

2009 Senior Management Compensation Survey

Attached are the results of the 2009 River Cities Capital Funds Senior Management Compensation Survey. Thirty-one private growth companies from the IT and healthcare sectors participated in this year's survey. Firms provided data on compensation components – cash and stock – for senior management and independent directors. In addition, data was collected with respect to D&O insurance and audit expenses.

Data was collected between April-May 2010, with compensation, company head count and trailing twelve months (TTM) revenue noted as close to December 2009 as possible. The survey data is illustrated in the seven attached exhibits.

- 1) **Exhibit 1 Numeric Summary**. Here are just a few interesting observations from the Summary:
 - a) On average, CEOs have a base salary of \$251K, target bonus of \$130K and 3.1% in options (or 25% of all options granted).
 - b) Bonuses and commissions provided an average of 22% leverage over base salaries, against a target of 34% leverage at 100% bonus and commission.
 - c) On average, the VP of sales had the most leverage at 51%, followed by the COO and CEO at 33% and 25% respectively.
 - d) On average, option pools accounted for 10% of fully-diluted ownership.
- 2) **Exhibit 2 "CEO Compensation versus Company Head Count" Graphs**. The analysis shows that CEOs who manage more people tend to receive more salary, but not dramatically so. The correlation was very weak when CEO total compensation was compared with the head count.
- 3) **Exhibit 3 "CEO Compensation versus Company TTM Revenue" Graphs.** The analysis shows that CEOs who run companies with more revenue tend to receive more compensation, but similar to the comparison to head count, the relationship is weak.
- 4) **Exhibit 4 "CEO Compensation versus Option Ownership Percentage" Graphs**. The analysis shows a weak relationship between CEO's compensation and their option ownership.
- 5) **Exhibit 5 "Senior Management Compensation versus Company Head Count" Graphs**. The analysis shows that large companies (measured by head count) tend to receive higher compensation for the management teams taken as a whole.
- 6) **Exhibit 6 "D&O Coverage and D&O Premium" Graphs**. The analysis shows a strong relationship between size of D&O Coverage and the D&O Annual Premium with few variances. The most popular coverage amount is \$3 MM, with 10 companies choosing that amount. The analysis also shows companies with higher TTM Revenue have slightly higher coverage and premiums.
- 7) **Exhibit 7 "Audit Fees" Graphs**. The analysis shows that companies with higher revenue and head count tend to have higher Audit Fees.

Out of the eighteen companies with independent directors, seven compensate with options only; five compensate with both cash and options; and six compensate with cash only. The average option and cash compensation were at 0.7% (options on a fully diluted basis) and \$19K per director per year, respectively. For further information about this report, please contact Parag Rathi; more detailed analysis is available for interested managers.

	2009 River Cities Capital Funds Senior Management Compensation Survey Numeric Summary							Exhibit 1
Title	Annual Salary	Bonus @ 100% of Goal *	Commission @ 100% of Goal *	Total Cash @ 100% of Goal *	Total Actual Cash Comp.	Percent of Option Pool**	Option Ownership**	Full Ownership^
Chairman/CEO	\$251,469	\$129,687	\$0	\$356,055	\$313,557	25.08%	3.10%	8.01%
	\$125,000 \$425,000	\$45,000 \$425,000	\$0 \$0	\$150,000 \$850,000	\$142,000 \$553,560	2.79% 60.60%	0.17% 6.74%	1.25% 30.42%
COO/President	\$209,561	\$95,259	\$0	\$304,820	\$278,289	12.66%	1.82%	3.74%
	\$150,000 \$357,000	\$45,000 \$178,500	\$0 \$0	\$200,000 \$535,500	\$181,500 \$450,713	4.85% 27.27%	0.70% 3.21%	0.70% 12.37%
CFO	\$171,905	\$60,337	\$0	\$222,588	\$199,566	7.30%	0.95%	1.31%
	\$106,000 \$250,000	\$20,000 \$125,000	\$0 \$0	\$118,602 \$375,000	\$110,000 \$328,556	2.87% 15.68%	0.30% 1.72%	0.26% 3.37%
Controller	\$105,370 \$37,895 \$152,250	\$21,776 \$7,000 \$40,000	\$80,000 \$80,000 \$80,000	\$124,167 \$37,895 \$182,700	\$111,888 \$40,972 \$169,384	3.24% 0.06% 20.43%	0.35% 0.01% 2.58%	0.40% 0.01% 2.58%
сто	\$171,210	\$53,045	\$0	\$212,467	\$197,716	12.36%	0.95%	5.89%
	\$114,400 \$225,000	\$11,440 \$112,500	\$0 \$0	\$125,840 \$337,500	\$125,400 \$311,897	3.02% 30.42%	0.25% 1.90%	1.10% 30.42%
VP Development	\$155,344	\$48,857	\$50,000	\$188,832	\$173,571	5.91%	0.82%	0.94%
	\$33,385 \$201,000	\$10,800 \$80,000	\$50,000 \$50,000	\$44,185 \$250,000	\$40,385 \$236,112	0.83% 20.43%	0.17% 2.58%	0.18% 2.58%
VP Bus Dev	\$186,047	\$55,334	\$85,313	\$241,958	\$212,023	5.98%	1.06%	1.86%
	\$113,750 \$413,100	\$20,000 \$100,000	\$40,000 \$171,250	\$113,750 \$584,350	\$140,000 \$449,985	1.12% 13.70%	0.07% 2.45%	0.53% 9.51%
VP Marketing	\$154,010	\$43,493	\$36,438	\$196,327	\$183,550	4.06%	0.49%	0.73%
	\$90,000 \$200,000	\$14,000 \$100,000	\$21,875 \$51,000	\$110,400 \$300,000	\$92,000 \$286,897	0.66% 15.89%	0.10% 1.47%	0.01% 3.20%
VP Sales	\$165,931	\$59,171	\$127,117	\$259,075	\$250,030	6.56%	0.94%	1.00%
	\$100,000 \$225,000	\$10,000 \$110,000	\$11,691 \$285,000	\$118,000 \$477,500	\$121,691 \$458,090	1.37% 16.04%	0.31% 2.23%	0.31% 2.23%
Totals	\$1,570,848	\$566,957	\$378,867	\$2,106,290	\$1,920,189	83.16%	10.49%	23.88%
	31 Companies Participating			34.1% Target Leverage Over Base				•
	\$19,091	\$0	\$0	\$19,091		5.60%	0.71%	0.00%
Directors	\$5,000 \$75,000	\$0 \$0	\$0 \$0	\$5,000 \$75,000		1.22% 18.60%	0.02% 1.60%	0.00%

^{*} Note: Bonus and Commission averages were computed only across those companies identifying bonus or commission, and therefore reflect the averages only in cases where they were awarded. Therefore, in most cases, average Annual Salary, Bonus and Commission will not sum to average Total Cash Compensation.

KEY:

No. of Observations

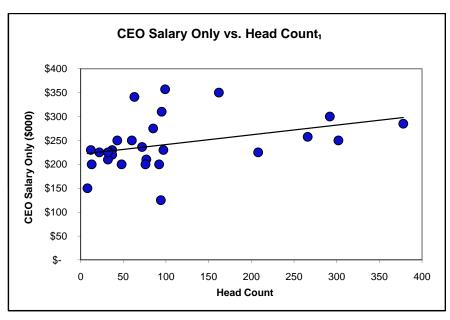
Title/Position

Average Val Min Val Max Val

^{**} Note: Percent of Option Pool measures the portion of the option pool allocated to the title. The corresponding total provides a measure of the concentration of the option pool within the senior management. Option Ownership is on a fully diluted basis.

[^] Full Ownership is Option Ownership plus Stock Ownership outside of the option pool.

Exhibit 2a Exhibit 3a



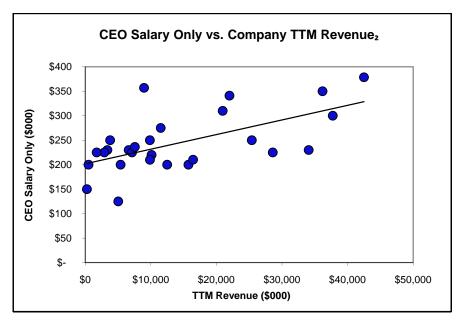
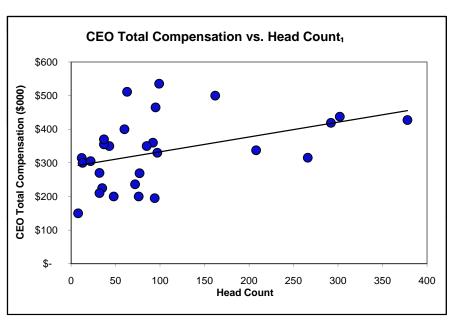
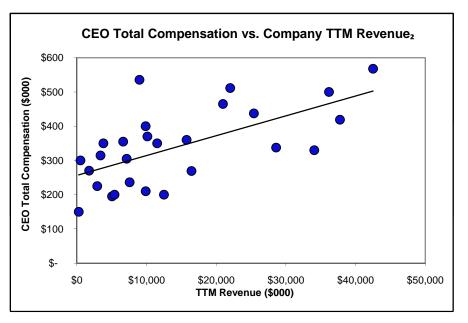


Exhibit 2b Exhibit 3b

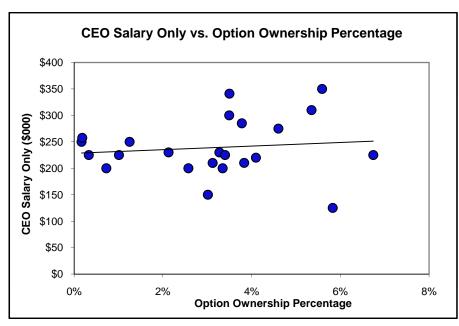




¹ Three Companies with head count in excess of 500 have been excluded.

₂ Four Companies with TTM Revenue in excess of \$50 MM have been excluded.

Exhibit 4a Exhibit 5a



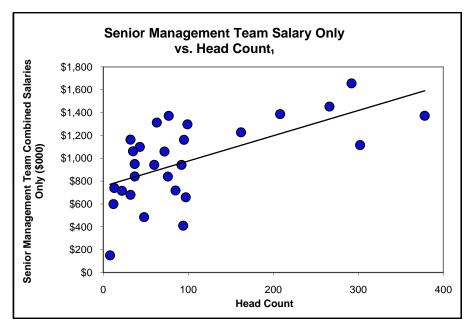
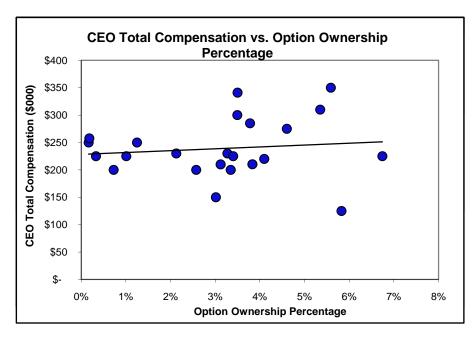
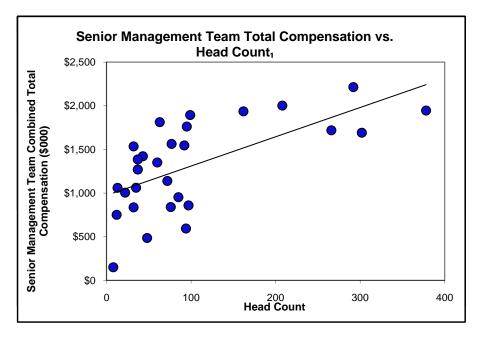


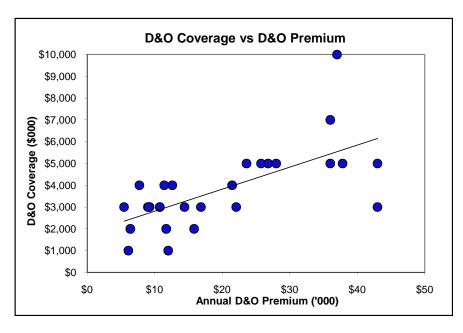
Exhibit 4b Exhibit 5b





₁ Three Companies with head count in excess of 500 have been excluded.

Exhibit 6a Exhibit 6c



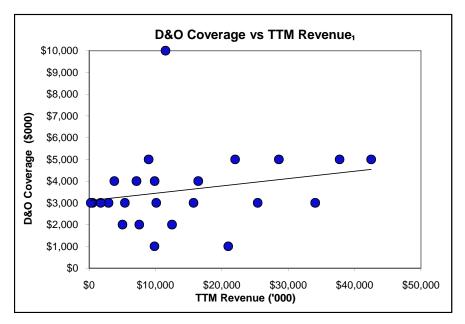
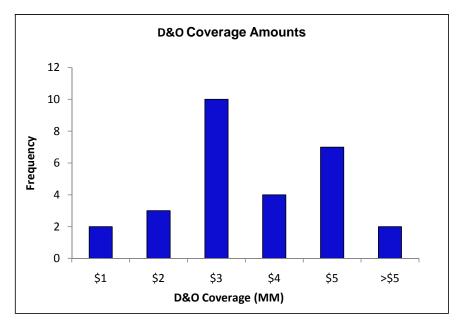
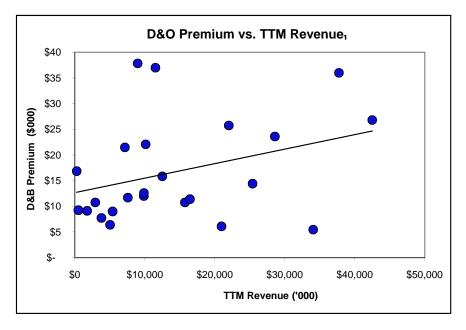


Exhibit 6b Exhibit 6d





₁ Four Companies with TTM Revenue in excess of \$50 MM have been excluded.

Exhibit 7a

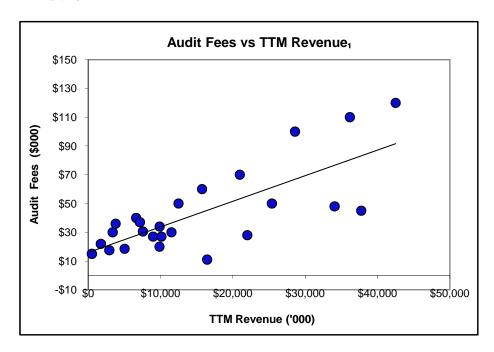
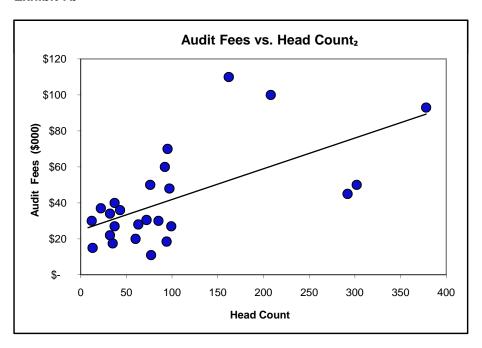


Exhibit 7b



- ₁ Four Companies with TTM Revenue in excess of \$50 MM have been excluded.
- $_{\mbox{\tiny 2}}$ Three Companies with head count in excess of 500 have been excluded.