



# 2003 Senior Management Compensation Survey

Attached are the results of the 2003 River Cities Capital Funds Senior Management Compensation Survey. Twenty-four private growth companies representative of River Cities' balanced portfolio, diversified across the IT-enabled business services, technology and healthcare sectors, participated in this year's survey. Firms provided data on compensation components – cash and stock – for senior management. Data was collected between May and June of 2003, with compensation, company head count and trailing twelve months (TTM) revenue noted as close to March 2003 as possible.

This report provides a numeric summary of the data collected, combined with a graphical summary of key variables and trends. Basic statistical analysis showed that the trends were not as pronounced in the data set as one might have expected, most likely due to the natural variance observed in early stage portfolio companies. The analysis did show the following trends:

- 1) As the size of the companies (as measured by head count and TTM revenues) increased, CEO compensation increased.
- 2) As CEO ownership percentage increased, the level of cash compensation decreased.
- 3) As the size of the companies (as measured by head count and TTM revenues) increased, the aggregate salary of the senior management team increased.

The salary survey data is illustrated in the five attached exhibits. Each of the graphical exhibits (2 to 5) presents the raw data observed, accompanied by a calculated trend line<sup>1</sup>.

- 1) **Exhibit 1 – Numeric Summary.** This matrix shows the average compensation for each of the nine standard management positions, broken down by cash and ownership components. Additionally, for each of the compensation components of each of the management positions, the matrix includes the range and number of observations. A key at the bottom of the page describes the data layout.
- 2) **Exhibit 2 – “CEO Compensation versus Company Head Count” Graph.** These two graphs show the CEO Base Salary component and the CEO Total Cash Compensation as a function of Company Head Count. *Analysis showed a very weak correlation in the data set to support the hypothesis that salary and compensation increase for companies of larger size.*
- 3) **Exhibit 3 – “CEO Compensation versus Company TTM Revenue” Graph.** These two graphs show the CEO Base Salary component and the CEO Total Cash Compensation as a function of Company TTM Revenue. *Analysis showed a very weak correlation in the data set to support the hypothesis that salary and compensation increase for companies with higher revenues.*
- 4) **Exhibit 4 – “CEO Compensation versus Ownership Percentage” Graph.** These two graphs show the CEO Base Salary component and the CEO Total Cash Compensation as a function of Ownership Percentage. *Analysis showed a very weak correlation in the data set to support the hypothesis that salary and compensation decrease for CEOs with higher ownership percentages.*
- 5) **Exhibit 5 – “Senior Management Compensation versus Company Head Count” Graph.** These two graphs show the Senior Management Team Base Salary component and the Senior Management Team Total Cash Compensation as a function of Company Head Count. *Analysis showed a weak correlation in the data set to support the hypothesis that salary and compensation increase for senior management teams at companies of larger size.*

For further information about this report, please contact Sid D'Souza of River Cities Capital Funds at (513) 621-9700 or [sdsouza@rccf.com](mailto:sdsouza@rccf.com); the report can be accessed online from the “Downloads” section of the River Cities Capital Funds website, <http://www.rccf.com>

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<sup>1</sup> An exponential curve trend line was fit to each data set using the Least Squares Method. Correlation was described by R-squared values: very weak (0.01-0.2), weak (0.21-0.4), good (0.41-0.6), strong (0.61-0.8) and very strong (0.81-1.0).



# 2003 River Cities Capital Funds Senior Management Compensation Survey -- Graphical Analysis

Exhibit 2

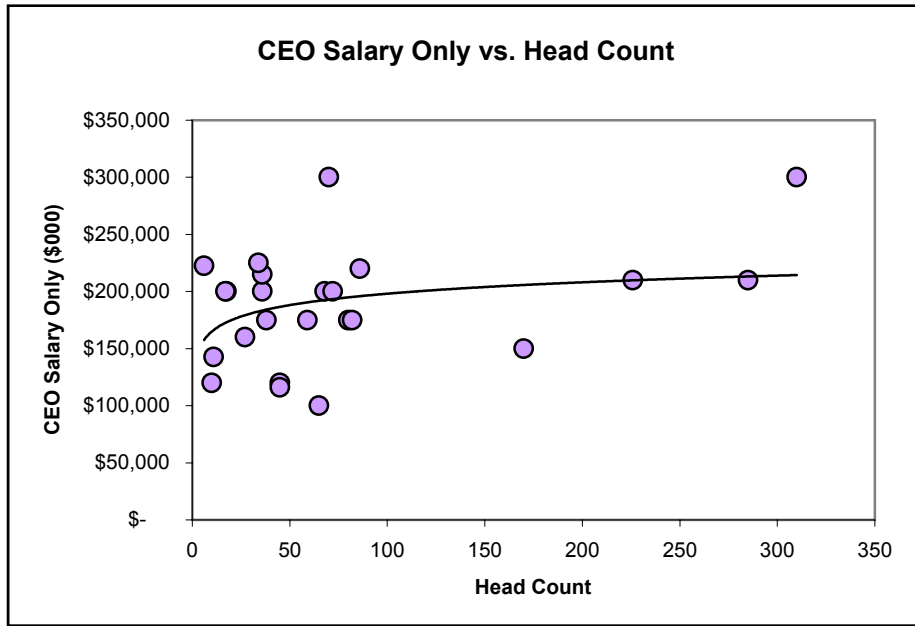
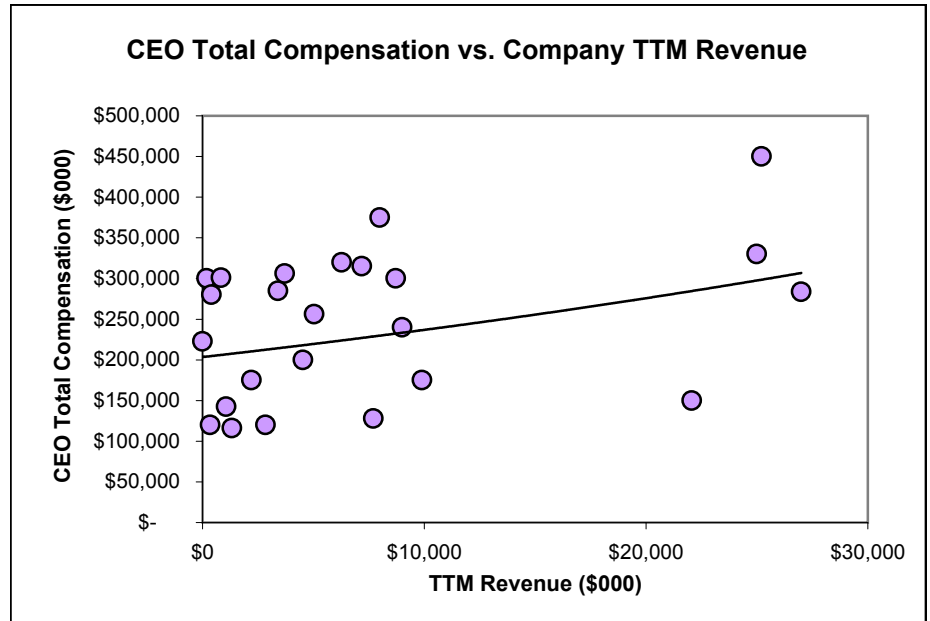
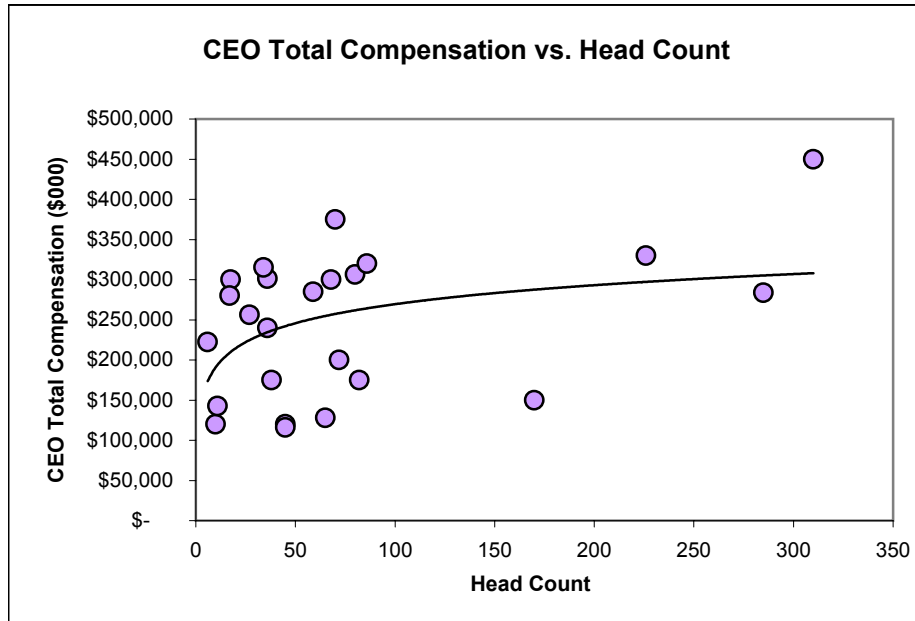
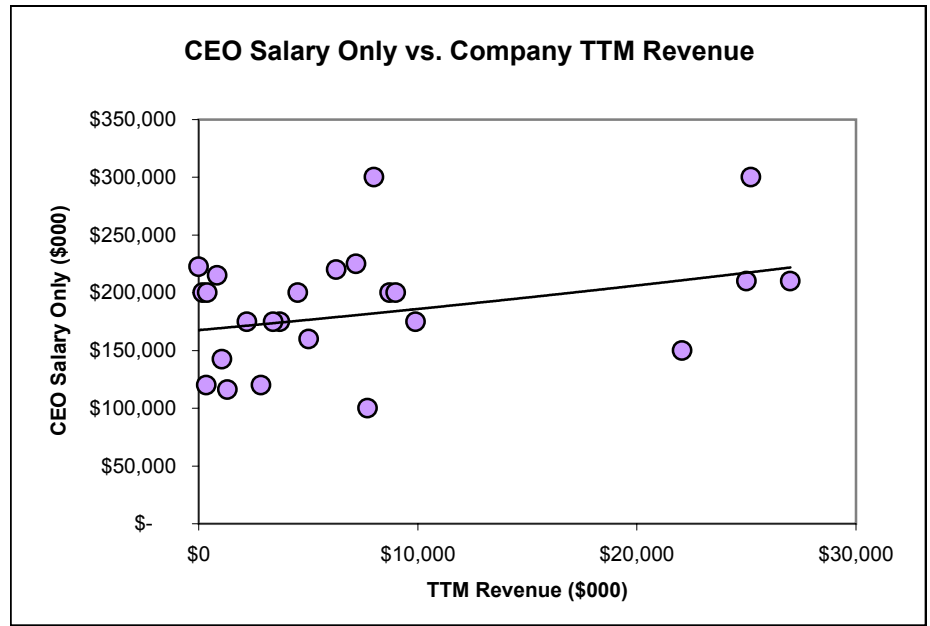


Exhibit 3



# 2003 River Cities Capital Funds Senior Management Compensation Survey -- Graphical Analysis

Exhibit 4

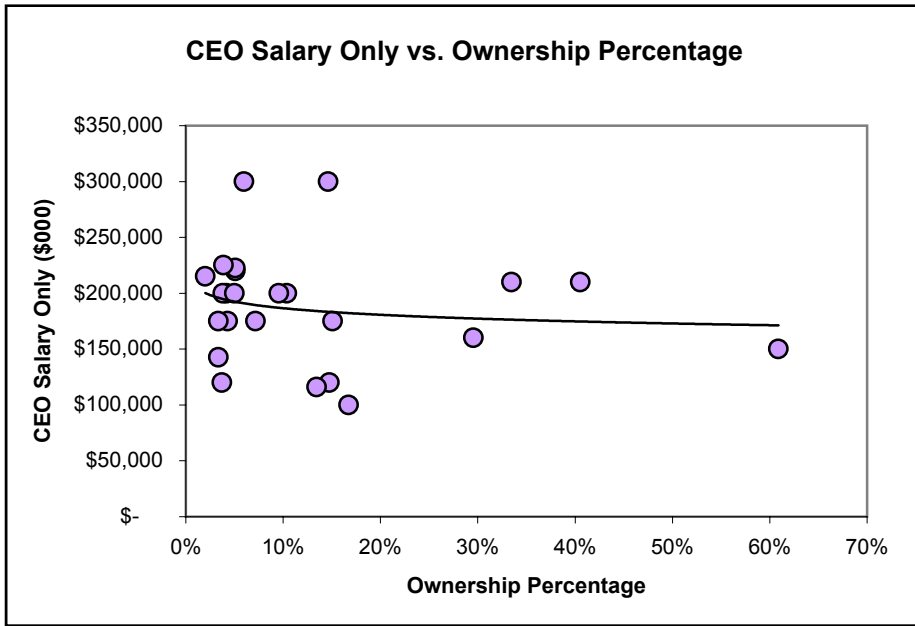


Exhibit 5

