



2010 Senior Management Compensation Survey

Attached are the results of the 2010 River Cities Capital Funds Senior Management Compensation Survey. Twenty five 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 May-June 2011, with compensation, company head count and trailing twelve months (TTM) revenue noted as close to December 2010 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 \$248K, target bonus of \$132K and 3.3% in options (or 28% of all options granted).
 - b) Actual bonuses and commissions paid provided an average of 22% leverage over base salaries, against a target of 38% leverage at 100% bonus and commission.
 - c) On average, the VP of sales had the most leverage over base salaries at 43%, followed by the COO and CEO at 30% and 24% respectively.
 - d) On average, option pools accounted for 10% of fully-diluted ownership for the senior management.
- 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.
- 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 that CEO's with less compensation tend to receive more options, but the relationship was very weak.
- 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. Further the analysis did not show any meaningful relationship between senior management salary (per senior executive) and the size of the respective company. (measured by head count)
- 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 sixteen companies with independent directors, eight compensate with options only; four compensate with both cash and options; and four compensate with cash only. The average option and cash compensation were at 0.5% (options on a fully diluted basis) and \$15K per director per year, respectively. For further information about this report, please contact Parag Rathi; more detailed analysis is available for interested managers.

2010 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	\$247,837 ²³ \$125,000 \$389,916	\$131,600 ²⁰ \$45,000 \$225,000	\$0 ⁰ \$0 \$0	\$362,272 ²³ \$195,000 \$584,874	\$307,067 ²³ \$177,500 \$565,379	27.82% ¹⁶ 0.87% 54.55%	3.30% ¹⁶ 0.13% 5.83%	8.08% ²⁴ 0.13% 31.24%
COO/President	\$218,686 ¹⁵ \$155,860 \$482,000	\$102,969 ¹⁵ \$38,965 \$225,000	\$150,000 ¹ \$150,000 \$150,000	\$331,655 ¹⁵ \$194,825 \$698,000	\$284,468 ¹⁵ \$185,000 \$575,713	11.32% ⁹ 1.00% 27.27%	1.44% ⁹ 0.15% 2.91%	4.53% ¹⁴ 0.15% 12.54%
CFO	\$168,006 ¹⁷ \$110,000 \$248,420	\$76,976 ¹³ \$30,000 \$200,000	\$0 ⁰ \$0 \$0	\$226,870 ¹⁷ \$130,000 \$400,000	\$202,397 ¹⁷ \$130,000 \$321,438	7.94% ¹⁴ 1.18% 17.81%	0.97% ¹⁴ 0.18% 1.79%	1.08% ¹⁵ 0.18% 1.87%
Controller	\$103,892 ¹⁵ \$37,895 \$143,000	\$20,166 ¹¹ \$2,500 \$43,750	\$0 ⁰ \$0 \$0	\$118,681 ¹⁵ \$40,395 \$178,750	\$112,795 ¹⁵ \$40,395 \$189,475	3.19% ¹¹ 0.12% 10.38%	0.27% ¹¹ 0.02% 0.97%	0.47% ¹² 0.02% 2.20%
CTO	\$166,389 ⁸ \$78,947 \$254,000	\$54,310 ⁷ \$11,783 \$134,620	\$0 ⁰ \$0 \$0	\$213,910 ⁸ \$102,631 \$388,620	\$187,007 ⁸ \$90,789 \$317,500	5.24% ⁵ 1.32% 12.00%	0.68% ⁵ 0.12% 1.18%	6.04% ⁶ 0.12% 31.24%
VP Development	\$157,588 ¹² \$120,000 \$186,060	\$50,619 ⁸ \$20,000 \$100,000	\$45,000 ² \$40,000 \$50,000	\$198,835 ¹² \$150,000 \$256,500	\$184,261 ¹² \$120,000 \$282,760	6.88% ¹⁰ 1.53% 15.23%	0.87% ¹⁰ 0.22% 2.29%	0.96% ¹² 0.22% 2.29%
VP Bus Dev	\$188,616 ¹⁰ \$125,000 \$413,100	\$59,153 ⁵ \$37,013 \$90,000	\$107,083 ³ \$50,000 \$171,250	\$250,318 ¹⁰ \$125,000 \$584,350	\$230,457 ¹⁰ \$135,000 \$504,098	4.77% ⁷ 0.61% 10.00%	0.63% ⁷ 0.05% 1.21%	1.96% ⁸ 0.09% 7.28%
VP Marketing	\$152,861 ¹¹ \$90,000 \$280,410	\$55,380 ⁹ \$12,000 \$210,308	\$36,500 ² \$22,000 \$51,000	\$204,808 ¹¹ \$108,000 \$490,718	\$173,766 ¹¹ \$95,000 \$362,051	5.76% ⁹ 0.49% 14.62%	0.53% ⁹ 0.05% 1.00%	0.58% ⁹ 0.05% 1.30%
VP Sales	\$169,908 ¹⁸ \$100,000 \$233,450	\$51,447 ⁹ \$20,000 \$90,000	\$108,222 ¹¹ \$39,115 \$200,000	\$261,768 ¹⁸ \$128,000 \$350,000	\$242,388 ¹⁸ \$128,000 \$572,877	8.97% ¹⁶ 1.98% 22.84%	1.01% ¹⁶ 0.30% 3.16%	1.12% ¹⁷ 0.34% 3.16%
Totals	\$1,573,784	\$602,620	\$446,806	\$2,169,115	\$1,924,606	81.88%	9.70%	24.82%
25 Companies Participating								
37.8% Leverage Over Base @ 100% of Goal								
Independent Directors	\$15,188 ⁸ \$7,500 \$20,000	\$0 ⁰ \$0 \$0	\$0 ⁰ \$0 \$0	\$15,188 ⁸ \$7,500 \$20,000	\$15,188 ⁸ \$7,500 \$20,000	NA ^{NA} NA NA	NA ^{NA} NA NA	0.52% ¹² 0.02% 1.90%

* 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.

** 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.

KEY:

No. of Observations
 Title/Position Average Val
 Min Val Max Val

Exhibit 2a

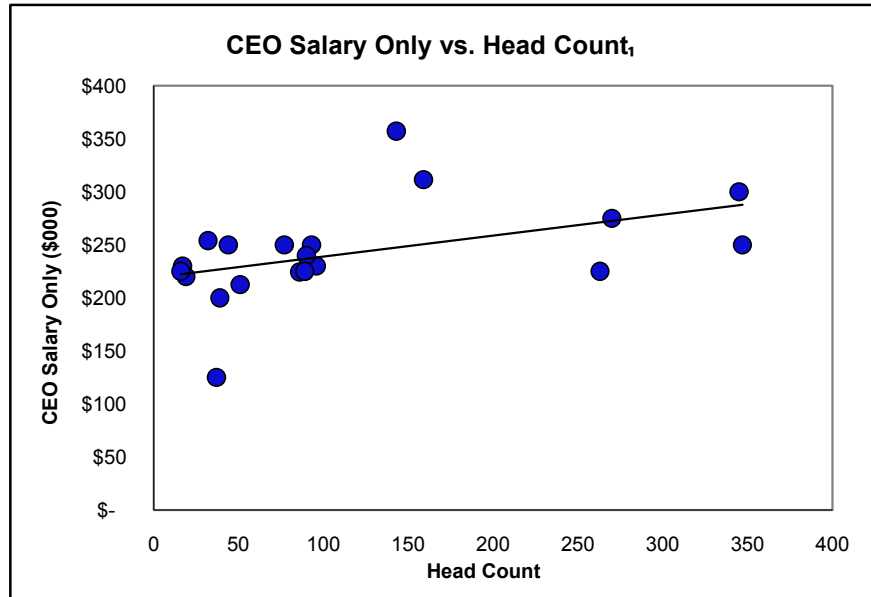


Exhibit 3a

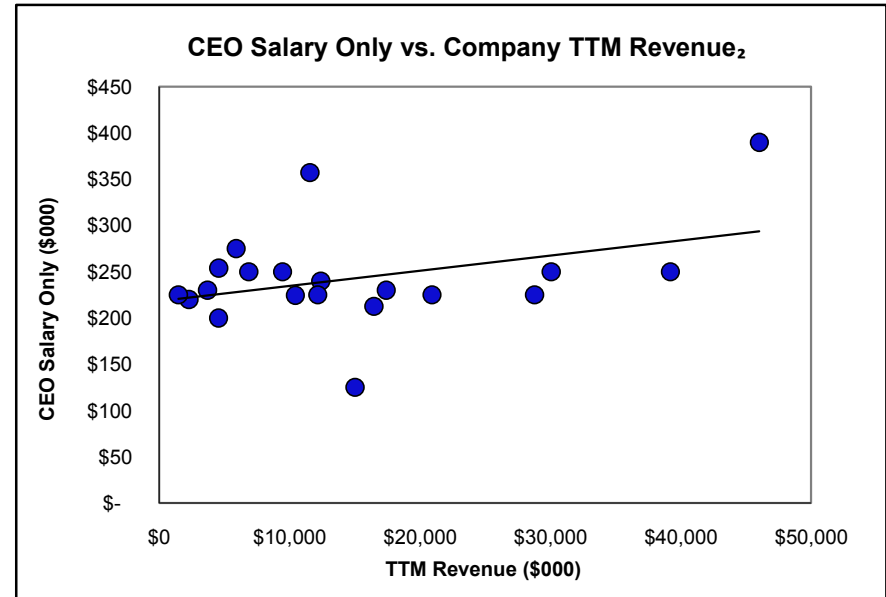


Exhibit 2b

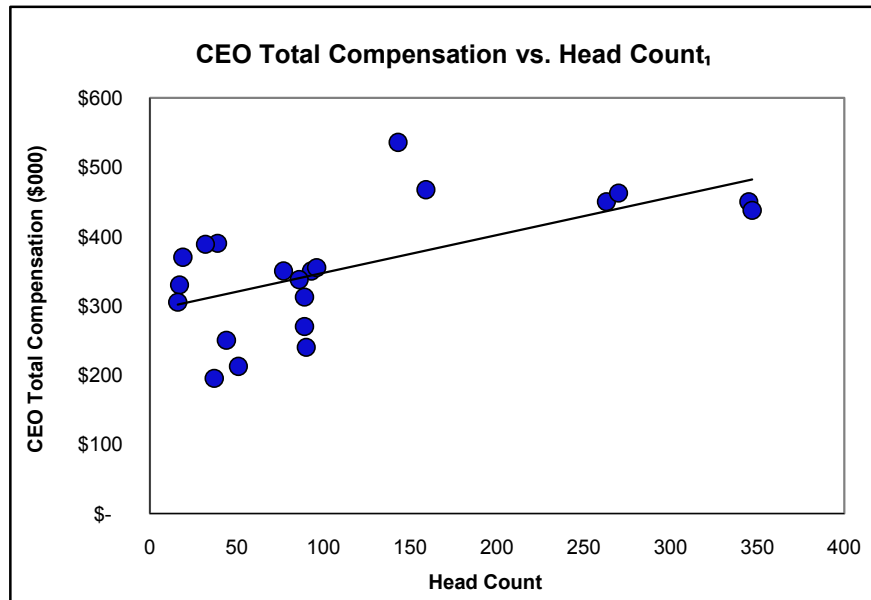
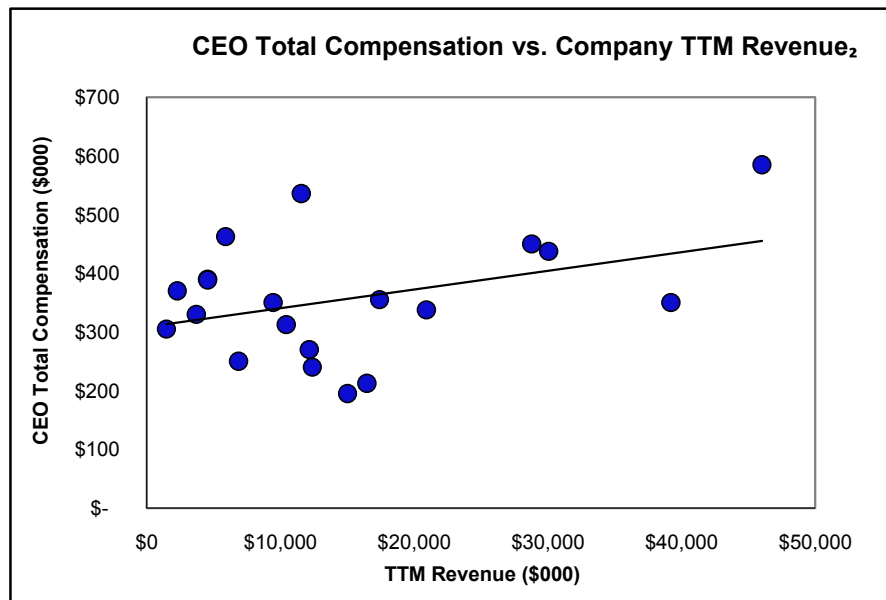


Exhibit 3b



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

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

Exhibit 4a

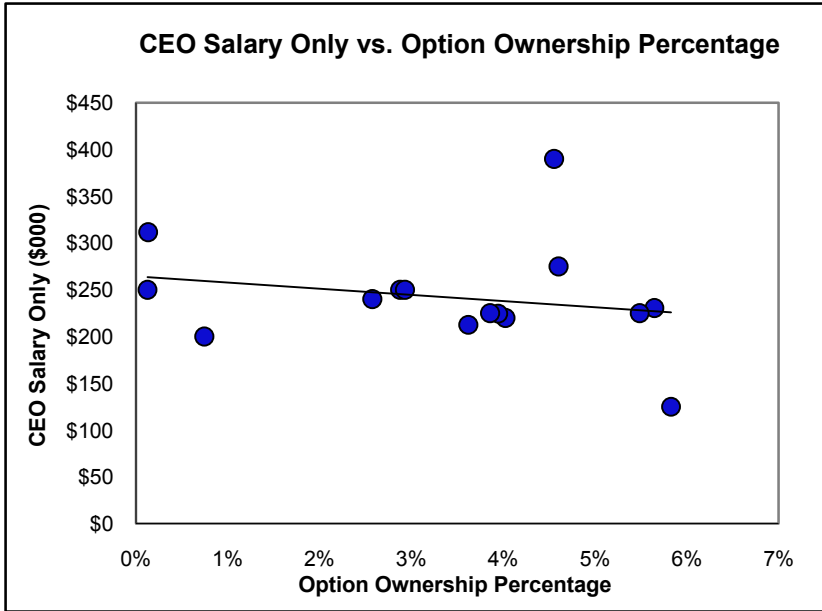


Exhibit 5a

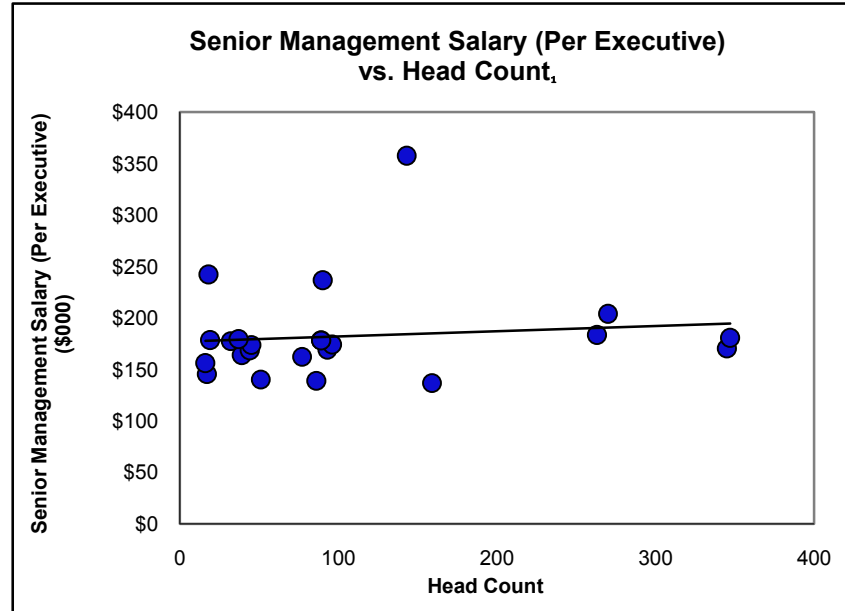


Exhibit 4b

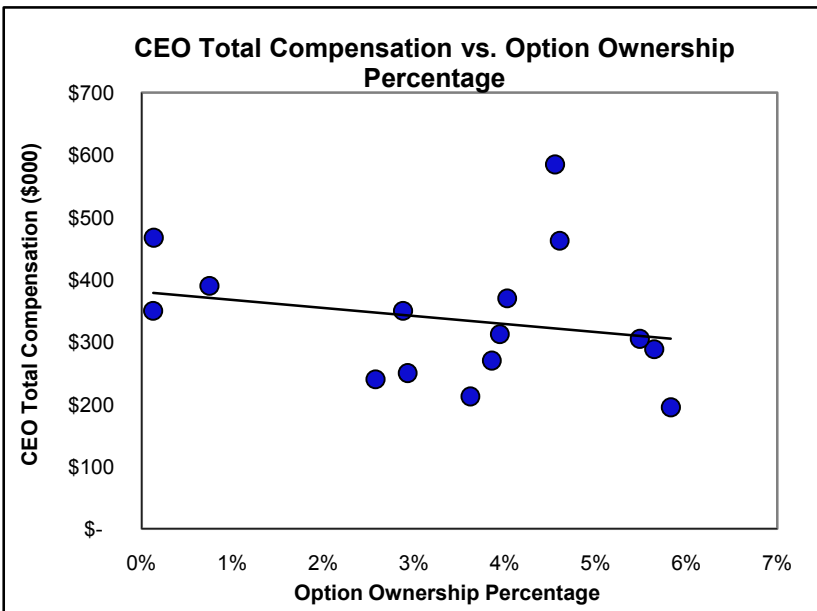
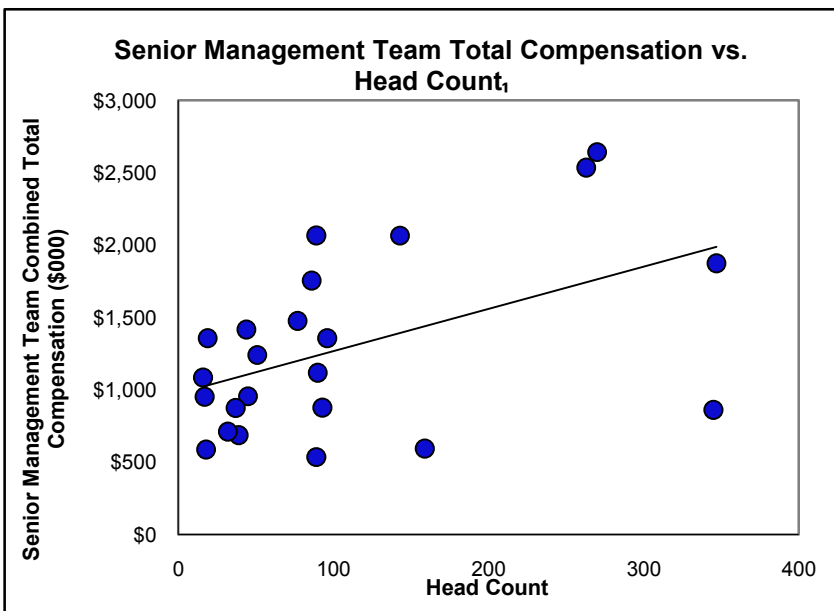


Exhibit 5b



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

Exhibit 6a

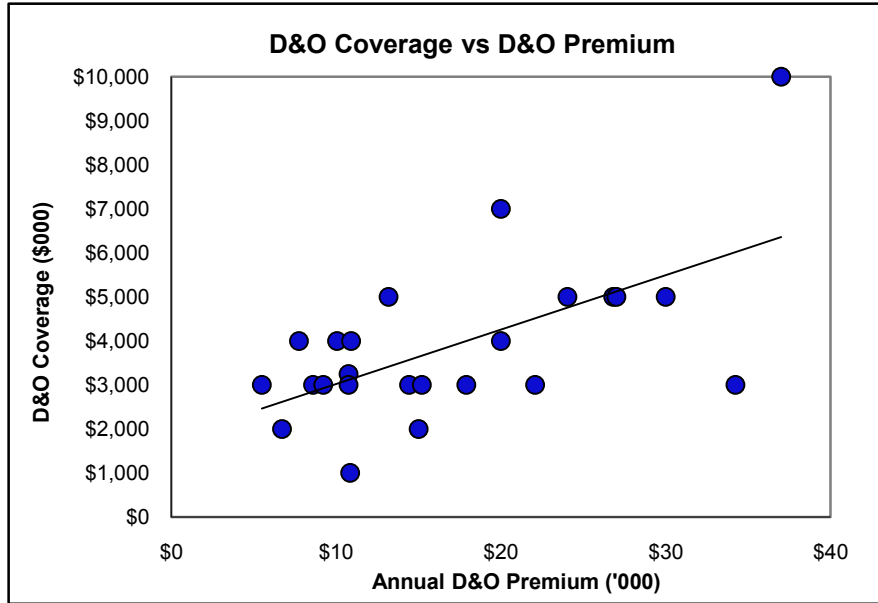


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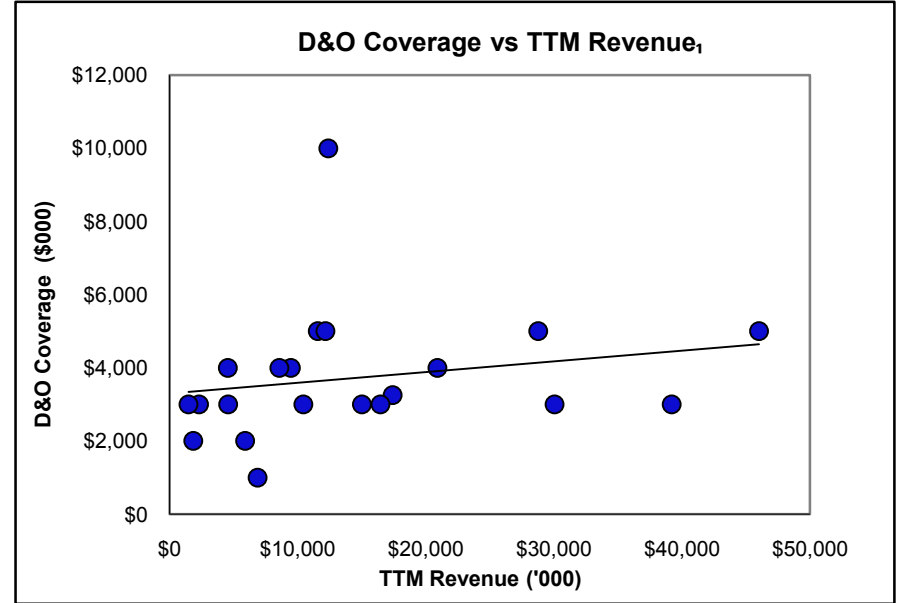


Exhibit 6b

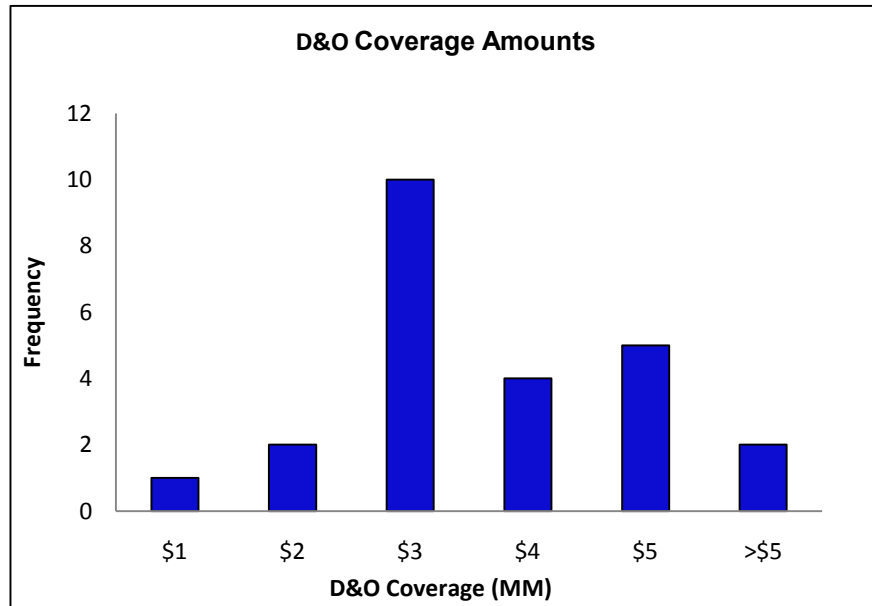
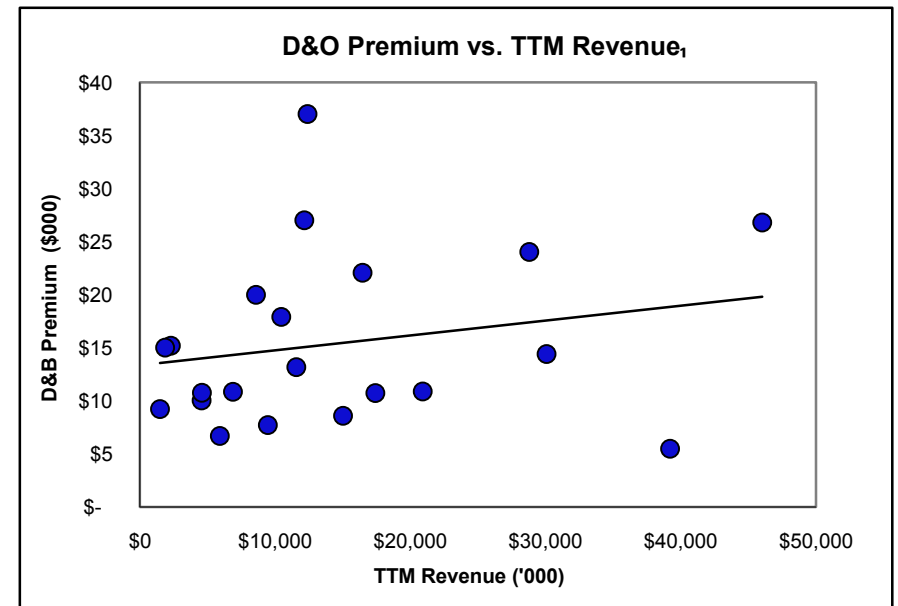


Exhibit 6d



¹Three companies with TTM Revenue in excess of \$50 MM have been excluded.

Exhibit 7a

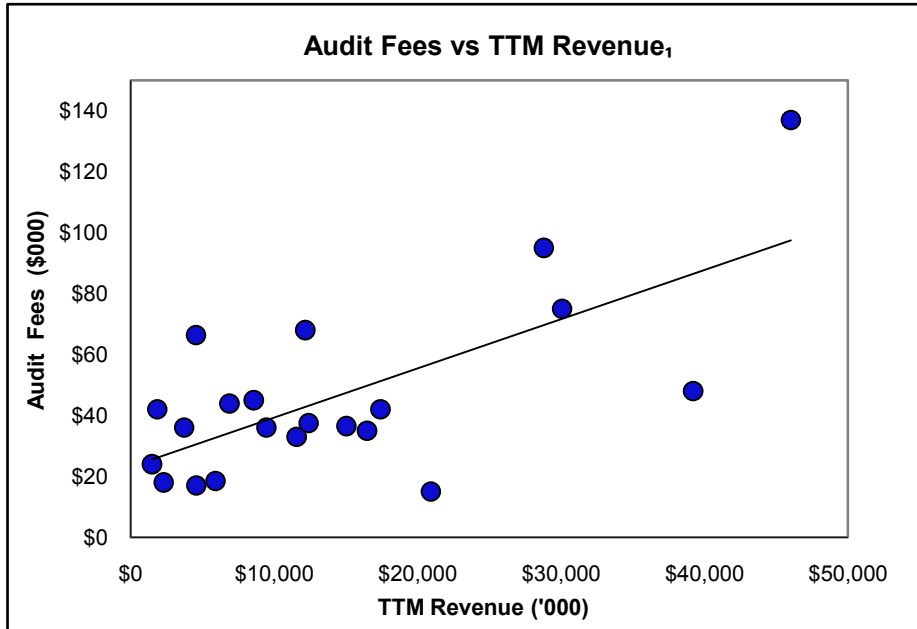
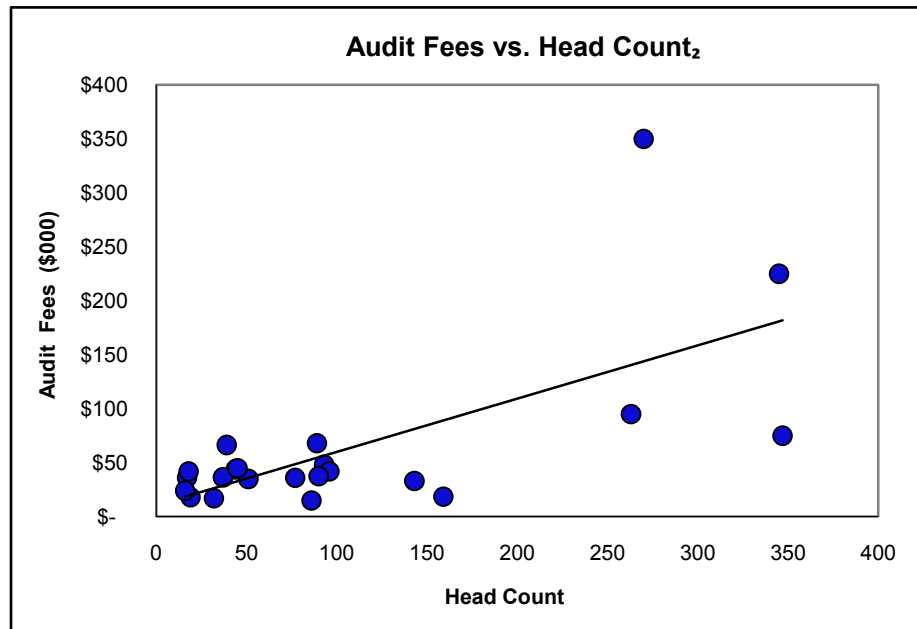


Exhibit 7b



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

² Two Companies with head count in excess of 500 have been excluded.