



# **2015 Senior Management Compensation Survey**

Attached are the results of the 2015 River Cities Capital Funds Senior Management Compensation Survey. Twenty private-growth companies from the IT and healthcare sectors participated in this year's survey. Companies provided data on compensation components – cash and stock – for senior management and independent directors, as well as data with respect to D&O insurance and audit expenses. Data was collected for 2015 compensation in August; TTM revenue and company head count are noted as close to December 2014 as possible. The survey data is illustrated in the exhibits attached.

## **Key Findings**

### **CEO**

The average base salary of CEOs is \$266k, with a target bonus of \$136k and 4% in options (or 25% of all options granted). Salary remained relatively steady compared to last year; target bonuses increased by approximately \$10k on average; option percentages saw no fluctuation.

As is to be expected, larger companies (measured by revenue and head count) generally pay higher salaries – revenue being the stronger factor considered when determining CEO compensation. Med-tech companies seemed to defy this logic; even with sub-\$10M in revenue, med-tech executives had a tendency to receive the highest compensation.

In terms of ownership, CEOs of companies with higher revenue receive fewer options given the higher value of the options. Head count had no relationship with CEO option ownership.

### **Senior Management**

The analysis suggests that the total compensation of senior management teams is higher for those managing more people. On average, target bonuses and commissions provided 34% leverage over base salaries. Not surprisingly, VPs of Sales had the most variable compensation over base at 60% – CEOs trailed behind with 41%, followed closely by VPs Bus Dev and COOs, both at 39%.

Five of the 20 CEO's and three of the 10 CTO's surveyed didn't receive any options; however, these executives tended to have meaningful ownership through founding common stock, averaging 15% fully diluted ownership as compared to those CEOs and CTOs with options who averaged fully diluted ownership of only 7%. Other senior managers who do not receive options are typically rewarded with other forms of compensation such as transactional bonuses. Option pools accounted for 12% of fully diluted ownership for senior management teams.

### **D&O Insurance**

The most common D&O plans offer coverage of \$3M, with five companies choosing that amount of coverage. The second most popular plans were the \$1M and \$2M options, with four companies selecting each of those coverage amounts. The higher the coverage, the higher the premium paid. The analysis shows little to no relationship between D&O coverage and premium to size of the company.

### **Independent Director**

According to the analysis, larger companies (by head count and TTM revenue) tend to offer a smaller percentage of option ownership given the higher value of the options. Out of 12 companies with independent directors, eight compensate with options only and four compensate with both cash and options. The average option and cash compensation was 1.0% (options on a fully diluted basis) and \$19K per director per year, respectively.

### **Audit Fees**

Companies with higher head count and TTM revenue pay substantially higher audit fees. Fees ranged from \$15k to \$100k; the average amount paid for audit fees is \$43k.

For further information about this report, please contact Britney Hamberg (bh@rccf.com).

**2015 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 *	Percent of Option Pool**	Option Ownership**	Full Ownership^
CEO	\$266,150 <sup>20</sup> \$175,000 \$396,000	\$136,147 <sup>16</sup> \$30,000 \$309,000	\$0 <sup>0</sup> \$0 \$0	\$375,068 <sup>20</sup> \$175,000 \$618,000	25.35% <sup>15</sup> 4.56% 79.49%	3.94% <sup>15</sup> 0.61% 13.88%	9.76% <sup>20</sup> 1.28% 26.68%
COO/President	\$237,056 <sup>9</sup> \$150,000 \$288,000	\$105,106 <sup>8</sup> \$25,000 \$150,000	\$0 <sup>0</sup> \$0 \$0	\$330,483 <sup>9</sup> \$210,000 \$417,600	11.43% <sup>8</sup> 5.07% 18.84%	1.94% <sup>8</sup> 0.87% 5.35%	2.31% <sup>8</sup> 0.92% 6.39%
CFO	\$213,760 <sup>15</sup> \$145,500 \$257,525	\$86,810 <sup>14</sup> \$29,100 \$225,000	\$0 <sup>0</sup> \$0 \$0	\$294,782 <sup>15</sup> \$174,600 \$450,669	9.64% <sup>15</sup> 1.39% 23.64%	1.23% <sup>15</sup> 0.21% 2.76%	1.34% <sup>15</sup> 0.21% 2.76%
Controller	\$128,881 <sup>13</sup> \$65,000 \$202,746	\$33,724 <sup>10</sup> \$6,800 \$101,373	\$0 <sup>0</sup> \$0 \$0	\$154,823 <sup>13</sup> \$65,000 \$304,119	1.53% <sup>11</sup> 0.17% 9.00%	0.17% <sup>11</sup> 0.03% 0.71%	0.19% <sup>11</sup> 0.03% 0.92%
CTO	\$243,939 <sup>10</sup> \$225,000 \$350,000	\$72,984 <sup>9</sup> \$30,000 \$192,500	\$0 <sup>0</sup> \$0 \$0	\$309,624 <sup>10</sup> \$225,000 \$542,500	8.37% <sup>7</sup> 0.70% 18.84%	1.55% <sup>7</sup> 0.13% 5.41%	5.45% <sup>9</sup> 1.01% 25.84%
VP Development	\$184,046 <sup>10</sup> \$135,000 \$236,250	\$47,499 <sup>6</sup> \$30,493 \$57,000	\$0 <sup>0</sup> \$0 \$0	\$212,546 <sup>10</sup> \$135,000 \$286,250	6.92% <sup>10</sup> 0.47% 27.01%	1.08% <sup>10</sup> 0.07% 4.52%	1.08% <sup>10</sup> 0.07% 4.52%
VP Bus Dev	\$203,333 <sup>6</sup> \$175,000 \$225,000	\$73,154 <sup>5</sup> \$56,520 \$100,000	\$0 <sup>0</sup> \$0 \$0	\$264,295 <sup>6</sup> \$225,000 \$300,000	2.60% <sup>5</sup> 0.57% 6.81%	0.43% <sup>5</sup> 0.11% 1.13%	1.49% <sup>6</sup> 0.13% 5.54%
VP Marketing	\$199,531 <sup>13</sup> \$120,000 \$261,900	\$63,918 <sup>11</sup> \$20,000 \$123,000	\$0 <sup>0</sup> \$0 \$0	\$253,615 <sup>13</sup> \$135,000 \$384,900	4.85% <sup>12</sup> 0.94% 9.77%	0.76% <sup>12</sup> 0.17% 1.57%	1.10% <sup>12</sup> 0.24% 3.56%
VP Sales	\$213,582 <sup>14</sup> \$159,650 \$250,000	\$94,981 <sup>12</sup> \$52,500 \$225,000	\$111,398 <sup>6</sup> \$60,000 \$175,000	\$342,736 <sup>14</sup> \$280,000 \$450,000	8.19% <sup>11</sup> 1.93% 18.84%	1.28% <sup>11</sup> 0.64% 3.20%	1.26% <sup>12</sup> 0.04% 3.20%
<b>Totals</b>	<b>\$1,890,278</b>	<b>\$714,322</b>	<b>\$111,398</b>	<b>\$2,537,972</b>	<b>78.88%</b>	<b>12.39%</b>	<b>23.98%</b>
<b>20 Companies Participating 34.3% Leverage Over Base @ 100% of Goal</b>							
Independent Directors	\$18,750 <sup>0</sup> \$10,000 \$35,000	NA <sup>NA</sup> NA NA	NA <sup>NA</sup> NA NA	\$18,750 <sup>0</sup> \$10,000 \$35,000	NA <sup>NA</sup> NA NA	NA <sup>NA</sup> NA NA	1.05% <sup>12</sup> 0.30% 3.19%

\* 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. Senior managers that do not receive options are not included in this data; the number of senior managers is reported in the number of observations.

^ 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

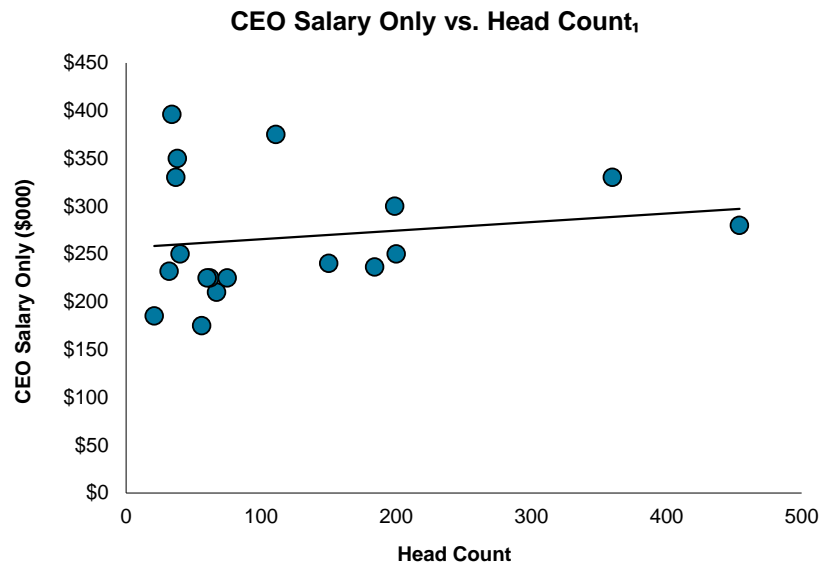


Exhibit 3a

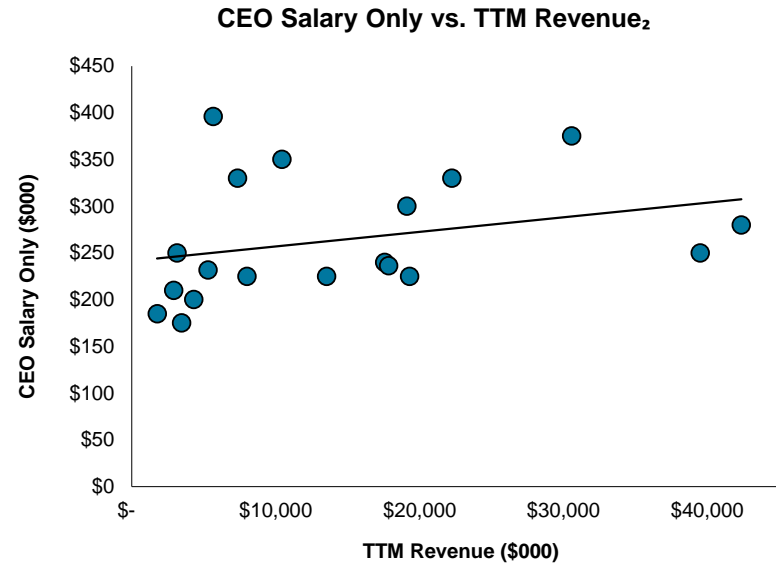


Exhibit 2b

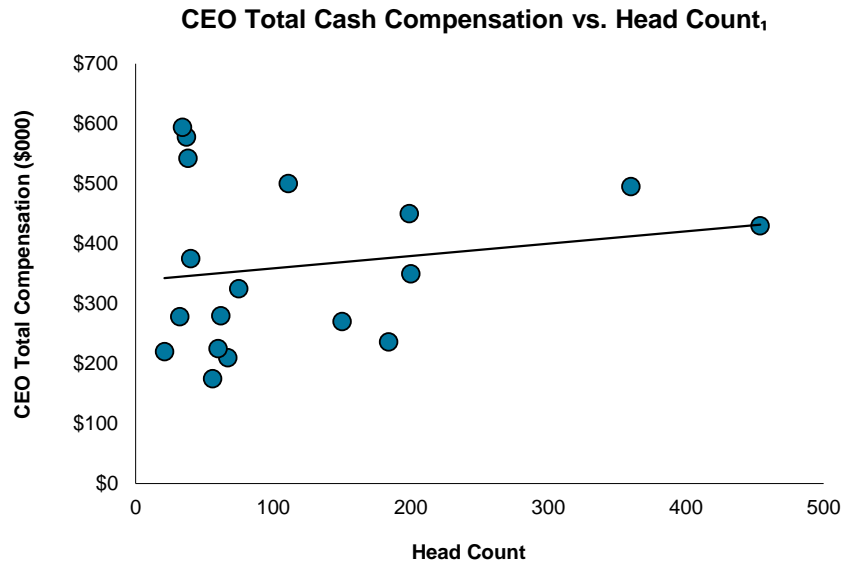
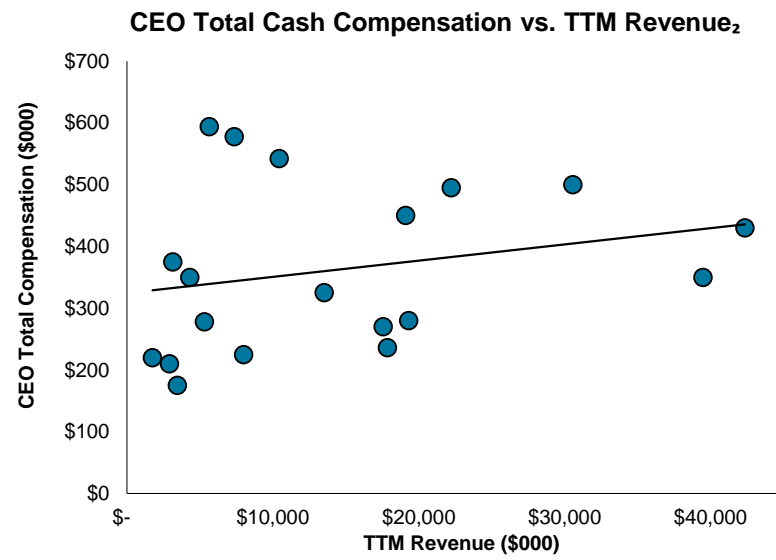


Exhibit 3b



<sup>1</sup>One company with head count less than 10 has been excluded.

<sup>2</sup>One company with TTM Revenue in excess of \$50M has been excluded.

Exhibit 4a

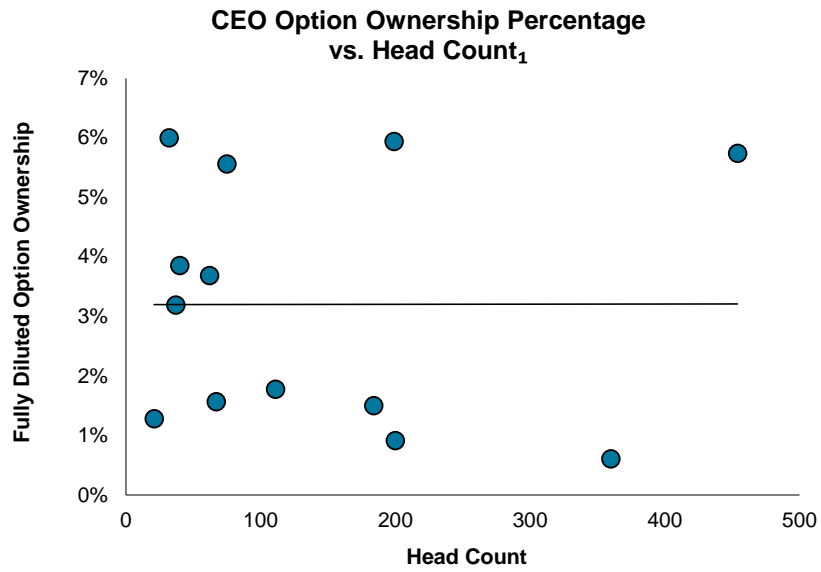


Exhibit 5a

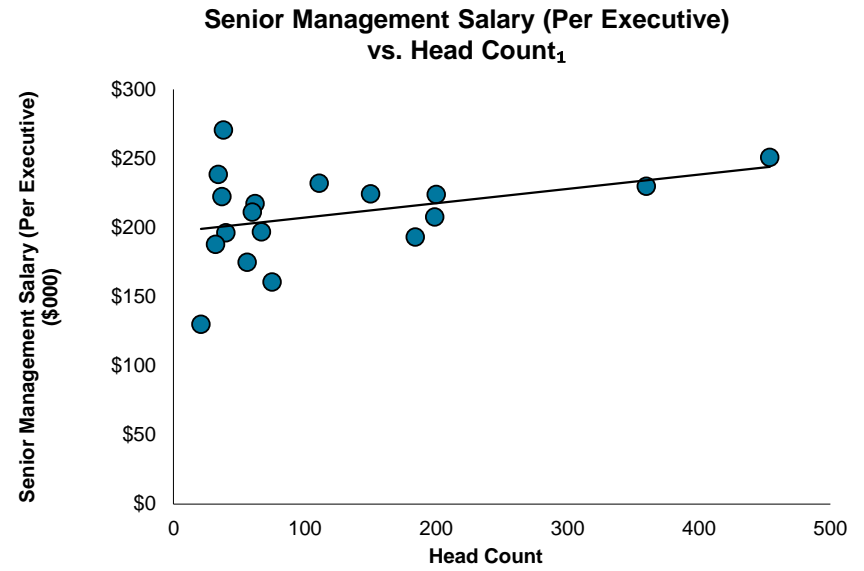


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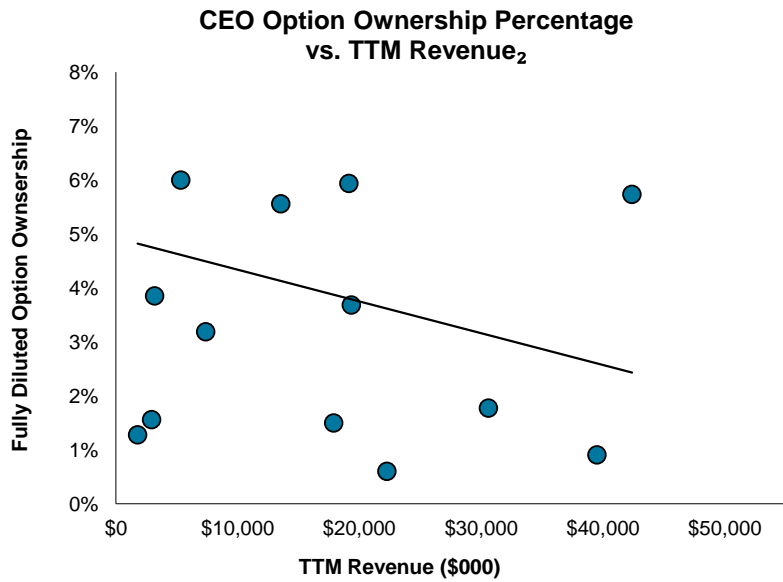
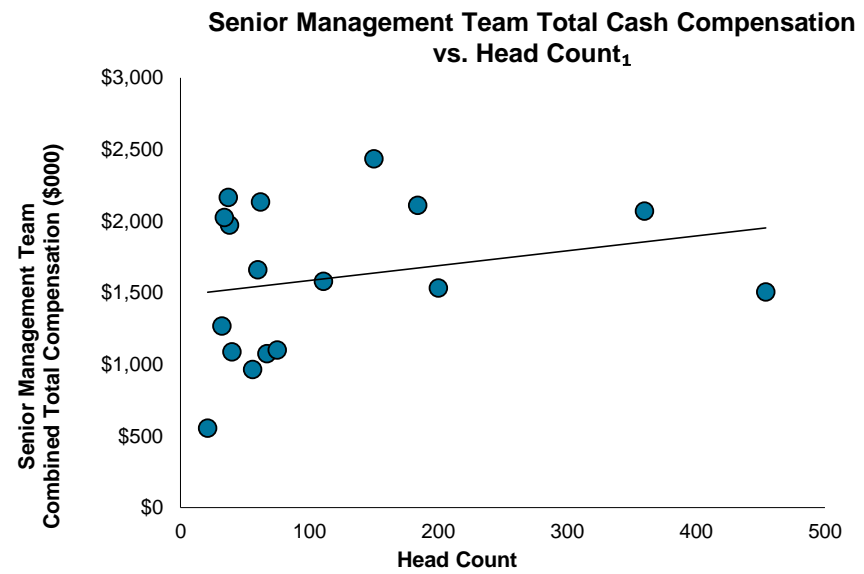


Exhibit 5b



<sup>1</sup>One company with head count less than 10 has been excluded.

<sup>2</sup>One company with TTM Revenue in excess of \$50M has been excluded.

Exhibit 6a

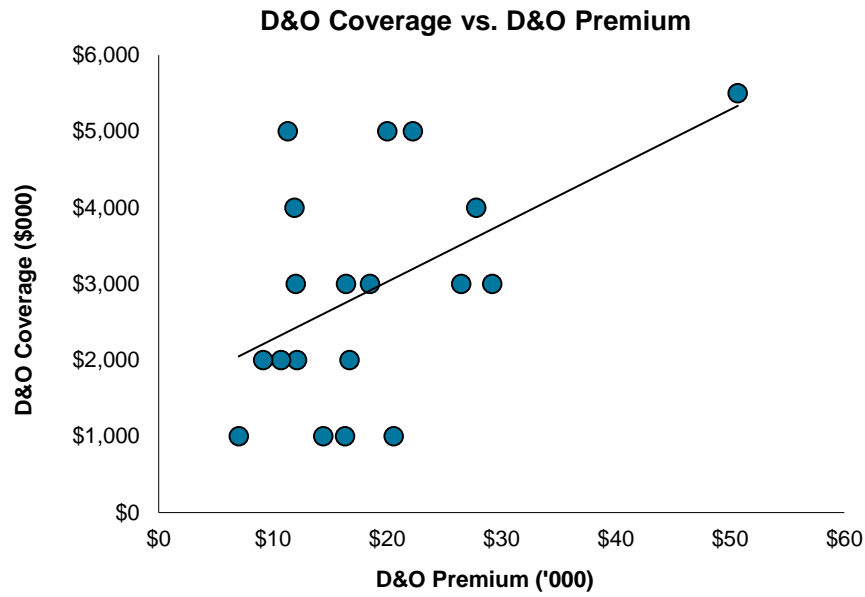


Exhibit 6c

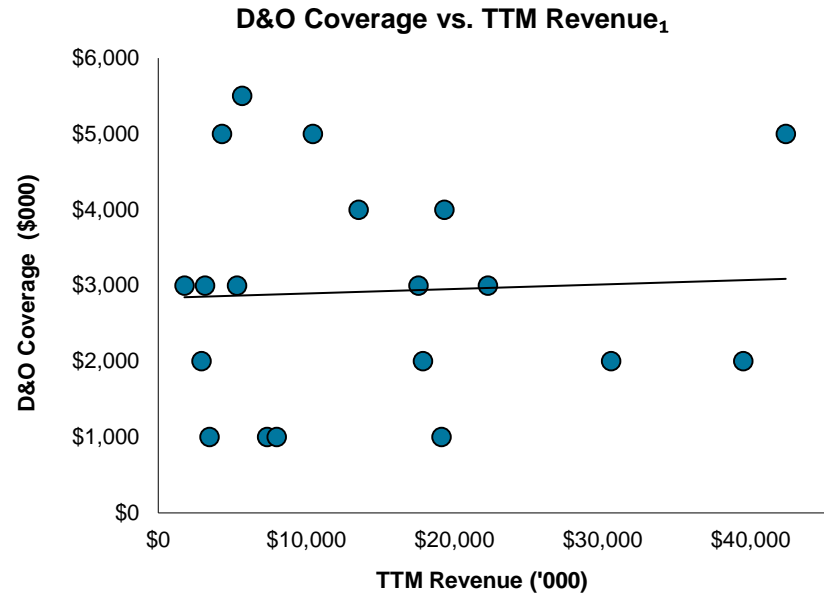


Exhibit 6b

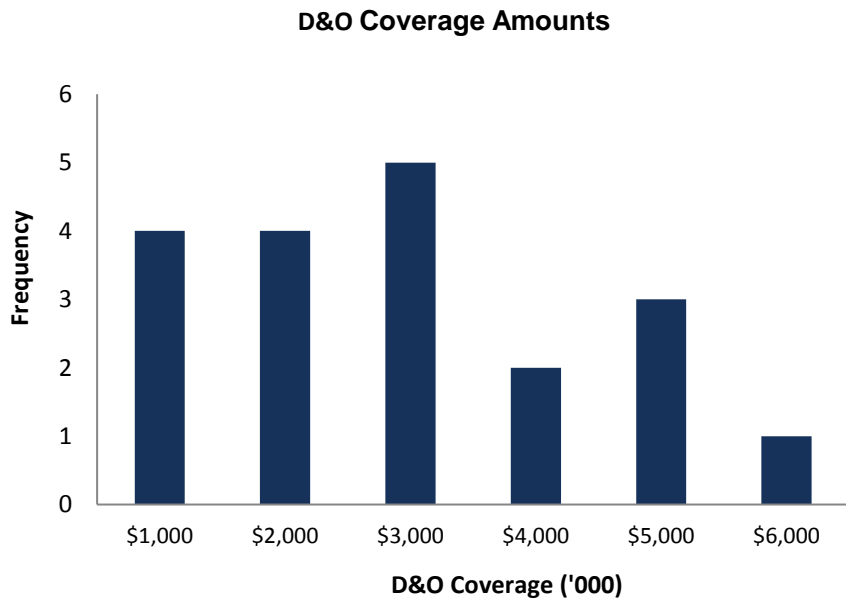
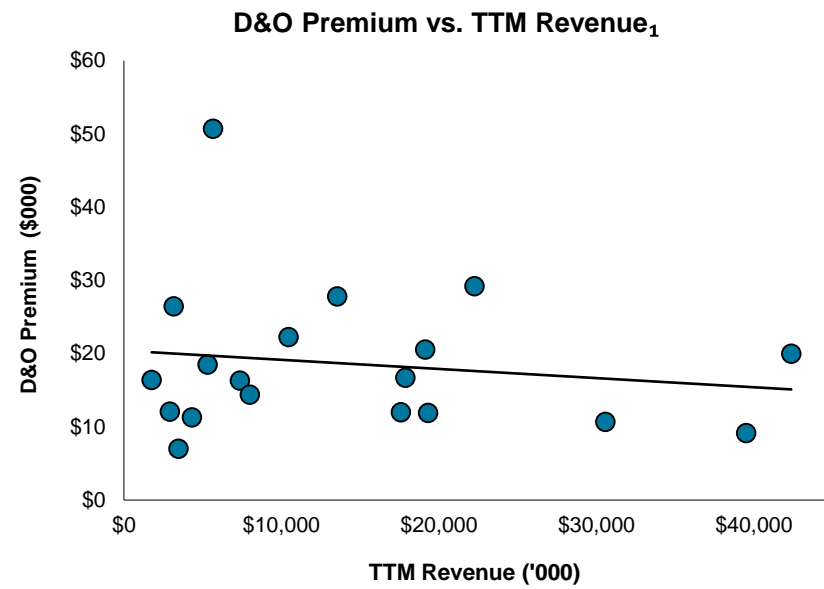


Exhibit 6d



<sup>1</sup>One company with TTM Revenue in excess of \$50M has been excluded.

Exhibit 7a

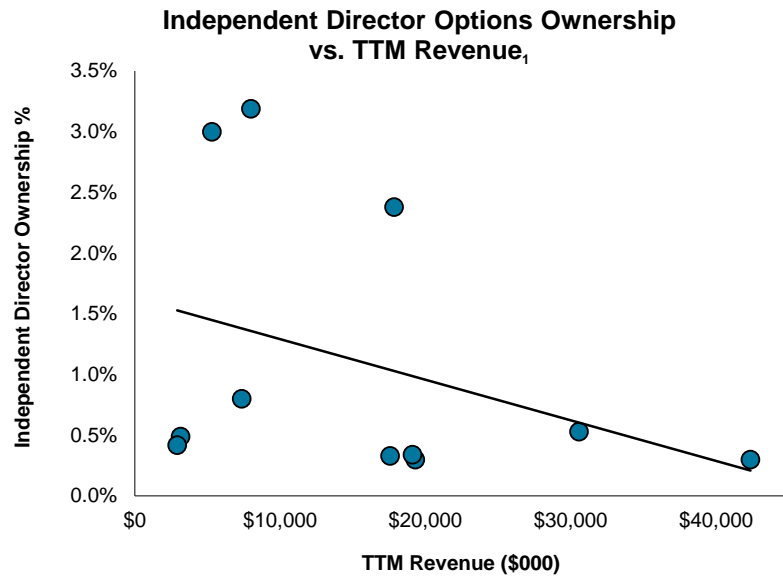


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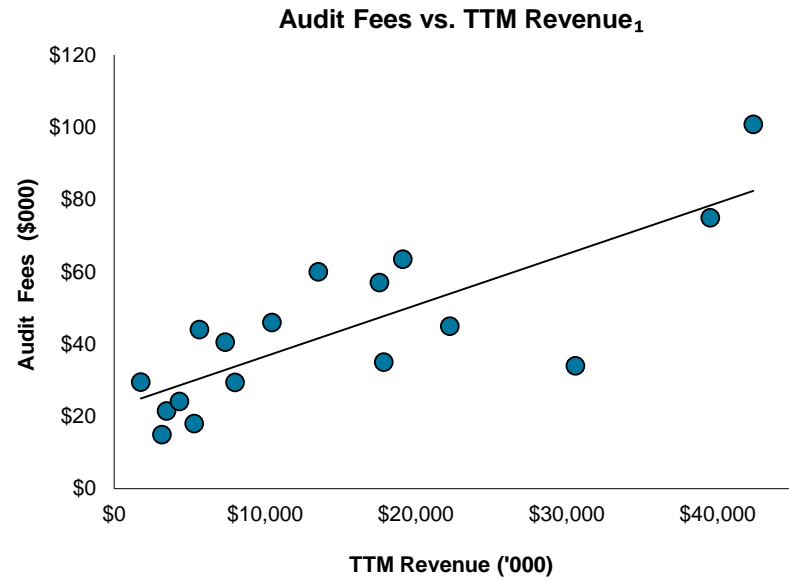


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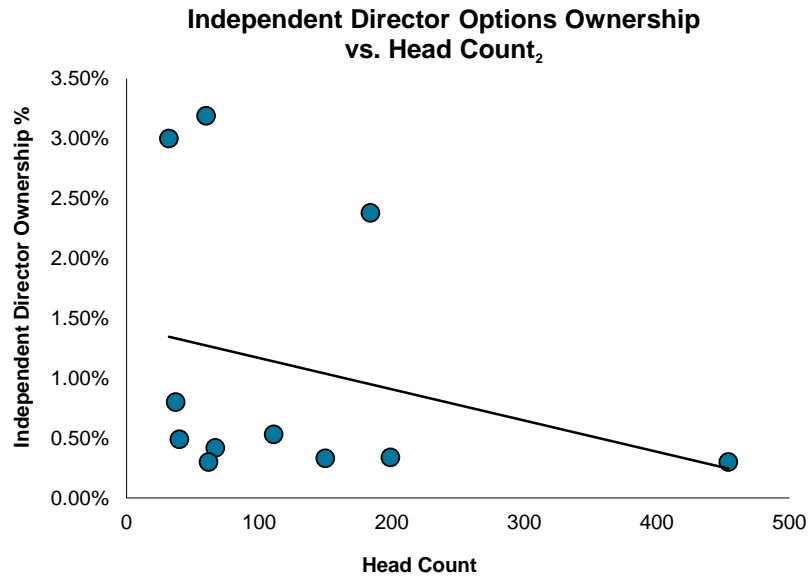
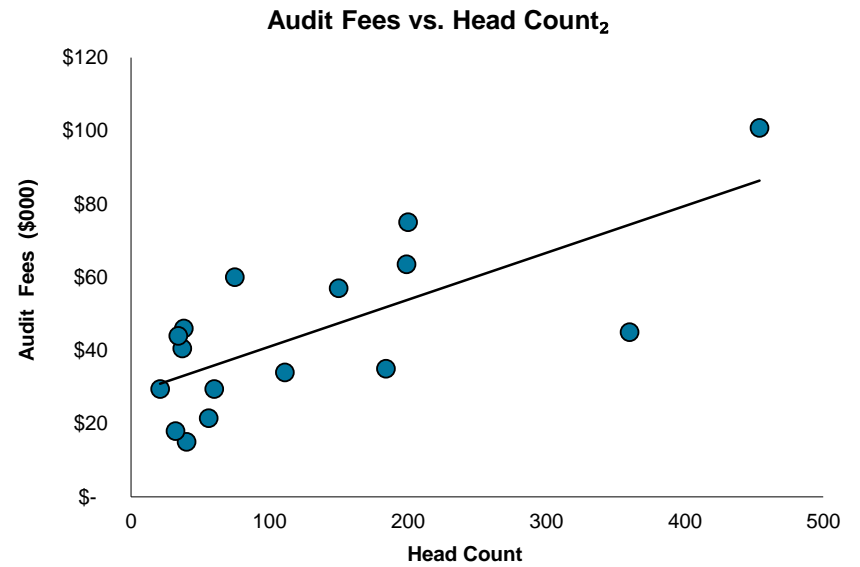


Exhibit 8b



<sup>1</sup>One company with TTM Revenue in excess of \$50M has been excluded.

<sup>2</sup>One company with head count less than 10 has been excluded.