

ICAD INC  
Form 10-K/A  
April 30, 2019

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

**FORM 10-K/A**  
**(Amendment No. 1)**

**(Mark One)**

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

**For the fiscal year ended December 31, 2018**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-9341**

**iCAD, INC.**

**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction**  
**of incorporation or organization)**

**02-0377419**  
**(I.R.S. Employer**  
**Identification No.)**

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

**03062**

**(Address of principal executive offices)**

**(Zip Code)**

**Registrant's telephone number, including area code: (603) 882-5200**

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

<b>Title of Class</b>	<b>Name of each exchange on which registered</b>
<b>Common Stock, \$.01 par value</b>	<b>The NASDAQ Stock Market LLC</b>

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

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes    No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes    No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing price for the registrant's Common Stock on June 30, 2018 was \$42,671,764. Shares of voting stock held by each officer and director and by each person who, as of June 30, 2018, may be deemed to have beneficially owned more than 10% of the outstanding voting stock have been excluded. This determination of affiliate status for purposes of this calculation is not necessarily a conclusive determination of affiliate status for any other purpose.

As of April 23, 2019, the registrant had 17,365,992 shares of Common Stock outstanding.

Documents Incorporated by Reference: None

**EXPLANATORY NOTE**

This Amendment No. 1 on Form 10-K/A (the Amendment ) amends the Annual Report on Form 10-K of iCAD, Inc. for the fiscal year ended December 31, 2018, originally filed with the Securities and Exchange Commission ( SEC ) on March 29, 2019 (the Original Filing ). We are filing this Amendment to include the information required by and not included in Part III of the Original Filing because we no longer intend to file our definitive proxy statement within 120 days of the end of our 2018 fiscal year. In connection with the filing of this Amendment and pursuant to the rules of the SEC, we are including with this Amendment certain new certifications by our principal executive officer and principal financial officer. Accordingly, Item 15 of Part IV has also been amended to reflect the filing of these new certifications.

Except as described above, no other changes have been made to the Original Filing. The Original Filing, as amended, continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events which occurred at a subsequent date, other than as expressly indicated in this Amendment. In this Amendment, unless the context indicates otherwise, the terms Company , iCAD , we , us , our , or similar pronouns refer to iCAD, Inc. and its subsidiaries. Other defined terms used in this Amendment but not defined herein shall have the meaning specified for such terms in the Original Filing.

**PART III****Item 10. Directors, Executive Officers and Corporate Governance.**

The following information includes information that our directors and executive officer have given us about their age; their positions held, principal occupation and business experience for the past five years; and other publicly-held companies at which they serve or have served as a director during the past five years.

The specific experience, qualifications, attributes and skills listed below for each director led our Board to the conclusion that such individuals should serve on the Board. This conclusion is also based on the Board's belief that each of our directors has a reputation for integrity, honesty and adherence to high ethical standards, and has demonstrated business acumen, an ability to exercise sound judgment, and commitment to iCAD and our Board.

There are no family relationships among any of the directors or executive officers of iCAD.

<b>Name</b>	<b>Age</b>	<b>Principal Occupation or Employment</b>	<b>Director/Officer Since</b>
Michael Klein	64	Chief Executive Officer, Chairman of the Board, and Director	2018
Dr. Rakesh Patel	45	Director	2018
Andy Sassine	54	Director	2015
Dr. Susan Wood	56	Director	2018

<b>Name</b>	<b>Age</b>	<b>Principal Occupation or Employment</b>	<b>Director/Officer Since</b>
R. Scott Areglado	55	Interim Chief Financial Officer, Vice President and Corporate Controller	2018
Jonathan Go	55	Chief Technology Officer	2019
Stacey Stevens	48	President	2006

*Mr. Michael Klein* has served as the Chief Executive Officer at Inflection Point Consulting, an executive coaching and consulting firm with a focus on medical technology, biopharma and healthcare services, since December 2014. Prior to that, he was the Chief Executive Officer at US HIFU, LLC (f/k/a SonaCare Medical, LLC), a global leader in minimally invasive high intensity focused ultrasound technologies, from December 2011 to November 2014. From April 2011 to December 2011, Mr. Klein was the President of the Civco Radiation Oncology Division within Roper Industries, a diversified industrial company that produces engineered products for global niche markets. He was President and Chief Executive Officer of Xoft, Inc., a medical device company, a position he held from December 2004 until the sale of Xoft to the Company in December 2010. Prior to joining Xoft, from 2000 to 2004, Mr. Klein served as Chairman, President and Chief Executive Officer of R2 Technology, Inc., a breast and lung cancer computer aided detection company. Mr. Klein received a Bachelor of Arts degree from the University at Albany, SUNY. Mr. Klein also received his MBA from the New York Institute of Technology and completed his post-graduate Executive Education Studies at Harvard University and Babson College. We believe Mr. Klein's qualifications to serve on our Board of Directors include his significant experience as an executive in the healthcare industry, his understanding of our products and markets and his previous tenure on our board.

*Dr. Rakesh Patel* has served as medical director of Radiation Oncology and Chair of the Multi-Disciplinary Breast Care Program at Good Samaritan Hospital since July 2013. In addition, he has served as co-founder of the TME Breast Care Network, a high-end physician peer-to-peer knowledge-sharing, research, education and consulting company, since January 2013. Dr. Patel has also served as Chief Executive Officer of Precision Cancer Specialists Medical Group, an organization whose core mission is to improve quality and access to advanced, targeted radiation therapy, since December 2016. He previously served on the board of directors of Radion, Inc., a company that improved quality of access for patients and doctors with an innovative e-collaboration platform, the assets of which were acquired by the Company in July 2014. Prior to that, Dr. Patel was the founder and served on the board of directors of BrachySolutions, Inc. (acquired by Radion Inc.), a telehealth company focused on improving quality and access to advanced brachytherapy globally via custom e-learning modules. He holds a Bachelor of Science degree from the University of Notre Dame and an M.D. from Indiana University School of Medicine. Dr. Patel completed his radiation oncology residency at the University of Wisconsin-Madison. We believe Dr. Patel's qualifications to serve on our Board of Directors include his expertise in the medical field as well as his understanding of our products and markets.

*Mr. Andy Sassine* currently serves as a director and Chief Financial Officer of Arcturus Therapeutics, Ltd.. Mr. Sassine also serves on the board of directors of Gemphire Therapeutics, Inc., a NASDAQ traded, clinical-stage biopharma focused on developing and commercializing therapies for Dyslipidemia and NASH. Mr. Sassine served in various positions at Fidelity Investments from 1999 to 2012, rising to the position of Portfolio Manager. Prior to joining Fidelity, he served as a vice president in the Acquisition Finance Group at Fleet National Bank. Mr. Sassine previously served on the boards of MYnd Analytics, Inc., Acorn Energy, Freedom Meditech, Inc., and MD Revolution. Mr. Sassine was a member of the Henry B. Tippie College of Business, University of Iowa Board of Advisors from 2009 to 2018 and served on the Board of Trustees at the Clarke Schools for Hearing and Speech from 2009 to 2014. Mr. Sassine holds a Bachelor of Arts degree from the University of Iowa and an MBA from the Wharton School at the University of Pennsylvania. We believe Mr. Sassine's extensive knowledge and experience as a fund manager and board member of other similarly-sized companies qualifies him to serve as a member of our Board of Directors.

*Dr. Susan Wood* has served as the President and Chief Executive Officer of Vida Diagnostics, Inc., a leader in precision imaging and AI for pulmonary medicine, since September 2009. From July 2005 to December 2008, she held the position of Executive Vice President of Marketing and Technology for Vital Images, Inc., an innovative software company specializing in cardiovascular applications for advanced analysis software. Dr. Wood holds multiple patents in the field of computer-aided detection and quantitative imaging; has authored numerous book chapters, peer-reviewed papers, abstracts, and has served as an invited speaker at numerous conferences in the area of three-dimensional imaging of the thorax, quantitative imaging and computer-aided detection. She holds a Bachelor of Science in Engineering from the University of Maryland, College Park and a Master of Science in Biomedical Engineering from Duke University. Dr. Wood also holds a Ph.D. from the Johns Hopkins Medical Institutions, School of Hygiene and Public Health. We believe Dr. Wood's qualifications to serve on our Board of Directors include her expertise in the medical field her prior business experience in the medical field and her knowledge of our markets.

*Mr. R. Scott Areglado* is the Company's Interim Chief Financial Officer. From May 2011 until December 2018, Mr. Areglado served as Company's Vice President and Corporate Controller, and from September to November 2016, he served as interim Chief Financial Officer. From 2005 to 2010, Mr. Areglado served as Vice President and Controller at AMICAS, Inc., a NASDAQ-listed image and information management solutions company serving the healthcare industry, where he led financial statement preparation and accounting operations for the company. Mr. Areglado has more than 25 years of experience in finance and accounting and was a licensed Certified Public Accountant from 1990 to 2007. Mr. Areglado received an MBA degree from the Franklin W. Olin Graduate School of Business at Babson College and a Bachelor of Business Administration degree in Accounting from the University of Massachusetts, Amherst.

*Mr. Jonathan Go* is the Company's Chief Technology Officer. Mr. Go brings more than twenty five years of software development experience in the medical industry to iCAD. Prior to joining iCAD, 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. Before joining Merge eMed, Mr. Go was

Director of Engineering at Cedara Software in Toronto. Cedara Software is focused on the development of custom engineered software applications and development tools for 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. Mr. Go earned a Bachelor of Science in Electrical Engineering from the University of Michigan and a Masters of Science in Electrical Engineering and Biomedical Engineering from the University of Michigan.

*Ms. Stacey Stevens* has served as the Company's President since March 2019. From February 2016 to March 2019, Ms. Stevens served as the Company's Executive Vice President, Chief Strategy and Commercial Officer, and from June 2006 to February 2016, she served as the Company's Senior Vice President of Marketing and Strategy. Prior to joining iCAD, Ms. Stevens held a number 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 to June 2006, she was Vice President, Marketing Planning at Philips Medical Systems, where she was responsible for the leadership of all global marketing planning functions for Philips' 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 of Philips America's Field Operations. Prior to that, Ms. Stevens held several key marketing management positions in the Ultrasound Business Unit of Hewlett-Packard/Agilent and Philips Medical Systems. Ms. Stevens earned a Bachelor of Arts Degree in Political Science from the University of New Hampshire, and an MBA from Boston University's Graduate School of Management.

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

Section 16(a) of the Exchange Act requires certain of our officers and our directors, and persons who own more than 10 percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors, and greater than 10 percent stockholders are required by SEC regulation to furnish 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, 2018, other than as set forth below, all filing requirements applicable to all of our officers, directors, and greater than 10% beneficial stockholders were timely complied with.

The following filers submitted Form 3s one day late: Michael Klein, Rakesh Patel and Susan Alyson Wood.

The following filers submitted Form 4s two days late in connection with awards of restricted stock: Richard Christopher, Kenneth Ferry and Stacey Stevens.

The following filers submitted Form 4s one day late in connection with their acquisition of Debentures: Rachel Brem, Richard Christopher, Michael Klein, Rakesh Patel, Andy Sassine, Stacey Stevens and Susan Alyson Wood.

### **Code of Ethics**

We have adopted a comprehensive Code of Business Conduct and Ethics that covers all of our employees. Copies of the Code of Business Conduct and Ethics can be obtained, without charge, upon written request addressed to:

iCAD, Inc.

98 Spit Brook Road, Suite 100

Nashua, NH 03062

Attention: Corporate Secretary

### **Audit Committee and Audit Committee Financial Expert**

Our Board of Directors maintains an Audit Committee which is composed of Dr. Patel, Dr. Wood and Mr. Sassine, who serves as its chairman. Our Board has determined that each member of the Audit Committee meets the definition of an Independent Director under the applicable listing rules of the Nasdaq and the rules and regulations of the SEC. The Board has also determined that Mr. Sassine qualifies as an audit committee financial expert under the rules and regulations of the SEC.

### **Item 11. Executive Compensation.** **Summary Compensation Table**

The following table sets forth summary information relating to all compensation awarded to, earned by or paid to our named executive officers for services rendered during the fiscal years noted below.



## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary \$	Stock Awards (1) \$	Option Awards (2) \$	Non-Equity Incentive Plan		All Other Compensation \$	Total \$
					(3) \$	(3) \$		
<b>Michael Klein</b>								
Chief Executive Officer	2018	14,423		1,617,848			1,236	1,633,507
<b>Stacey Stevens</b>								
President	2018	305,000	95,150				32,600	432,750
	2017	283,000	134,750			48,110	32,400	498,260
	2016	283,000	173,250			101,800	29,030	587,080
<b>Richard Christopher (4)</b>								
Former Chief Financial Officer	2018	295,000	86,500				32,208	413,708
	2017	285,000	179,666			48,250	31,977	544,893
	2016	16,442	175,000			7,892	1,246	200,580
<b>Kenneth Ferry (5)</b>								
Former Chief Executive Officer	2018	470,000	207,600				61,547	739,147
	2017	455,000	269,500			106,356	72,784	903,640
	2016	455,000	346,500			225,225	64,087	1,090,812

- (1) The amounts included in the Stock Awards column represent the grant date fair value of the restricted stock awards granted to the named executive officers, computed in accordance with ASC Topic 718. For a discussion of valuation assumptions, see Note 6 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.
- (2) The amounts included in the Option Awards column represent the grant date fair value of the stock option awards granted to the named executive officers, computed in accordance with ASC Topic 718. For a discussion of valuation assumptions, see Note 6 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.
- (3) The 2018 non-equity incentive compensation targets were based on achieving certain revenue, adjusted EBITDA, and cash position goals. In March 2019, the Board reviewed the Company's actual performance relative to our goals and determined that these goals had not been met. Accordingly, the Board determined that there would not be any bonus payout under the 2018 non-equity incentive compensation plan.
- (4) Mr. Christopher resigned from his position as Chief Financial Officer effective January 11, 2019. On December 27, 2018, the Company appointed R. Scott Areglado as Interim Chief Financial Officer.
- (5) Mr. Ferry retired from his position as Chief Executive Officer on November 7, 2018.

**Narrative Disclosure to Summary Compensation Table***Executive Compensation Philosophy and Objectives*

The Compensation Committee's executive compensation objectives are to attract and retain highly qualified individuals with a demonstrated record of achievement; reward past performance; provide incentives for future performance; and align the interests of the named executive officers with the interests of the stockholders. In order to accomplish this we offer a competitive total compensation package that consists of base salary; annual non-equity incentive compensation opportunities; long-term incentives in the form of equity awards; and employee benefits.



The Compensation Committee believes that compensation for the named executive officers should be based on our performance. Therefore, for current officers the Compensation Committee has developed variable compensation packages based largely on Company financial performance. The Compensation Committee also considers our industry and geographic location norms in determining the various elements and amounts of compensation for our named executive officers.

*Elements of Executive Compensation*

The Compensation Committee establishes a total targeted cash compensation amount for each named executive officer, which includes base salary and non-equity incentive compensation. This is intended to incentivize named executive officers to achieve the targeted financial results for our business and to compensate them appropriately if they successfully achieved such performance. The elements of our executive compensation program are designed to deliver both year-to-year and long-term stockholder value increases. A portion of the executives' compensation is at-risk, and equity-based compensation includes a mix of incentives that vest subject to time or a combination of Company performance and time, tying the executive to both our short-term and long-term success.

The Compensation Committee also considers each named executive officer's current salary and prior-year incentive compensation along with the appropriate balance between long-term and short-term incentives.

Our executive compensation program consists of the following annual elements:

<b>Element</b>	<b>Description</b>
Base Salary	Fixed annual cash amount to attract and retain top talent
Annual Cash Bonus	At-risk variable incentive compensation to reward for achievement of goals set by the Board
Long-Term Incentive Awards	Equity-based compensation that supports retention, incentivizes performance and promotes stockholder alignment
Select Benefits and Perquisites	Benefits such as health insurance, 401(k) and automobile allowances to remain competitive in our industry

*Key Compensation Governance Attributes*

The following are best practices of our executive compensation program:

<b>What We Do</b>	<b>What We Don't Do</b>
Consult an independent compensation consultant	× No tax gross-up provisions
Conduct an annual risk assessment of our pay practices	× No guaranteed salary increases or bonuses
	× No excessive perquisites to NEOs

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Solicit shareholder input and incorporate feedback into decision-making process

× No pension plans or other post-employment benefit plans

Use a double-trigger for accelerated equity vesting upon change in control for current named executive officers

× No severance multipliers in excess of 2x pay

Clawback policy for executive officers

× No hedging or pledging of Company stock

Stock ownership guidelines for executive officers and non-employee directors

× No option repricing without stockholder approval, or option backdating

*How We Determine NEO Compensation*

*Role of the Compensation Committee.* All compensation for our named executive officers is reviewed and recommended to the Board by the Compensation Committee, which is composed only of independent directors. The Compensation Committee is responsible for reviewing the performance and establishing the total compensation of our named executive officers on an annual basis. The Compensation Committee discusses compensation matters as part of regularly scheduled meetings.

*Role of our CEO.* Our Chief Executive Officer annually makes recommendations to the Compensation Committee regarding base salary, non-equity incentive plan compensation and equity awards for himself and the other named executive officers. Such recommendations are considered by the Compensation Committee; however, the Compensation Committee retains full discretion and authority over the final compensation decisions for the named executive officers, subject to approval by the Board.

*Role of our Independent Compensation Consultant.* The Compensation Committee has the authority to engage independent compensation consultants. The Compensation Committee has in the past, and may in the future, directly commission compensation studies from such consultants to provide benchmark and other data to be used by the Compensation Committee in determining the compensation and benefits for the named executive officers.

During 2018, the Compensation Committee engaged Pearl Meyer & Partners ( Pearl Meyer ), an independent compensation consultant, for general executive compensation support. In preparation for 2018 executive compensation determinations, Pearl Meyer updated the group of peer companies used to benchmark executive compensation and identify market pay practices. Pearl Meyer developed the peer group so that the group, in aggregate, reflected the Company's industry, size (revenue and market capitalization) and operating profile (margins and employee base). Pearl Meyer also assisted with benchmarking non-employee director compensation, planning for our stock pool refresh proposal, and developing and enhancing our proxy disclosures.

**2018 Director Compensation Table\*****DIRECTOR COMPENSATION**

Name (2)		Fees Earned or	Option	Stock	Total
		Paid in	Awards (1)	Awards (2)	
		Cash			
		(\$)	(\$)	(\$)	(\$)
Dr. Rakesh Patel	(3)		12,024		12,024
Andrew Sassine	(4)		30,978	21,750	52,729
Susan Wood	(3)		12,636		12,636
Dr. Lawrence Howard	(5)		52,500	13,000	65,500
Dr. Rachel Brem	(4)		42,175	13,000	55,175
Anthony Ecock	(5)		37,500	13,000	50,500
Dr. Robert Goodman	(5)		26,249	13,000	39,249
Steven Rappaport	(5)		43,125	13,000	56,125
Somu Subramaniam	(5)		33,125	13,000	46,125
Dr. Elliot Sussman	(5)		43,125	13,000	56,125

1) The amounts included in the Option Awards column represents the grant date fair value of the stock option awards to directors, computed in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions, see Note 6 to our Consolidated financial statements on Form 10-K for the fiscal year ended December 31, 2018.

Directors may elect to elect to receive their annual retainers in the form of quarterly stock options in lieu of cash (the Quarterly Stock Options ). The Quarterly Stock Options are vested upon grant. For all directors other than Mr. Klein, Dr. Patel, Mr. Sassine, Dr. Wood and Ms. Brem, represents Quarterly Stock Options only.

2) The amounts included in the Stock Awards column represents the grant date fair value of the restricted stock awards to directors, computed in accordance with FASB ASC Topic 718. For a discussion of valuation assumptions, see Note 6 to our Consolidated financial statements on Form 10K. Shares granted to directors in 2018 vested on the anniversary of the grant date.

As of the date of this Amendment, all shares of restricted stock awarded in 2018 shown above have vested.

3) Represents (i) an inaugural grant for service on the Board, which vests quarterly over a one year period commencing on the grant date, and (ii) Quarterly Stock Options.

4) Represents (i) an annual award for continuing service on the Board and (ii) Quarterly Stock Options.

5) Each of these individuals has resigned from the Board. Mr. Ecock, Mr. Subramaniam, Dr. Sussman and Dr. Goodman resigned from the Board on October 15, 2018. Mr. Rappaport and Dr. Howard resigned from the Board on October 26, 2018. Ms. Brem resigned from the Board on January 7, 2019.

\* Information with respect to the compensation of Michael Klein, an employee director, is set forth above in the Summary Compensation Table.

**Narrative to Director Compensation Table**

Compensation of directors is determined by the Board in conjunction with recommendations made by the Compensation Committee. The Board has approved a compensation structure for non-employee directors consisting of a cash retainer, an annual equity award and an additional cash retainer for Board members serving on a committee. Employee directors are not compensated for their services as directors.

For fiscal 2018, annual cash compensation for non-employee directors was \$35,000 and \$65,000 for the chairman of the board. Additional retainers for each non-employee director who served on one or more board committees in 2018 were as follows:

	<b>Member</b>	<b>Chair</b>
<b>Audit Committee</b>	\$ 7,500	\$ 15,000
<b>Compensation Committee</b>	\$ 5,000	\$ 10,000
<b>Nominating and Governance Committee</b>	\$ 2,500	\$ 5,000

Directors can elect to receive their quarterly board compensation in cash, or in the form of (i) restricted stock based on the cash equivalent of the closing price of the Company's common stock on the last trading day of each quarter, or (ii) stock options, with an exercise price based on the closing price of the Company's common stock on the last trading day of each quarter. The number of shares subject to such stock options is determined based on a Black-Scholes valuation.

Such restricted stock is fully vested and such stock options are fully exercisable at the time of grant. For 2018, all directors elected to receive their compensation in the form of stock options.

In November 2018, the Company updated the equity compensation components of its non-employee director compensation program. Newly appointed non-employee directors receive a one-time initial award of stock options to purchase 40,000 shares of our common stock, which vest in four equal quarterly installments through the first anniversary of the date of grant. Continuing directors receive an annual award of stock options to purchase 20,000 shares of our common stock, which also vest in four equal quarterly installments through the first anniversary of the date of grant.

#### **Outstanding Equity Awards at December 31, 2018**

The following table sets forth information regarding unexercised options and unvested stock awards outstanding at December 31, 2018 for each of our named and former executive officers.



Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares of Restricted Stock That Have Not Vested (#) (2)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (3)
Michael Klein		559,809	2.89	11/16/2028		
Stacey Stevens	10,000		5.10	7/8/2021	12,500	46,250
	6,667		2.90	2/7/2022	27,500	101,750
	40,000		2.27	9/25/2022	29,167	107,918
	20,000		6.68	6/19/2024		
	25,000 <sup>(1)</sup>		9.00	2/5/2025		
Kenneth Ferry <sup>(4)</sup>	60,000		5.75	3/29/2021	50,000	185,000
	60,000		5.10	7/8/2021	60,000	222,000
	40,000		2.90	2/7/2022	58,333	215,832
	60,444		2.27	9/25/2022		
	60,000		6.68	6/19/2024		
	40,000		9.00	2/5/2025		
Richard Christopher <sup>(5)</sup>					16,666	61,664
					25,000	92,500
					38,889	143,889

- (1) The options vest 1/12th per quarter (46,651 shares per quarter) in the first year and 1/6th per quarter (93,302 shares per quarter) in the second year commencing on the Date of Grant.
- (2) Represents outstanding and unvested awards of time-vested restricted stock at December 31, 2018. All unvested restricted stock awards set forth in this column vest in three equal annual installments with the first installment vesting on the first anniversary of the date of grant.

The Company has deferred settlement of certain of Ms. Stevens' restricted shares that vested in 2019 until the earlier of (i) the date on which the Company pays Ms. Stevens an annual cash bonus for the 2018 fiscal year and (ii) December 31, 2019.

- (3) Calculated by multiplying the closing price per share of the Company's Common Stock on December 31, 2018, \$3.70, by the number of shares subject to the award.
- (4) Mr. Ferry retired from his position as Chief Executive Officer on November 7, 2018.
- (5) Mr. Christopher resigned from his position as Chief Financial Officer effective January 11, 2019.

Employment Agreements and Severance and Change in Control Agreements

**Mr. Michael Klein**

On November 19, 2018 the Company entered into an employment agreement with Mr. Klein to serve as Executive Chairman and Interim CEO of the Company for a term of two years ending on the earlier termination of the agreement or December 31, 2020. On December 12, 2018, the Company amended the employment agreement to change his title from Interim Chief Executive Officer to Chief Executive Officer. Mr. Klein's compensation consists of an annual base salary of \$150,000, a target annual incentive bonus of 50% of his base salary if the Company achieves goals and objectives determined by the Compensation Committee.



Mr. Klein is also entitled to customary benefits, including participation in employee benefit plans as well as a monthly automobile allowance. Mr. Klein's employment agreement provides that if his employment is terminated without cause or if he terminates his employment for good reason (as such terms are defined in Mr. Klein's employment agreement), in each case while he serves as CEO, then: (i) he will continue to receive an amount equal to his base salary for the 12 month periods from the date of his termination; (ii) he will receive the pro rata portion of any incentive bonus, if any, earned for the fiscal year of his termination; and (iii) he will receive reimbursement of monthly premiums for continued health benefits for 18 months. If the aggregate amount of payments under (i) and (ii) are less than \$250,000, then Mr. Klein shall be entitled to \$250,000.

In the event that within 12 months of a change in control, if Mr. Klein's employment is terminated by the Company without cause or he terminates his employment for good reason, in each case while he serves as CEO, then (i) he will continue to receive an amount equal to his base salary for the period of 24 months from the date of his termination; (ii) he will receive the pro rata portion of any incentive bonus, if any, earned for the fiscal year of his termination, and (iii) all unvested stock options and other equity awards granted by the Company shall immediately vest and become exercisable and shall remain exercisable for not less than 180 days thereafter.

**Ms. Stacey Stevens**

On June 25, 2008, we entered into an employment agreement with Ms. Stevens, which provides for h