

**iCAD, Inc.**

**AUDIT COMMITTEE CHARTER**

**Approved February 4, 2016**

**Purpose**

There shall be a committee of the Board of Directors of iCAD, Inc. (the "Company") to be known as the audit committee. The audit committee's purpose is to:

(A) oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company; and

(B) prepare an audit committee report as required by the Securities and Exchange Commission's ("SEC") rules to be included in the Company's annual proxy statement, or, if the Company does not file a proxy statement, in the Company's annual report filed on Form 10-K with the SEC.

**Composition**

The audit committee shall have at least three (3) members, each of whom must meet the following conditions: (i) be independent as defined under Marketplace Rule 5605(a)(2) of the Nasdaq Stock Market, or any successor rule; (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended, or any successor rule (subject to the exemptions provided in Rule 10A-3(c) or any successor rule); (iii) not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years; and (iv) be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. Any non-independent director serving on the audit committee pursuant to the "exceptional and limited circumstances" exception available under the Nasdaq Marketplace Rules may not serve on the audit committee for more than two (2) years; and provided, further, that such non-independent director may not be permitted to serve as chairperson of the audit committee. Additionally, at least one member of the audit committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

The Board of Directors of the Company shall elect or appoint a chairperson of the audit committee (or, if it does not do so, the audit committee members shall elect a chairperson by vote of a majority of the full committee); the chairperson will have authority to act on behalf of the audit committee between meetings as will any member of the audit committee to whom any duty or responsibility is delegated by the Chairman or by a majority of the members of the committee. An audit committee member may be removed by the Board of Directors at any time in its discretion, whereupon the resulting vacancy may be filled by the Board of Directors upon recommendation of the Nominating and Corporate Governance Committee. A majority of the total number of audit committee members then in office shall constitute a quorum for the transaction of committee business and all matters to be decided by the audit committee shall be decided by the affirmative vote of a majority of the members present in person or by proxy at a duly called meeting of the audit committee.

### **Specific Responsibilities and Authority**

The specific responsibilities and authority of the audit committee shall be as follows:

(A) be directly responsible for the appointment, compensation, retention, termination (if necessary) and oversight of the work of any registered public accounting firm engaged (including review of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and each such registered public accounting firm must report directly to the audit committee.

(B) establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submissions by Company employees of concerns regarding questionable accounting or auditing matters;

(C) engage independent counsel and other advisers, as it determines necessary to carry out its duties;

(D) receive appropriate funding from the Company, as determined by the audit committee in its capacity as a committee of the Board of Directors, for payment of: (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (ii) compensation to any advisers employed by the audit committee; and (iii) ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties;

(E) ensure its receipt from the Company's outside auditors of a formal written statement delineating all relationships between the auditor and the Company, consistent with the rules of the Public Company Accounting Oversight Board, and actively engaging in a dialogue with the auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and for taking, or recommending that the full Board of Directors take, appropriate action to oversee the independence of the outside auditor;

(F) review and reassess the adequacy of the audit committee's charter annually;

(G) comply with all pre-approval requirements of Section 10A(i) of the Securities Exchange Act of 1934 and all SEC rules relating to the administration by the audit committee of the auditor engagement to the extent necessary to maintain the independence of the auditor as set forth in 17 CFR Part 210.2-01(c)(7);

(H) review and approve in advance any transactions between the Company and any related person that are required to be disclosed pursuant to SEC Regulation S-K, item 404 and any successor rule ("Item 404") and review other related person transactions for potential conflicts of interest. The terms "related person" and "transaction" shall have the meanings given to such terms in Item 404, as may be amended from time to time. The audit committee shall approve only those related person transactions that are determined to be in, or not inconsistent with, the best interests of the Company and its stockholders, taking into account all available facts and circumstances as the audit committee determines in good faith to be necessary in accordance with principles of Delaware law generally applicable to directors of a Delaware corporation. No member of the audit committee shall participate in any review, consideration or approval of any related person transaction with respect to which the member or any of his or her immediate family members has an interest. In reviewing and approving such transactions, the audit committee shall obtain, or shall direct management to obtain on its behalf, all information that the audit committee believes to be relevant and important to a review of the transaction prior to its approval. Following receipt of the necessary information, a discussion shall be held of the relevant factors if deemed to be necessary by the audit committee prior to approval. If a discussion is not deemed to be necessary, approval may be given by written consent of the audit committee. This approval authority may also be delegated to the chairperson of the audit committee in some circumstances. No related person transaction shall be entered into prior to the completion of these procedures;

(I) oversee the Company's processes and systems for risk management pertaining to its business;

(J) make such other recommendations to the Board of Directors on such matters, within the scope of its function, as may come to its attention and which in its discretion warrant consideration by the Board;

(K) review with management and the outside auditors the Company's annual financial statements and Form 10-K prior to the filing of the Form 10-K or prior to the release of earnings, including a discussion with the independent auditor of the matters required to be discussed under the applicable Statements of Auditing Standards ("SAS");

(L) review with management and the outside auditors each Form 10-Q prior to its filing or prior to the release of earnings, including a discussion with the independent auditor of the matters required to be discussed under SAS. The chairperson of the audit committee may represent the entire audit committee for purposes of this review; and

(M) ensure and oversee timely reports from the independent auditor to the audit committee of (i) all critical accounting policies and practices; (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor; and (iii) other material written communications between the independent auditor and the management of the Company, such as any management letter or schedule of unadjusted differences.

#### **Meetings**

The audit committee shall meet at least four times per year, or more frequently as circumstances require. Meetings may be conducted in whole or in part by telephone conference call or similar means if it is impracticable to obtain the personal presence of each audit committee member. The Company shall make available to the audit committee, at its meetings and otherwise, such individuals and entities as may be designated from time to time by the audit committee, such as members of management including (but not limited to) the internal audit and accounting staff, the independent auditors, inside and outside counsel, and other individuals or entities (whether or not employed by the Company and including any corporate governance employees and individuals or entities performing internal audit or other services as independent contractors).

#### **Delegation**

Any duties and responsibilities of the audit committee, including, but not limited to, the authority to pre-approve all audit and permitted non-audit services, may be delegated to one or more members of the audit committee or a subcommittee of the audit committee.

#### **Limitations**

The audit committee is responsible for the duties and responsibilities set forth in this charter, but its role is oversight and therefore it is not responsible for either the preparation of the Company's financial statements or the auditing of the Company's financial statements. The members of the audit committee are not employees of the Company and may not be accountants or auditors by profession or experts in accounting or auditing. Management of the Company has the responsibility for preparing the financial statements and implementing internal controls over financial reporting and the independent auditors have the responsibility for auditing the financial statements and monitoring the effectiveness of the internal controls, subject, in each case, to the oversight of the audit committee described in this charter. The review of the financial statements by the audit committee is not of the same character or quality as the audit performed by the independent auditors. The oversight exercised by the audit committee is not a guarantee that the financial statements will be free from mistake or fraud. In carrying out its responsibilities, the audit committee believes its policies and procedures should remain flexible in order to best react to a changing environment.

## **Operating Policies**

1. The audit committee shall keep the minutes of all audit committee meetings (designating in its discretion an individual to record the minutes) and approve the minutes by subsequent action. The audit committee shall make the approved minutes of the audit committee meetings available to the full Board of Directors for review.
2. The audit committee shall determine its rules of procedure in accordance with the Company's principles of corporate governance and its Bylaws.
3. At each regular meeting of the Board of Directors held following an audit committee meeting, the audit committee shall report to the Board of Directors regarding the actions, activities and findings of the audit committee since the last Board of Directors meeting, as well as any recommendations for action by the Board of Directors, when appropriate.