see Note 6 to our Consolidated Financial Statements included in our 2006 Annual Report. All options granted to directors in 2006 vested immediately.

The above table does not reflect the grant to Mr. Farley, a former director who resigned in May 2007, on October 23, 2006 of two-year options to purchase 45,000 shares of Common Stock with an exercise price of $2.07 in exchange for an equal number of options with an exercise price of $3.35 pursuant to our option exchange offer.

EXECUTIVE OFFICERS

The Company's executive officers are Mr. Kenneth Ferry, its President and Chief Executive Officer, Ms. Darlene Deptula-Hicks, its Executive Vice President of Finance and Chief Financial Officer, Mr. Jeffrey Barnes, its Senior Vice President of Sales, Ms. Stacey Stevens, its Senior Vice President of Marketing and Strategy and Mr. Jonathan Go, its Senior Vice President of Research and Development.

Darlene Deptula-Hicks, 49, has served as the Company’s Executive Vice President of Finance and Chief Financial Officer and Treasurer since September 2006. She has more than 25 years experience in financial management within the medical device and high technology industries. Prior to joining the Company, from January 2002 to February 2006, Ms. Deptula-Hicks served as Executive Vice President and Chief Financial Officer and Treasurer of ONI Medical Systems, Inc., a venture capital-backed designer and manufacturer of high-field diagnostic imaging systems. From 1998 to 2001, Ms. Deptula-Hicks was Executive Vice President and Chief Financial Officer and Treasurer of Implant Sciences Corporation, an early stage medical device company that had its initial public offering in June of 1999. Ms. Deptula-Hicks led the pre-IPO and post-IPO activities for such company. Ms. Deptula-Hicks has also held various senior financial and accounting positions at Abiomed, Incorporated; GCA Corporation; Edwards High Vacuum International and Puritan Bennett Corporation. Ms. Deptula-Hicks also currently serves on the Board of Directors and as Chair of the Audit Committees of Technest Holding, Inc., a public defense and homeland security company and IMCOR Pharmaceutical Company, a public biotech company.

Jeffrey Barnes, 45, joined the Company in May 2006. For the 17 years prior to joining the Company Mr. Barnes served in a variety of sales and marketing management positions with Philips Medical Systems, Agilent Technologies Inc. and Hewlett Packard Healthcare Solutions Group (which was acquired in 2001 by Philips Medical Systems). From November 2002 to April 2006 he was Vice President Sales and National Sales Manager for Cardiac Resuscitation Solutions at Philips Medical Systems, where he worked closely with iCAD’s Chief Executive Officer, Kenneth Ferry. Mr. Barnes was responsible for sales and service operations at Philips’ market-leading defibrillation field organization. From May 2000 to November 2002, Mr. Barnes served as Vice President of Marketing, Americas, for the Cardiac and Monitoring Systems unit of Hewlett-Packard/Agilent and Philips Medical Systems. He was responsible for all marketing activities and certain direct sales activities for the North and South American field operation.

Stacey Stevens, 39, joined the Company in June 2006 as the Company’s Senior Vice President of Marketing and Strategy. During the past 16 years, Ms. Stevens has served in a variety of sales, business development, and marketing management positions with Philips Medical Systems, Agilent Technologies Inc. and Hewlett Packard's Healthcare Solutions Group (which was acquired in 2001 by Philips Medical Systems). From February 2005 until joining the Company she was Vice President, Marketing Planning at Phillips Medical Systems, where she was responsible for the leadership of all global marketing planning functions for Phillips’ Healthcare Business. From 2003 to January 2005, she was Vice President of Marketing for the Cardiac and Monitoring Systems Business Unit of Philips where she was responsible for all marketing and certain direct sales activities for the America's Field Operation. Prior to that, Ms. Stevens held several key marketing management positions in the Ultrasound Business Unit of Hewlett-Packard/Agilent and Philips Medical Systems.

Jonathan Go, 44, joined the Company in October 2006 as the Company's Senior Vice President of Research and Development. Mr. Go brings more than twenty years of software development experience in the medical industry to his position with the Company. Prior to joining the Company, from February 1998 to May 2006, Mr. Go served as Vice President of Engineering at Merge eMed, a provider of RIS/PACS solutions for imaging centers, specialty practices and hospitals. At Merge eMed, Mr. Go was responsible for software development, product management, testing, system integration and technical support for all of eMed's products. From July 1986 to January 1998, Mr. Go held various development roles at Cedara Software in Toronto culminating as Director of Engineering. Cedara Software is focused on the development of custom engineered software applications and development tools for the medical imaging OEMs. At Cedara Mr. Go built the workstation program, developing multiple specialty workstations that have been adopted by a large number of OEM partners.

EXECUTIVE COMPENSATION

The following discussion covers the compensation arrangements of our current principal executive officer, our current principal financial officer and our current three other executive officers (the "Named Executive Officers') and our directors and includes a general discussion and analysis of our compensation program for our executive officers as well as a series of tables containing specific compensation information for our Named Executive Officers and directors as well as certain former executive officers. This discussion contains forward looking statements that are based upon our current executive compensation program, policies and methodologies. We may make changes in this program and these policies and methodologies in the future, and if made, we could have materially different compensation arrangements in the future

Compensation Discussion and Analysis

This Compensation Discussion and Analysis is intended to provide information about our compensation objectives, policies and practices for our Named Executive Officers. The Compensation Committee of our Board of Directors oversees and approves all compensation decisions relating to our Named Executive Officers.

While our compensation program includes short-term elements, such as annual base salary, and generally annual incentive cash bonuses, a significant aspect of our compensation program includes longer term elements such as equity-based incentive awards through grants of stock options or other stock-based awards**.** We believe that our compensation program provides an overall level of compensation that is competitive to that offered in our industry and with executives in other companies of similar size within the healthcare industry.

The Compensation Committee intends to continue its strategy of compensating executives through programs that are linked to our achievement of our business goals and objectives, including certain financial goals, such as revenue and pre-tax profitability, and individual executives are further rewarded for exceeding those goals. The Compensation Committee believes that the total compensation of executive officers should reflect their leadership abilities, initiative, the scope of their responsibilities and our success and the past and expected future contribution of each executive to that success. The Committee seeks to foster a performance-oriented environment by tying certain compensation components to the achievement of performance targets that are important to us and to our efforts to increase stockholder value. We believe that our compensation program contributes to our employees' and Named Executive Officers' incentive to execute on our goals.

Objectives of our Executive Compensation Program

The Compensation Committee strives to ensure that our executive compensation programs will enable us to attract and retain superior executive talent and motivate our executives to execute our business strategy and to assist us in achieving our short-term and long-term growth and earnings goals. The primary objectives of our executive compensation program are to:

- attract, retain and fairly compensate highly talented and experienced executives in the healthcare industry for us to achieve and expand our business goals and objectives;
- ensure executive compensation is aligned with specific performance objectives;
- promote the achievement of strategic and financial performance measures by tying cash and equity incentives to the achievement of measurable corporate and individual performance goals; and
- align executives' incentives with the creation of stockholder value.

The Compensation Committee and the Board of Directors evaluate the performance of our president/chief executive officer and rely on input from our president/chief executive officer as it relates to other senior management executives. Our goal is to compensate at levels we believe are competitive with executives in other companies of similar size within the healthcare industry.

Although the Compensation Committee did not retain a compensation consultant for 2006 it did utilize the services of Diversified Search, Inc., ("Diversified") an executive search firm for the recruitment of our president and chief executive officer and our executive vice president and chief financial officer and senior vice president of research and development. In connection with these recruitment efforts, Diversified provided the Compensation Committee with compensation comparables for all of our executive positions. In January 2007 the Compensation Committee retained the consulting firm Pearl Meyer and Partners ("Pearl Meyer") as its independent compensation consultant to review our executive compensation programs and to advise it on matters relating to chief executive officer and other executive officer compensation.

Forms of Compensation Paid to Executive Officers During 2006

During the fiscal year ending December 31, 2006 we hired an entire new executive management team and we provided these executive officers with the following forms of compensation:

- Base Salary
- Auto Allowance
- Signing Bonus
- Annual Incentive Bonus Compensation
- Equity Incentives
- Severance and Change of Control Benefits; and
- Retirement and other Employee Benefits.

Base Salary

Base salary represents amounts paid during the fiscal year to Named Executive Officers as direct guaranteed compensation under their employment agreements for their services to us. Base salaries are an important element of compensation and are used to provide a fixed amount of compensation for the executive's regular work. The base salaries of executive officers are reviewed on an annual basis, as well as at the time of a promotion or other change in responsibilities. Increases in salary are based on an evaluation of the individual's performance and level of pay compared to comparable companies pay levels for similar positions.

The effective date of merit increases typically is June 1st. of each year. Increases in base salaries are based upon individual performance. Base salary increases can also occur upon promotion.

The base salary of each of our Named Executive Officers is fixed pursuant to the terms of their respective employment agreements with us and, when a contract is up for, or otherwise considered for, renewal, may be increased upon a review of the executive's abilities, experience and performance, as well as a review of salaries for executives for comparable positions at corporations which either compete with us in its business or of comparable size and scope of operations. The recommendations to the Board of Directors by the Compensation Committee with respect to base salary are based primarily on informal judgments reasonably believed to be in our best interests. Base salaries are used to reward individual performance of each Named Executive Officer on a day-to-day basis during the year, and to encourage them to perform at their highest levels. We also use our base salary as an incentive to attract top quality executives and other management employees from other companies. Moreover, base salary (and increases to base salary) are intended to recognize the overall experience, position within our company and expected contributions of each Named Executive Officer to us and our goals.

Employment Contracts

Between May 2006 and October 2006 we hired and entered into employment contracts with our five current Named Executive Officers. We did not have employment agreements with any other executive officer during 2006. In determining base salary the Compensation Committee, utilizing information obtained from Diversified and elsewhere, utilized a number of criteria, including executives' qualifications, experience, responsibility and comparison to other companies of similar size in the healthcare industry. The material provisions of these contracts are discussed in the narrative following the Summary Compensation Table.

Auto Allowance

During 2006 and as part of their employment agreements, we agreed to pay to our Named Executive Officers an executive automobile allowance in the amount of $1,500 per month for Mr. Ferry and $1,000 per month for each of Ms. Deptula-Hicks, Mr. Barnes, Ms. Stevens and Mr. Go. The executives are responsible for paying all the expenses of maintaining, insuring and operating their automobiles. The purpose of providing the allowance is to defray the Named Executive Officer's cost of owning and operating an automobile often used for business purposes; while preventing us from having to own and maintain a fleet of automobiles and is a taxable benefit for the Named Executive Officer.

Signing Bonus

During 2006, to help attract a talented and experienced management team we offered signing bonuses to our Named Executive Officers. We agreed to pay to signing bonus in the amount of $35,000 to Mr. Ferry, and $20,000 to each of Ms. Deptula-Hicks, Mr. Barnes, Ms. Stevens and Mr. Go. All signing bonuses were paid after commencement of their employment.

Annual Incentive Bonus Compensation

We have an Executive Incentive Bonus Plan for our Named Executive Officers**.** Our Named Executive Officers each have a contractual right specified in their respective employment agreements to receive an annual cash bonus, based upon goals and objectives mutually agreed by the Board of Directors and the executive, with a minimum contractual bonus for 2006. The purpose of such cash bonuses is to provide a direct financial incentive to the Named Executive Officers to achieve the goals and objectives of our company. In 2006, the following measures were taken into consideration by the Compensation Committee in evaluating the payment of cash bonuses:

1. The strong performance of our company in the third and fourth quarters of 2006 as a direct result of the new management team;
2. Positive changes in revenue and operating income compared to prior first and second quarters of 2006;
3. Individual performance; and
4. Stock performance.

In January 2007 the Compensation Committee engaged Pearl Meyer, to provide a competitive assessment of our executive compensation program. They assessed the competitiveness of our executive compensation program utilizing a peer group of nine companies, including AFP Imaging Corporation, Amicas, Inc., Bio Imaging Technologies, Inc., Clarient, Inc., CSP, Inc., Emageon, Inc., Hologic, Inc., Tripath Imaging, Inc., and Vital Images, Inc., supplemented by three published surveys. As a result of the Pearl Meyer compensation assessment and our financial results for 2006, the Board of Directors, upon recommendation of the Compensation Committee, approved 2006 bonus payments in the amounts of $175,000 for Mr. Ferry, $35,000 for Ms. Deptula-Hicks, $90,000 for Mr. Barnes, $70,000 for Ms. Stevens and $15,000 for Mr. Go. These bonuses were in lieu of any bonuses for 2006 that the Named Executive Officer's would otherwise have been entitled to under their respective employment agreements. In addition, the amount of the incentive bonus that Ms. Stevens is eligible to receive under her employment agreement during the year ending December 31, 2007 was increased to an amount equal to 40% of her annual base salary.

Equity Incentives

The Named Executive Officers' and our other employees are eligible to receive equity incentive awards under our equity incentive plans. On occasion, we grant options outside of a formal stockholder approved plan to new employees, including new executive officers, as an inducement to their employment with us. The primary goal of the use of these incentives is to create long-term value for stockholders by providing the Named Executive Officers with an additional incentive to work towards maximizing stockholder value. The Compensation Committee views equity incentive awards as one of the more important components of our long-term, performance-based compensation philosophy. The grant of equity incentive awards to executive officers encourages equity ownership in iCAD and closely aligns the Named Executive Officers' interests to the interests of all the stockholders.

Equity awards may take the form of stock options, restricted stock, unrestricted stock, stock units including restricted stock units, performance awards and other stock-based awards. The mix of cash and equity-based awards, as well as the types of equity-based awards, granted to our Named Executive Officers may vary in the future from year to year. Consideration may be given to various factors, such as the relative merits of cash and equity as a device for retaining and motivating the Named Executive Officers, the practices of other companies, individual performance, an individual's pay relative to others, contractual commitments pursuant to employment or other agreements, and the value of already-outstanding grants of equity in determining the size and type of future equity-based awards that may be granted in the future to each Named Executive Officer.

These awards are generally provided through initial grants at or near the date of hire and through subsequent periodic grants. Equity incentive awards granted to the Named Executive Officers' and other employees in the form of stock options have exercise prices not less than the fair market value of the stock on the date of the grant or award. Equity incentive awards vest and become exercisable at such time as determined by the Compensation Committee or Board of Directors. The initial grant is designed for the level of the job that the executive holds and is designed to motivate the executive to make the kind of decisions and implement strategies and programs that will contribute to an increase in our stock price over time. Periodic additional equity incentive awards within the comparable range for the job are expected to be granted to reflect the executives' ongoing contributions to us, to create an incentive to remain in our employ and to provide a long-term incentive to achieve or exceed the our financial goals.

Severance and Change of Control Benefits

We have entered into employment agreements with each of the Named Executive Officers. Each of these agreements provides for certain payments and other benefits if the executive's employment terminates under certain circumstances, including, in the event of a "change in control". See "Executive Compensation - Narrative Disclosure to Summary Compensation Table - Employment Contracts for our Named Executive Officers" and "Severance and Change of Control Benefits" appearing after the Outstanding Equity Awards At Fiscal Year-End table for a description of the severance and change in control benefits

Retirement and Other Employee Benefits

We provide various employee benefit programs to all employees, including medical, dental, life insurance, short and long term disability and a 401k plan to which in early 2007 we added an employer matching contribution. Executives are eligible to participate in all our employee benefit programs, in each case on the same basis as other employees. In addition, we paid a $2,140 life insurance premium on behalf of Mr. Ferry during 2006.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this Proxy Statement. Based on the review and discussion, the Compensation Committee has recommended to our Board of Directors that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as amended and in this Proxy Statement.

By the Compensation Committee: Elliot Sussman, M.D. (Chairperson) and Rachel Brem, M.D

Executive Compensation Tables

The following table provides information on the compensation provided during 2006 to (i) those persons who served in the capacity as our Chief Executive Officer, (ii) those persons who served in the capacity as our Chief Financial Officer, and (iii) the three highest paid executive officers other than persons who served in the capacities as our Chief Executive Officer or Chief Financial Officer, who served in such capacity during 2006 and at the end of 2006 whose total compensation exceeded $100,000 (collectively "the Named Persons").

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary $	Bonus (1) $	Option Awards (9) $	All Other Compensation (10) $	Total $
Kenneth Ferry (4)						
President, Chief Executive Officer, Director	2006	190,385	210,000	361,536	13,563	775,484
W. Scott Parr (2)						
President, Chief Executive Officer, Director	2006	257,885	-	258,000	-	515,885
Darlene Deptula-Hicks (5)						
Executive Vice President of Finance, Chief Financial Officer	2006	58,423	55,000	90,438	3,462	207,323
Annette Heroux (3)						
Vice President of Finance, Chief Financial Officer	2006	154,904	20,000	2,623	-	177,527
Jeffrey Barnes (6)						
Senior Vice President of Sales	2006	113,846	110,000	101,682	7,385	332,913
Stacey Stevens (7)						
Senior Vice President of Marketing and Strategy	2006	90,462	90,000	83,246	5,379	269,087
Jonathan Go (8)						
Senior Vice President of Research and Development	2006	32,019	35,000	63,212	2,077	132,308

(1) The amounts include (i) signing bonuses paid to the following Named Persons under the terms of their respective employment agreements -Kenneth Ferry ($35,000), Darlene Deptula-Hicks ($20,000), Jeffrey Barnes ($20,000), Stacey Stevens ($20,000) and Jonathan Go ($20,000) and (ii) bonuses earned for 2006 and paid in 2007 that were awarded to the following Named Persons in lieu of any incentive bonus to which they were otherwise entitled to under the terms of their respective employment agreements: Kenneth Ferry ($175,000); Darlene Deptula-Hicks ($35,000), Jeffrey Barnes ($90,000), Stacey Stevens ($70,000) and Jonathan Go ($15,000).

(2) Mr. Parr resigned from the position of President and Chief Executive Officer and employee of our company in May 2006.

(3) Ms. Heroux resigned from the position of Vice President of Finance and Chief Financial Officer of our company in September 2006 although she continues to be employed by us as Vice President of Administration.

(4) Mr. Ferry joined our company on May 15, 2006.

(5) Ms. Deptula-Hicks joined our company on September 11, 2006.

(6) Mr. Barnes joined our company on May 15, 2006.

(7) Ms. Stevens joined our company on June 1, 2006.

(8) Mr. Go joined our company on October 23, 2006.

(9) The amounts included in the “Option Awards” column represent the compensation cost recognized by us in 2006 related to stock option awards granted in 2006 to our Named Executive Officers or, with respect to Mr. Parr’s options, cost recognized by us resulting from the modification of Mr. Parr’s options pursuant to his separation agreement with us, computed in accordance with Statement of Financial Accounting Standards No. 123R. For a discussion of valuation assumptions, see Note 6(b) to our consolidated financial statements included in our 2006 Annual Report.

(10) The amounts shown in the “All Other Compensation” column for Mr. Ferry consists of an automobile allowance of $11,423 and $2,140 of life insurance premiums paid by us. For the other Named Persons the amounts represent payments of an automobile allowance.

Narrative Disclosure to Summary Compensation Table

Employment Contracts for our Named Executive Officers

During 2006 we negotiated and entered into the following employment agreements with our Named Executive Officers and their compensation in part is determined based upon these employment agreements. A description of provisions of these agreements providing for certain post-termination payments upon termination of their employment are described following the “Outstanding Equity Awards At Fiscal Year-End table under the caption “Severance and Change of Control Benefits- *Termination for Cause, without Cause, or due to a Change in Control”*.

Mr. Kenneth Ferry, our President and Chief Executive Officer

We entered into an employment agreement with Mr. Ferry in April 2006 that provides for his employment as our Chief Executive Officer and President for a term commencing in May 2006 and expiring on December 31, 2008, subject to automatic one-year renewals after the expiration of the initial term under certain conditions at an annual base salary of $300,000. The agreement also provided for Mr. Ferry to receive a signing bonus of $35,000 and for his eligibility to receive during each employment year during the term of his agreement an annual incentive bonus in each calendar year of up to $100,000 (except for the 2006 fiscal year where the incentive bonus would not be less than $50,000) if we achieve goals and objectives mutually agreed upon by our Board and Mr. Ferry. Mr. Ferry is also entitled to customary benefits, including participation in employee benefit plans, and reasonable travel and entertainment expenses as well as a monthly automobile allowance.

The base salary agreed to for Mr. Ferry was $300,000, effective his date of hire of May 8, 2006. While no compensation consultant was utilized in establishing Mr. Ferry’s base salary and incentive pay, based on his past professional experience and credentials we believed that the compensation package provided to Mr. Ferry was comparable to that of chief executive officers for companies of similar size in the healthcare sector.

Ms. Darlene Deptula-Hicks, our Executive Vice President of Finance and Chief Financial Officer

We entered into an employment agreement with Ms. Deptula-Hicks in September 2006 that provides for her employment as our Executive Vice President of Finance and Chief Financial Officer for a term commencing on September 11, 2006 and expiring on December 31, 2008 subject to automatic one year renewals at the end of the initial term, subject to certain conditions, at an annual base salary of $205,000. The agreement also provided for Ms. Deptula-Hicks to receive a signing bonus of $20,000 and for her eligibility to receive during each employment year during the term of the Agreement an annual incentive bonus in each calendar year of up to $82,000 (except for the 2006 fiscal year where the incentive bonus would not be less than $27,000) if we achieve goals and objectives mutually agreed upon by the Board and Ms. Deptula-Hicks. Ms. Deptula-Hicks is also entitled to customary benefits, including participation in employee benefit plans and reasonable travel and entertainment expenses as well as a monthly automobile allowance.

The base salary agreed to for Ms. Deptula-Hicks was $205,000, effective her date of hire of September 11, 2006. While no compensation consultant was utilized in establishing Ms. Deptula-Hicks' base salary and incentive pay, based on her past professional experience and credentials we believed that the compensation package provided to Ms. Deptula-Hicks was comparable to that of chief financial officers for companies of similar size in the healthcare sector.

Mr. Jeffrey Barnes, our Senior Vice President of Sales

We entered into an employment agreement with Mr. Barnes in April 2006 that provides for his employment as our Senior Vice President of Sales for a term commencing on May 15, 2006 and expiring on December 31, 2008 subject to automatic one year renewals at the end of the initial term, subject to certain conditions, at an annual base salary of $185,000. The agreement also provided for Mr. Barnes to receive a signing bonus of $20,000 and for his eligibility to receive during each employment year during the term of the Agreement an annual incentive bonus in each calendar year of up to $74,000 (except for the 2006 fiscal year where the incentive bonus would not be less than $37,000) if we achieve goals and objectives mutually agreed upon by the Board and Mr. Barnes. Mr. Barnes is also entitled to customary benefits, including participation in employee benefit plans and reasonable travel and entertainment expenses as well as a monthly automobile allowance.

The base salary agreed to for Mr. Barnes was $185,000, effective his date of hire of May 15, 2006. While no compensation consultant was utilized in establishing Mr. Barnes base salary and incentive pay, based on his past professional experience and credentials we believed that the compensation package provided to Mr. Barnes was comparable to that of Senior Vice President of Sales for companies of similar size in the healthcare sector.

Ms. Stacey Stevens, our Senior Vice President of Marketing and Strategy

We entered into an employment agreement with Ms. Stevens in May 2006 that provides for her employment as our Vice President of Marketing and Strategy for a term commencing on June 1, 2006 and expiring on December 31, 2008 subject to automatic one year renewals at the end of the initial term, subject to certain conditions, at an annual base salary of $160,000. The agreement also provided for Ms. Stevens to receive a signing bonus of $20,000 and for her eligibility to receive during each employment year during the term of the Agreement an annual incentive bonus in each calendar year of up to $48,000 (except for the 2006 fiscal year where the incentive bonus would not be less than $24,000) if we achieve goals and objectives mutually agreed upon by the Board and Ms. Stevens. Ms. Stevens is also entitled to customary benefits, including participation in employee benefit plans and reasonable travel and entertainment expenses as well as a monthly automobile allowance.

The base salary agreed to for Ms. Stevens was $160,000, effective her date of hire of June 1, 2006. While no compensation consultant was utilized in establishing Ms. Stevens base salary and incentive pay, based on her past professional experience and credentials we believed that the compensation package provided to Ms. Stevens was comparable to that of chief marketing officers for companies of similar size in the healthcare sector.

Mr. Jonathan Go, our Senior Vice President of Research and Development

We entered into an employment agreement with Go in October 2006 that provides for his employment as our Senior Vice President of Research and Development for a term commencing on October 23, 2006 and expiring on December 31, 2008 subject to automatic one year renewals at the end of the initial term, subject to certain conditions, at an annual base salary of $185,000. The agreement also provided for Mr. Go to receive a signing bonus of $20,000 and for his eligibility to receive during each employment year during the term of the Agreement an annual incentive bonus in each calendar year of up to $74,000 (except for the 2006 fiscal year where the incentive bonus would be determined on a pro rata basis by the Company’s Board of Directors) if we achieve goals and objectives mutually agreed upon by the Board and Mr. Go. Mr. Go is also entitled to customary benefits, including participation in employee benefit plans and reasonable travel and entertainment expenses as well as a monthly automobile allowance.

The base salary agreed to for Mr. Go was $185,000, effective his date of hire of October 23, 2006. While no compensation consultant was utilized in establishing Mr. Go’s base salary and incentive pay, based on his past professional experience and credentials we believed that the compensation package provided to Mr. Go was comparable to that of Senior VP’s of Research and Development for companies of similar size in the healthcare sector.

GRANTS OF PLAN-BASED AWARDS

Name	**Grant Date**	**Estimated Future Payouts Under Non-Equity Incentive Plan Awards Target (1) ($)**	**Estimated Future Payouts Under Non-Equity Incentive Plan Awards Maximum (1) ($)**	**All Other Option Awards: Number of Securities Underlying Options (2) (#)**	**Exercise or Base Price of Option Awards ($/Sh)**
Kenneth Ferry		100,000	100,000		
	5/15/2006			800,000	1.59
Darlene Deptula-Hicks		82,000	82,000		
	9/11/2006			275,000	1.80
Jeffrey Barnes		74,000	74,000		
	5/15/2006			225,000	1.59
Stacey Stevens		64,000	64,000		
	6/1/2006			150,000	1.98
Jonathan Go		74,000	74,000		
	11/3/2006			200,000	2.27

(1) The Estimated Future Payouts under Non-Equity Incentive Plan Awards represents the eligibility of the Named Executive Officers listed in the table to receive an annual incentive bonus in each calendar year pursuant to their respective employment agreements if we achieve goals and objectives established by the Board or Compensation Committee. According to the terms of their employment agreements these Named Executive Officers are eligible to receive, for each employment year, during the term of their employment agreement the following annual incentive bonus each calendar year (i) up to $100,000 for Mr. Ferry (which represents 33% of his base salary at December 31, 2006), (ii) up to $82,000 for Ms. Deptula-Hicks (which represents 40% of her base salary at December 31, 2006), (iii) up to $74,000 for Mr. Barnes (which represents 40% of his base salary at December 31, 2006), and (iv) up to $74,000 for Mr. Go (which represents 40% of his base salary at December 31, 2006). With respect to Ms Stevens, the amount of incentive bonus that she is eligible to receive under her employment agreement was increased in January 2007 to an amount equal to 40% of her annual base salary (or a bonus of up to $64,000 based upon 4-0% of her base salary at December 31, 2006). As set forth in note (1) to the Summary compensation Table, in January 2007 the Named Executive Officers were awarded bonuses for 2006 in lieu of any contractual bonus they otherwise were entitled to receive under the terms of their respective employments agreements. Additional terms of these employment contracts are discussed in the narrative following the Summary Compensation Table, on page 21.

(2) Pursuant to their respective employment agreements and in consideration of their employment with us we granted our Named Executive officers outside of a formal stock option plan five-year non-qualified stock options to purchase the following number of shares of our common stock: Kenneth Ferry:-800,000; Darlene Deptula-Hicks-275,000; Jeffrey Barnes-225,000; Stacey Stevens-150,000 and Jonathan Go-200,000. A description of the vesting provision of these options is set forth in footnote (1) to the Outstanding Equity Awards at Fiscal Year-End table below.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information regarding stock options held by each of the Named Persons at December 31, 2006.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable		Number of Securities Underlying Unexercised Options (#) Unexercisable		Option Exercise Price ($)	Option Expiration Date
Kenneth Ferry	320,000	(1)	480,000	(1)	1.59	5/15/2011
W. Scott Parr	125,000		-		0.81	9/1/2009
	4,000		-		0.95	10/2/2011
	1,125		-		1.00	9/11/2008
	1,125		-		1.00	12/23/2008
	272,931		-		1.13	5/12/2008
	2,337		-		1.13	10/7/2009
	25,000		-		1.75	1/16/2012
	250,000		-		2.07	10/23/2008
Darlene Deptula-Hicks	55,000	(1)	220,000	(1)	1.80	9/11/2011
Annette Heroux	6,600		-		0.81	7/7/2009
	3,000		-		0.95	10/2/2011
	15,000		-		1.13	5/12/2008
	8,317		-		1.13	10/7/2009

	20,183		-		1.55	11/4/2012
	15,000		-		1.75	9/21/2010
	20,000		-		1.75	1/16/2012
	35,000		-		2.07	10/23/2008
	25,000		-		2.69	11/29/2012
-			20,000		1.54	6/26/2011
Jeffrey Barnes	90,000	(1)	135,000	(1)	1.59	5/15/2011
Stacey Stevens	60,000	(1)	90,000	(1)	1.98	6/1/2011
Jonathan Go	40,000	(1)	160,000	(1)	2.27	11/3/2011

(1) The foregoing options vest in five installments at various times between May 15, 2006 and October 23, 2009. The first installment vest on the grant date of the option, the second installment vest 6 months following the grant date and the remaining three installments vest annually on the grant date of each option. Vesting of the options accelerates as to the shares to which the options become exercisable at the latest date (to the extent any such shares remain unvested at the time), upon the closing sale price of our common stock for a period of twenty (20) consecutive trading days exceeding (i) 200% of the exercise price of the per share of the options; (ii) 300% of the exercise price per share of the options or (iv) 400% of the exercise price per share of the options.

Severance and Change of Control Benefits

As noted in the Compensation Discussion and Analysis under the subheading “Base Salary” in 2006 we entered into substantially similar employment agreements with each of our Named Executive Officers. These agreements provide for certain payments and other benefits if a Named Executive Officer’s employment with us is terminated under circumstances specified in his or her respective agreement, including a “change in control” of iCAD. A Named Executive Officer’s rights upon the termination of his or her employment will depend upon the circumstances of the termination.

Under the agreements, a Change in Control would include any of the following events:

· any “person” as defined in Sections 13(d) and 14(d) of the Exchange Act (other than (i) the executive, iCAD or its subsidiaries or affiliates or, (ii) any fiduciary holding securities under an employee benefit plan of iCAD or its subsidiaries) becomes the “beneficial owner” of 50% or more of our voting outstanding securities;

· our stockholders approve the sale of iCAD through a merger or a sale of our assets or otherwise; or

· a majority of our directors are replaced in certain circumstances during any period of twelve (12) consecutive months (but only with respect to Mr. Ferry’s agreement).

Termination by Reason of Death or Disability

The executive’s employment under the employment agreements may be terminated without breach in the event of death or disability. In the event of the termination of the executive’s employment by reason of death or disability, we shall pay the executive’s base salary though the date of termination, at the rate then in effect, and all expenses and accrued benefits arising prior to termination which are payable to the executive pursuant to his or her employment agreement through the date of termination.

Termination for Cause, without Cause, or due to a Change in Control

If a Named Executive Officer’s employment shall be terminated for “cause”, we shall pay the executive his or her base salary through the date of termination at the rate then in effect, and all expenses and accrued benefits arising prior to such termination which are payable to the executive pursuant to his or her employment agreement through the date of termination.

If a Named Executive Officer's employment shall be terminated "without cause" prior to the expiration of his or her employment agreement, we pay to the executive all expenses and accrued benefits arising prior to the date of termination and we shall continue to pay the executives base salary as then in effect for the greater of (i) the remainder of the term of the employment agreement or (ii) a period of one year from the date of termination. No later than 15 calendar days from the date that we file our Form 10-K, we are also required to pay a pro rata portion of the incentive bonus, if any, earned for that employment year through the date of termination in the discretion of the Board of Directors. Additionally, the executive shall be entitled to continue to participate in all employee benefit plans that we provide generally to our senior executives.

The following table quantifies the estimated maximum amount of payments and benefits under our employment agreements to which the Named Executive Officers would be entitled if they were terminated without cause on December 31, 2006, but not in connection with a "change in control" of iCAD.

Name	Present Value of Remaining Salary Payments ($)	Present Value of Prorata Bonus ($)	Value of Continuing Health Benefits ($)	Total Termination Benefits ($)
Kenneth Ferry	564,933	172,348	8,978	746,259
Darlene Deptula-Hicks	386,038	34,470	28,106	448,613
Jeffrey Barnes	348,375	88,636	28,106	465,117
Stacey Stevens	301,298	68,939	-	370,237
Jonathan Go	348,375	14,773	28,106	391,254

In the event a Named Executive Officers employment is terminated within six months (for Mr. Ferry, Ms. Deptula-Hicks and Mr. Go) or three months (for Mr. Barnes and Ms. Stevens) following a change in control by us without cause or by the executive for good reason, then we shall pay to the executive as severance pay and as liquidated damages an amount equal to (i) (a) his or her base salary as then in effect for the greater of (x) the remainder of the original term of the employment agreement or (y) for Mr. Ferry a period of two years from the date of termination and for all other executives a period of one year from the date of termination plus (b) an amount equal to the incentive bonus which would otherwise been payable for the employment year in which the date of termination occurs in monthly installments commencing 30 days following the date of termination or (ii) a lump sum cash payment equal to the present value of the payment otherwise due under clause (i); provided that if such severance payment, either alone or together with other payments or benefits, either cash or non-cash, that the Named Executive Officer has the right to receive from us, including, but not limited to, accelerated vesting or payment of any deferred compensation, options, stock appreciation rights or any benefits payable to the executive under any plan for the benefit of employees, which would constitute an "excess parachute payment" (as defined in Section 280G of the Internal Revenue Code of 1986), then such severance payment or other benefit shall be reduced to the largest amount that will not result in receipt by the Executive of a parachute payment.

If within six months (for Mr. Ferry, Ms. Deptula-Hicks and Mr. Go) or three months (for Mr. Barnes and Ms. Stevens) after the occurrence of a change in control, we terminate the executive's employment without cause or the executive terminates his or her employment for good reason, then notwithstanding the vesting and exercisability schedule in any stock option agreement between us and the executive, all unvested stock options shall immediately vest and become exercisable and shall remain exercisable for not less than 180 days.

The receipt of the payments and benefits to the Named Executive Officers under their employment agreements are generally conditioned upon their complying with customary non-solicitation, non-competition, confidentiality, non-interference and non-disparagement provisions. By the terms of such agreements, the executives acknowledge that a breach of some or all of the covenants described in their employment agreement will entitle us to injunctive relief restraining the commission or continuance of any such breach, in addition to any other available remedies.

The following table provides the term of such covenants following the termination of employment as it relates to each Named Executive Officer:

Covenant	**Kenneth Ferry**	**Darlene Deptula-Hicks**	**Jeffrey Barnes**	**Stacey Stevens**	**Jonathan Go**
Confidentiality	Infinite duration for trade secrets and five years otherwise	Infinite duration for trade secrets and five years otherwise	Infinite duration for trade secrets and five years otherwise	Infinite duration for trade secrets and five years otherwise	Infinite duration for trade secrets and five years otherwise
Non-solicitation	Two Years	Two Years	Two Years	Two Years	Two Years
Non-competition	Two Years	Two Years	Two Years	Two Years	Two Years
Non-interference	Two Years	Two Years	Two Years	Two Years	Two Years
Non-disparagement	Infinite duration	Infinite duration	Infinite duration	Infinite duration	Infinite duration

The following table quantifies the estimated maximum amount of payments and benefits under our employment agreements and agreements relating to awards granted under our equity incentive and stock option plans to which the Named Executive Officers would be entitled upon termination of employment if we terminated their employment without cause within three or six months following a "change in control" of iCAD that (by assumption) occurred on December 31, 2006.

Name	Present Value of Salary & Bonus Payment ($)	Value of Accelerated Vesting of Equity Awards (1) ($)	Total Termination Benefits ($)
Kenneth Ferry	729,705	217,082	946,787
Darlene Deptula-Hicks	418,992	93,777	512,769
Jeffrey Barnes	433,115	61,054	494,169
Stacey Stevens	367,206	42,503	409,709
Jonathan Go	362,499	65,074	427,573