



2014 Senior Management Compensation Survey

Attached are the results of the 2014 River Cities Capital Funds Senior Management Compensation Survey. Twenty-four 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 for 2014 compensation in August; TTM revenue and company head count is noted as close to December 2013 as possible. The survey data is illustrated in the following exhibits:

- 1) **Exhibit 1 – Numeric Summary:**
 - a) CEOs average a base salary of \$270K, target bonus of \$126K and 4% in options (or 24% of all options granted).
 - b) Target bonuses and commissions provided an average of 38% leverage over base salaries.
 - c) On average, the VP of Sales had the most variable compensation over base salaries at 64%, followed by the CEO and COO/President at 43% and 40% respectively.
 - d) Five of the 24 CEO's and two of the 14 CTO's didn't receive any options, however these CEO's and CTO's tended to have meaningful ownership by way of founding common stock, averaging 14% fully diluted ownership. Other senior managers who do not receive options are typically rewarded with another form of compensation such as a transactional bonus.
 - e) Option pools accounted for 12% of fully-diluted ownership for the senior management team.
- 2) **Exhibit 2 – CEO Compensation versus Company Head Count:** The analysis shows that CEOs who manage more employees tend to receive higher salaries and higher total cash compensation.
- 3) **Exhibit 3 – CEO Compensation versus Company TTM Revenue:** The analysis shows that CEOs who run companies with higher revenue generally receive more compensation. The data suggests that revenue is a stronger factor considered when determining CEO compensation than head count.
- 4) **Exhibit 4 – CEO Option Ownership Percentage versus Size of Company:** According to the analysis, larger companies' CEOs (measured by head count or TTM revenue), receive less options. Similar to salary, revenue is a stronger determinant than head count.
- 5) **Exhibit 5 – Senior Management Compensation versus Company Head Count:** The analysis suggests that the total compensation of senior management teams is slightly higher for those who manage more people.
- 6) **Exhibit 6 – D&O Coverage and D&O Premium:** The most common plans offer coverage of \$5M, with eight companies choosing that amount of coverage. The analysis shows that companies generating more in revenue tend to select higher coverage plans and pay a fairly higher premium than companies with less revenue.
- 7) **Exhibit 7 – Independent Director:** According to the analysis, larger companies (by head count and TTM revenue) tend to offer less option ownership to independent directors given option ownership remuneration.

Out of 17 companies with independent directors, nine compensate with options only; five compensate with both cash and options; and three compensate with cash only. The average option and cash compensation were 0.84% (options on a fully diluted basis) and \$12K per director per year, respectively.
- 8) **Exhibit 8 – Audit Fees:** The analysis shows that companies with higher head count and TTM revenue pay substantially higher Audit Fees.

For further information about this report, please contact Parag Rathi (prathi@rccf.com).

Exhibit 2a

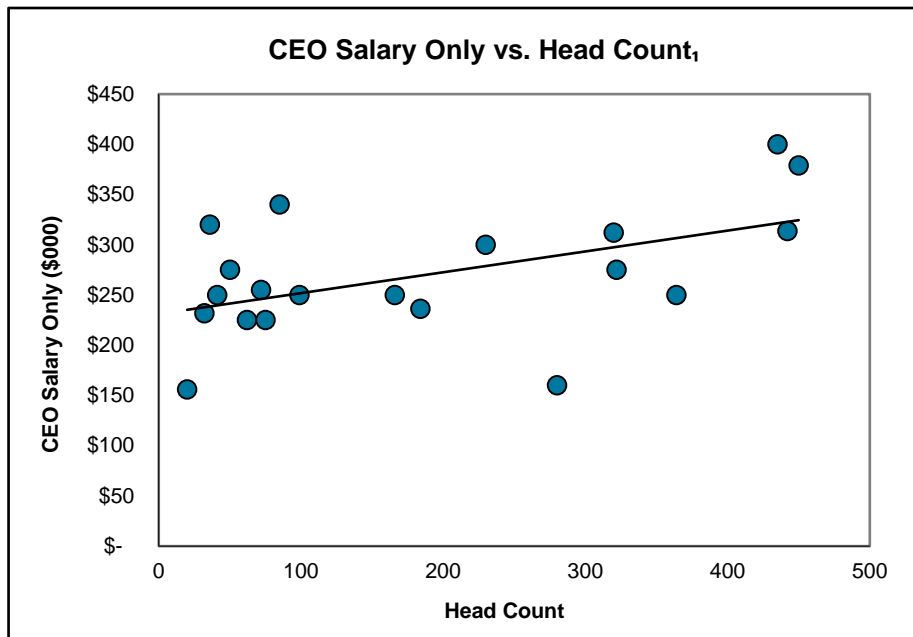


Exhibit 3a

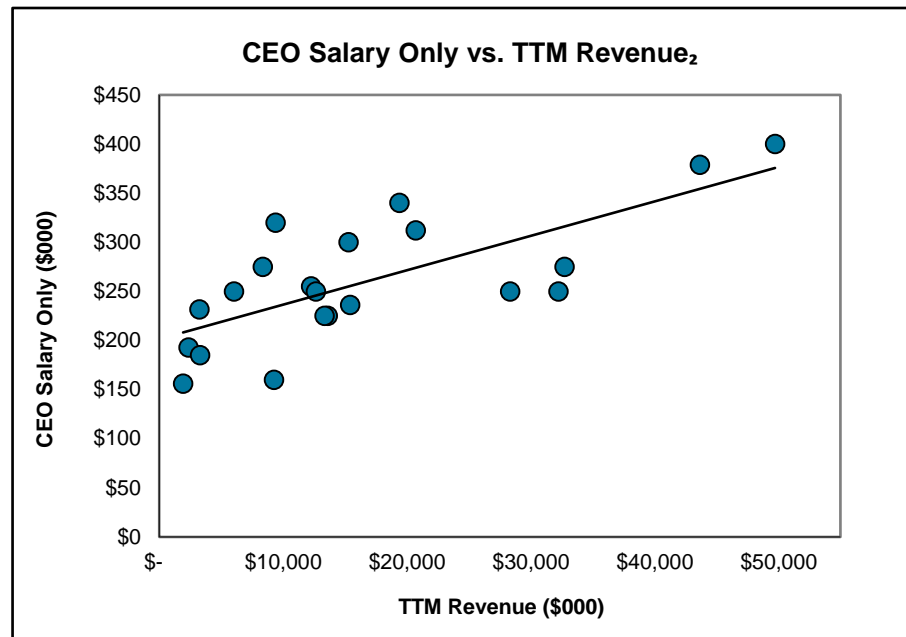


Exhibit 2b

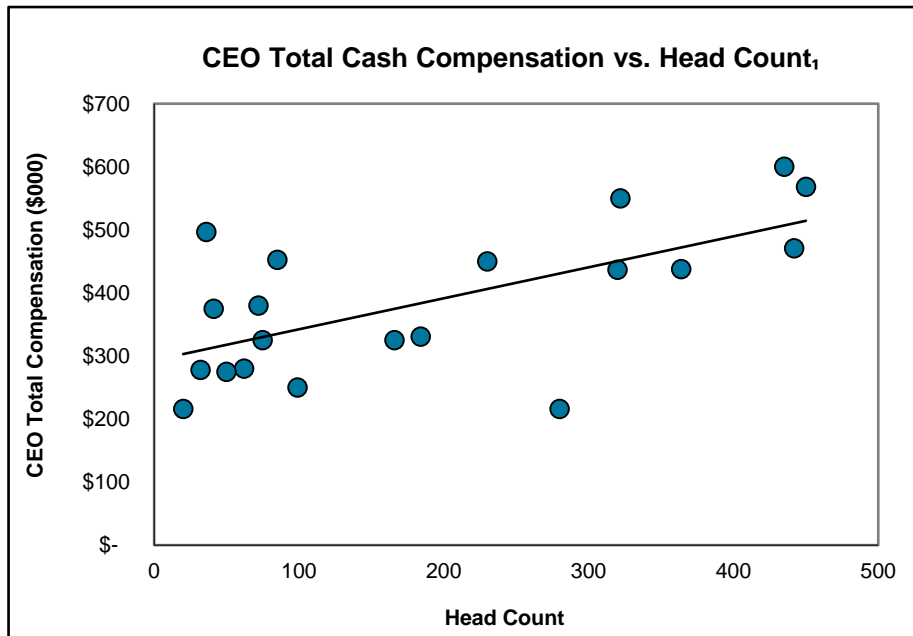
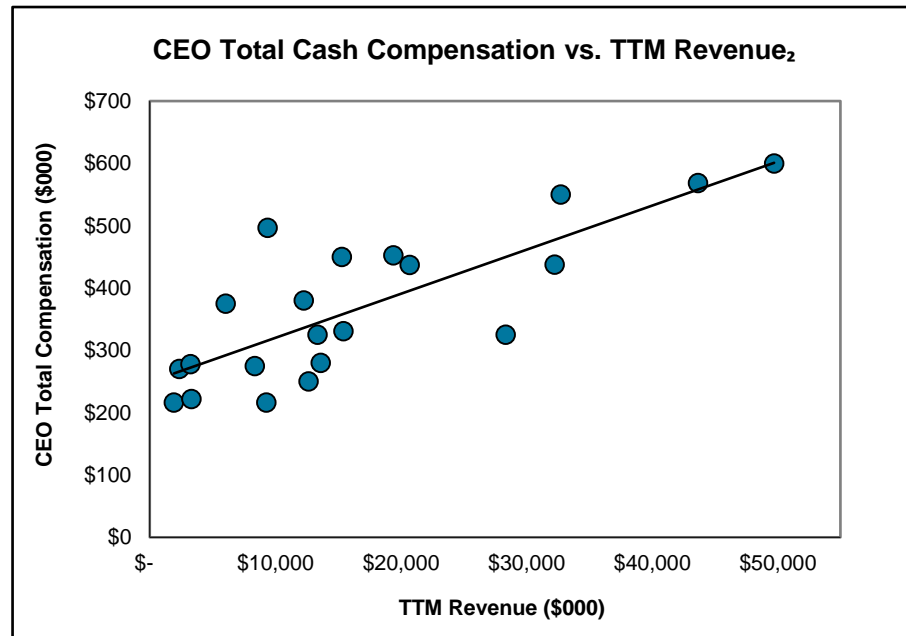


Exhibit 3b



¹Two companies with head counts in excess of 500 and two with less than 10 have been excluded.

²Three companies with TTM Revenue in excess of \$50M have been excluded.

Exhibit 4a

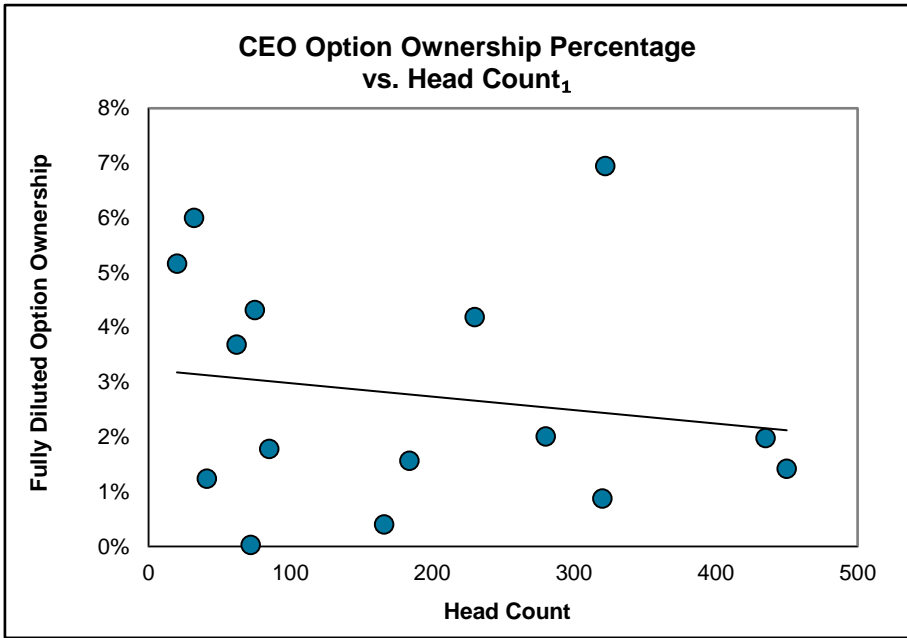


Exhibit 5a

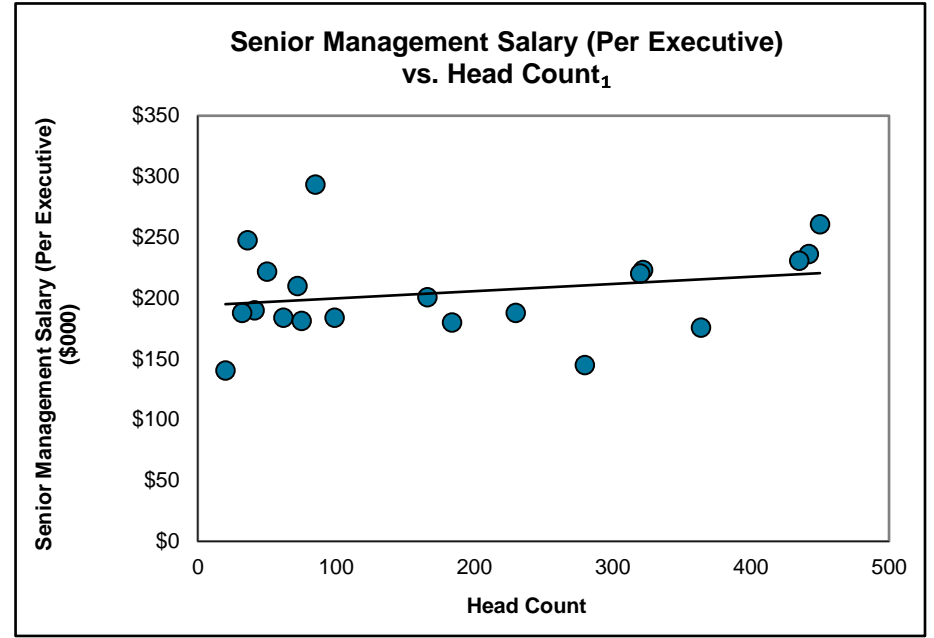


Exhibit 4b

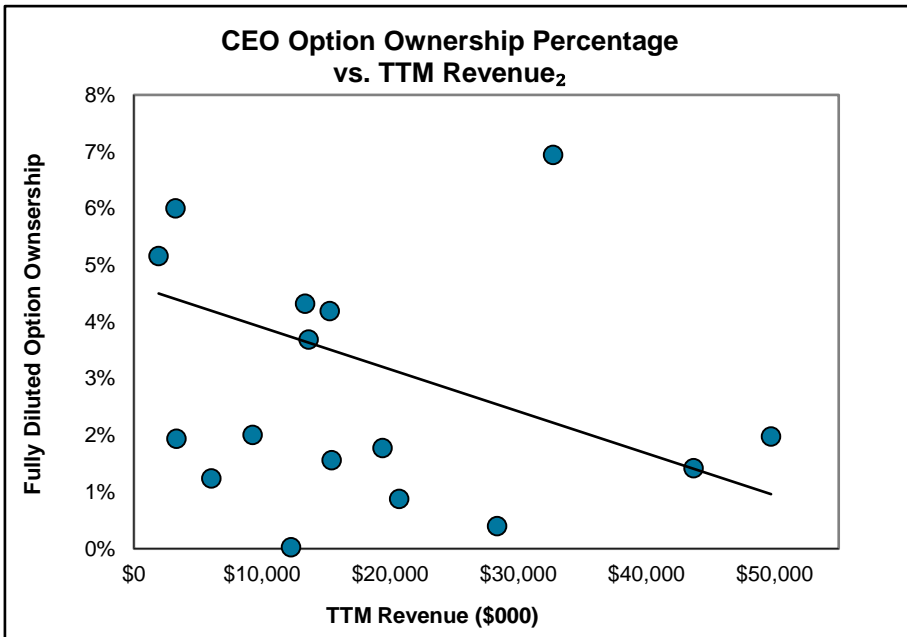
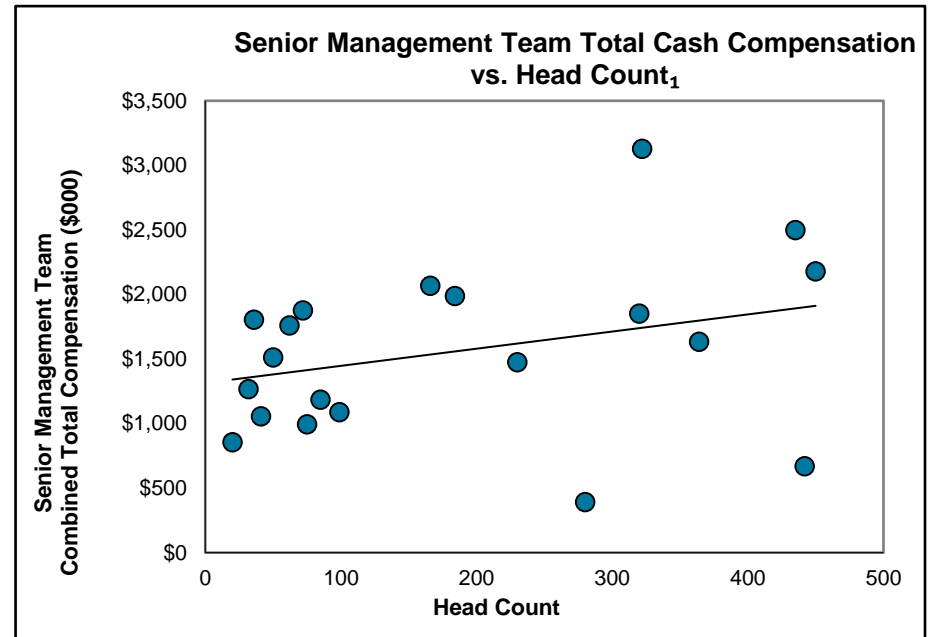


Exhibit 5b



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Exhibit 6a

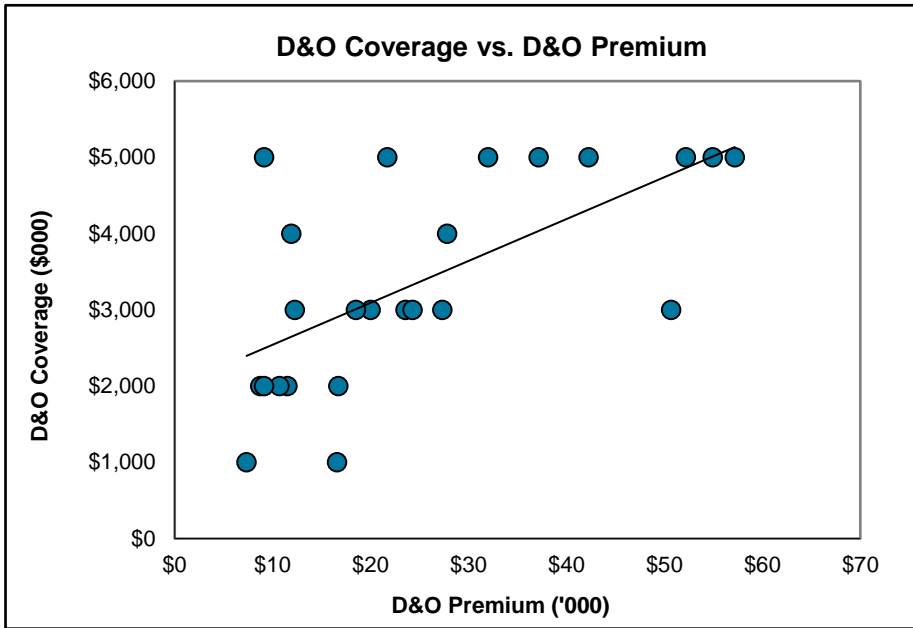


Exhibit 6c

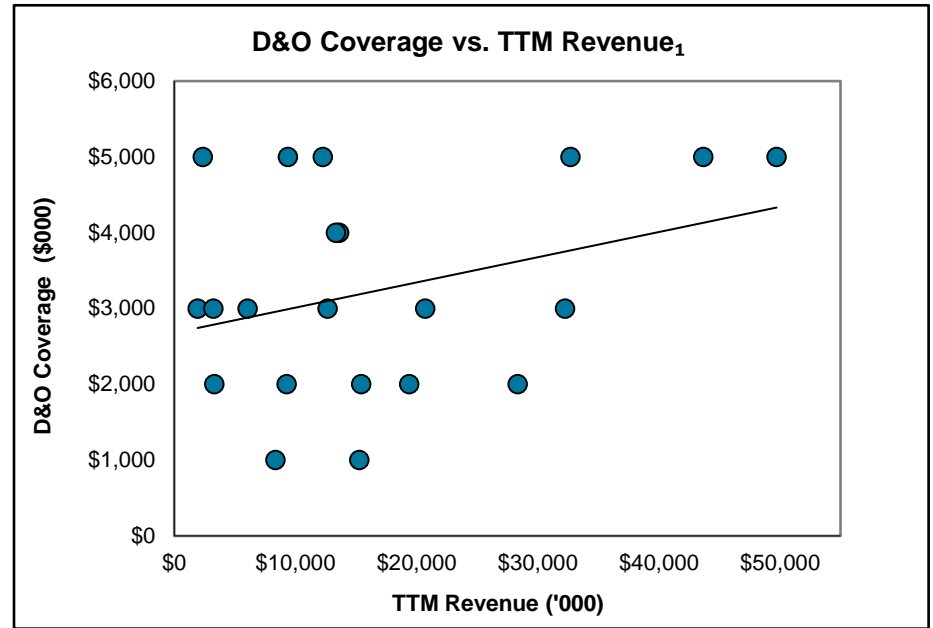


Exhibit 6b

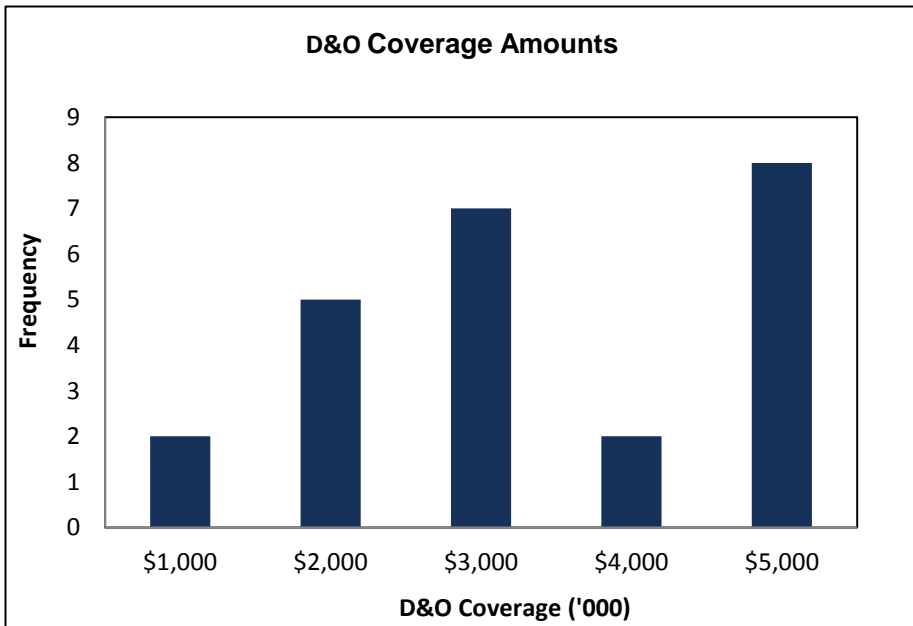
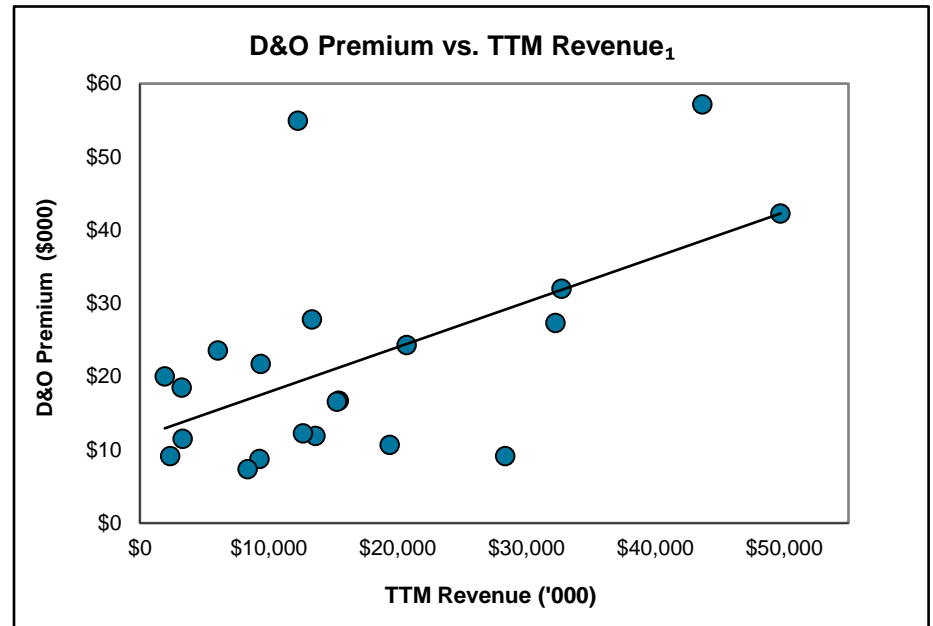


Exhibit 6d



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

Exhibit 7a

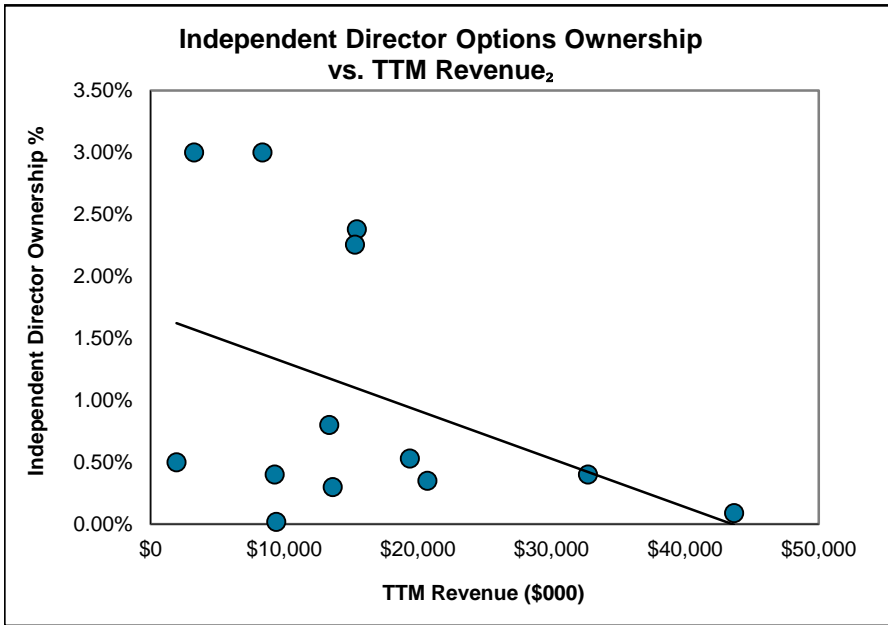


Exhibit 8a

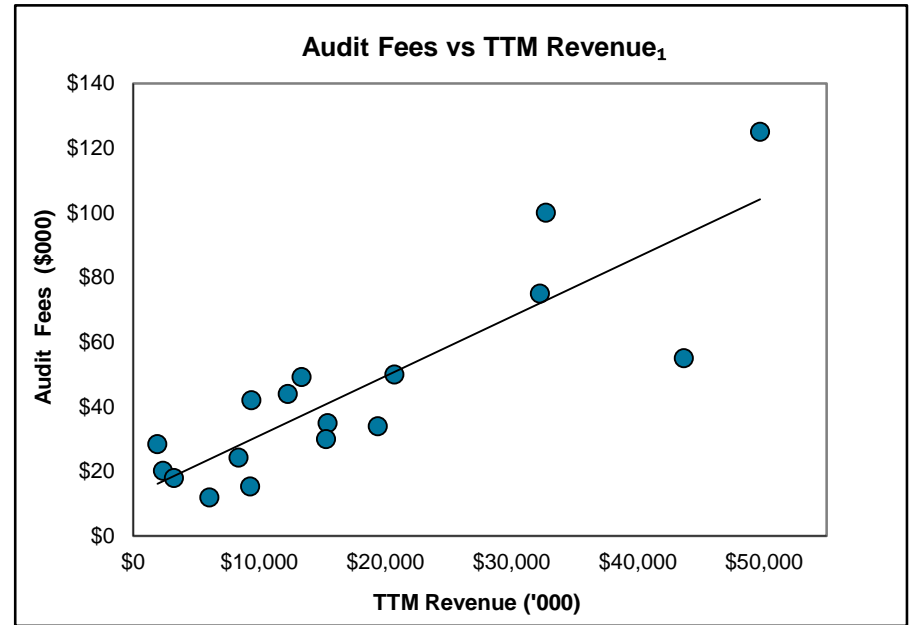


Exhibit 7b

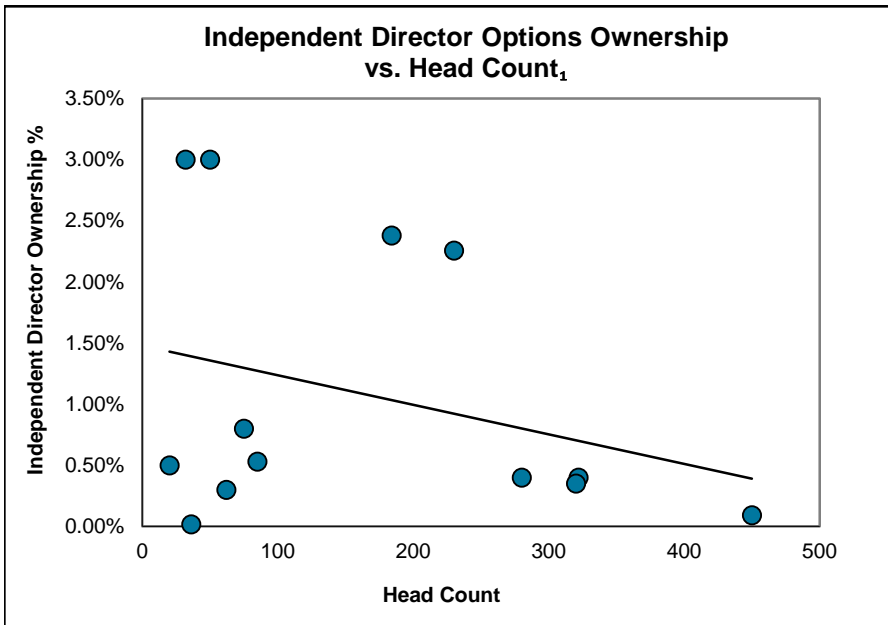
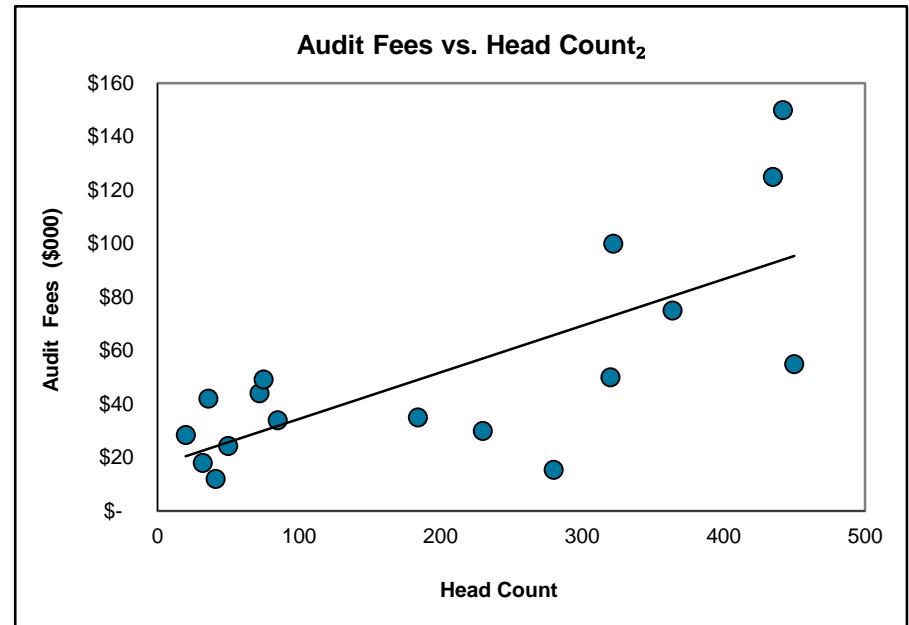


Exhibit 8b



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