



2011 Senior Management Compensation Survey

Attached are the results of the 2011 River Cities Capital Funds Senior Management Compensation Survey. Twenty three 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 2012, with compensation, company head count and trailing twelve months (TTM) revenue noted as close to December 2011 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 \$252K, target bonus of \$125K and 4% in options (or 24% of all options granted).
 - b) Actual bonuses and commissions paid provided an average of 29% 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 over base salaries at 45%, followed by the COO and CEO at 44% and 43% respectively.
 - d) On average, option pools accounted for 11% 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 only slightly.
- 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 little to no relationship between the CEO's compensation and option ownership percentage.
- 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 amounts are \$3MM and \$5 MM, with 5 companies choosing each of those amounts. 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 twelve companies with independent directors, five compensate with options only; four compensate with both cash and options; and three compensate with cash only. The average option and cash compensation were at 0.61% (options on a fully diluted basis) and \$13K per director per year, respectively. For further information about this report, please contact Parag Rathi; more detailed analysis is available for interested managers.

2011 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	\$251,514 ²³ \$132,000 \$414,466	\$124,614 ²⁰ \$18,333 \$247,500	\$0 ⁰ \$0 \$0	\$359,874 ²³ \$132,000 \$621,699	\$334,587 ²³ \$132,000 \$659,475	23.85% ¹² 0.87% 79.49%	3.99% ¹² 0.12% 13.88%	8.85% ²³ 0.13% 30.49%
COO/President	\$221,930 ¹⁵ \$96,324 \$564,140	\$113,531 ¹³ \$31,833 \$282,070	\$0 ⁰ \$0 \$0	\$320,324 ¹⁵ \$96,324 \$846,210	\$354,383 ¹⁵ \$170,000 \$915,572	12.26% ⁹ 5.36% 27.27%	1.56% ⁸ 0.58% 2.91%	4.07% ¹² 0.58% 12.38%
CFO	\$187,067 ¹⁵ \$121,000 \$268,000	\$80,373 ¹³ \$19,648 \$220,000	\$0 ⁰ \$0 \$0	\$256,724 ¹⁵ \$140,648 \$440,000	\$219,304 ¹⁵ \$148,436 \$341,018	8.10% ¹³ 1.18% 13.33%	1.14% ¹² 0.18% 2.15%	1.19% ¹³ 0.18% 2.15%
Controller	\$110,075 ¹⁴ \$48,927 \$155,000	\$22,543 ¹⁰ \$3,333 \$75,075	\$0 ⁰ \$0 \$0	\$126,177 ¹⁴ \$48,927 \$225,225	\$118,477 ¹⁴ \$51,927 \$175,150	3.03% ¹¹ 0.12% 15.68%	0.20% ¹⁰ 0.02% 0.46%	0.41% ¹¹ 0.00% 2.20%
CTO	\$157,031 ⁸ \$83,799 \$254,000	\$51,050 ⁶ \$12,525 \$101,600	\$0 ⁰ \$0 \$0	\$195,319 ⁸ \$83,799 \$355,600	\$186,560 ⁸ \$90,799 \$368,186	5.24% ⁶ 0.47% 12.00%	0.68% ⁶ 0.06% 1.18%	5.21% ⁷ 0.06% 30.49%
VP Development	\$169,019 ⁹ \$140,000 \$223,572	\$46,576 ⁹ \$3,333 \$111,786	\$0 ⁰ \$0 \$0	\$215,595 ⁹ \$148,000 \$335,358	\$203,375 ⁹ \$148,000 \$335,358	4.58% ⁷ 0.49% 15.27%	0.64% ⁶ 0.05% 2.28%	1.63% ⁸ 0.12% 6.88%
VP Bus Dev	\$183,363 ¹¹ \$108,333 \$416,670	\$59,534 ⁶ \$25,000 \$108,212	\$83,333 ³ \$50,000 \$100,000	\$238,563 ¹¹ \$108,333 \$516,670	\$225,948 ¹¹ \$135,416 \$588,186	4.07% ⁷ 0.61% 10.00%	0.49% ⁷ 0.10% 0.98%	1.05% ⁸ 0.10% 4.01%
VP Marketing	\$160,375 ¹² \$83,763 \$241,500	\$41,700 ⁹ \$15,000 \$96,600	\$39,000 ¹ \$39,000 \$39,000	\$194,900 ¹² \$106,263 \$338,100	\$184,682 ¹² \$83,763 \$323,357	5.86% ¹¹ 0.94% 15.68%	0.60% ¹⁰ 0.20% 0.99%	0.64% ¹⁰ 0.20% 1.25%
VP Sales	\$189,120 ¹⁵ \$125,000 \$350,000	\$43,400 ⁹ \$3,333 \$100,000	\$111,484 ⁸ \$34,012 \$200,000	\$274,618 ¹⁵ \$135,500 \$434,606	\$270,593 ¹⁵ \$143,750 \$469,127	9.98% ¹³ 2.33% 34.49%	1.21% ¹² 0.28% 3.11%	1.26% ¹² 0.28% 3.11%
Totals	\$1,629,494	\$583,321	\$233,817	\$2,182,093	\$2,097,908	76.99%	10.53%	24.32%
23 Companies Participating 33.9% Leverage Over Base @ 100% of Goal								
Independent Directors	\$13,373 ⁶ \$7,500 \$20,000	\$0 ⁰ \$0 \$0	\$0 ⁰ \$0 \$0	\$13,373 ⁶ \$7,500 \$20,000	\$13,373 ⁶ \$7,500 \$20,000	NA ^{NA} NA NA	NA ^{NA} NA NA	0.61% ⁹ 0.05% 2.40%

* 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

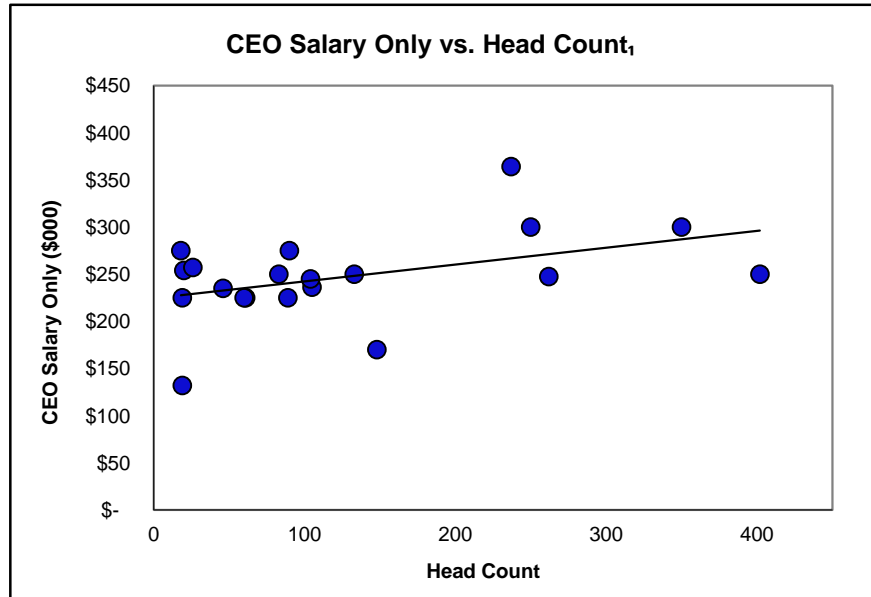


Exhibit 3a

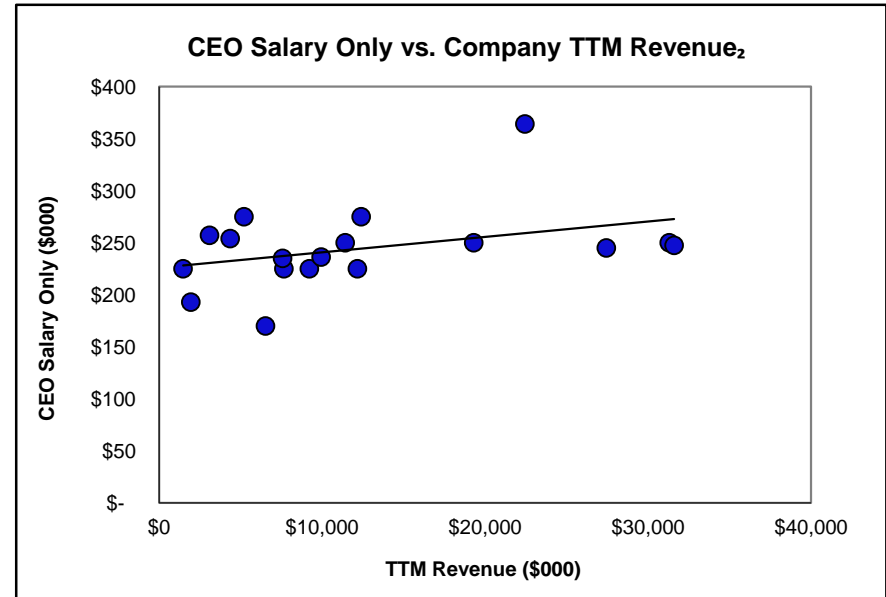


Exhibit 2b

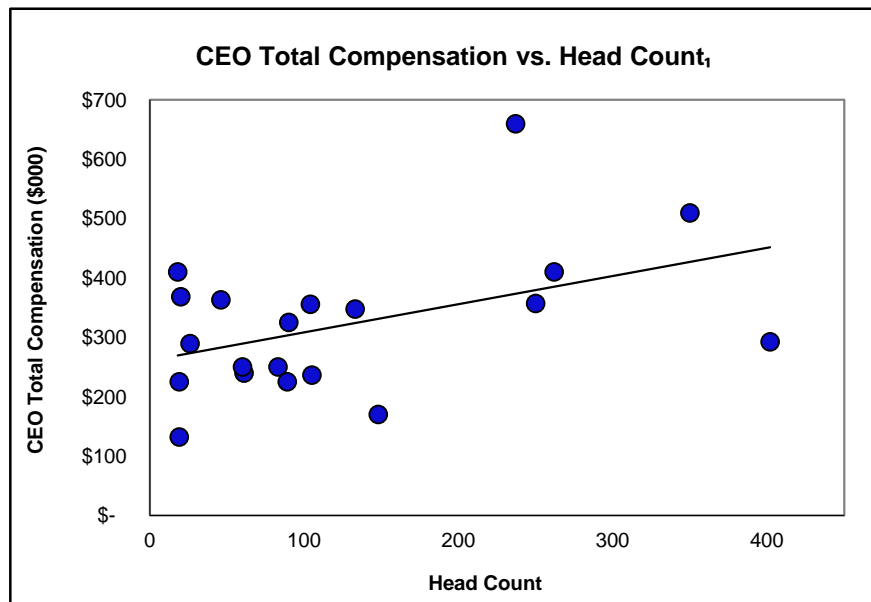
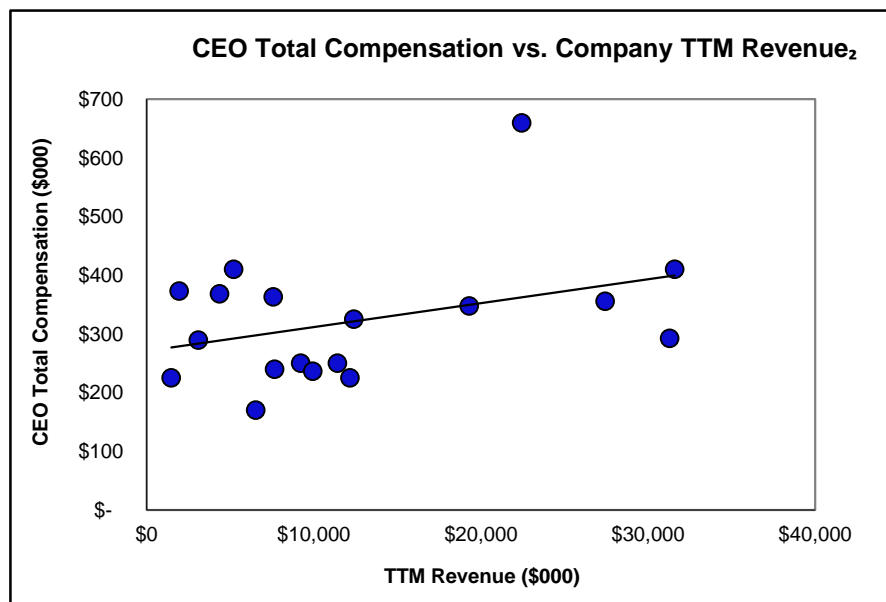


Exhibit 3b



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

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

Exhibit 4a

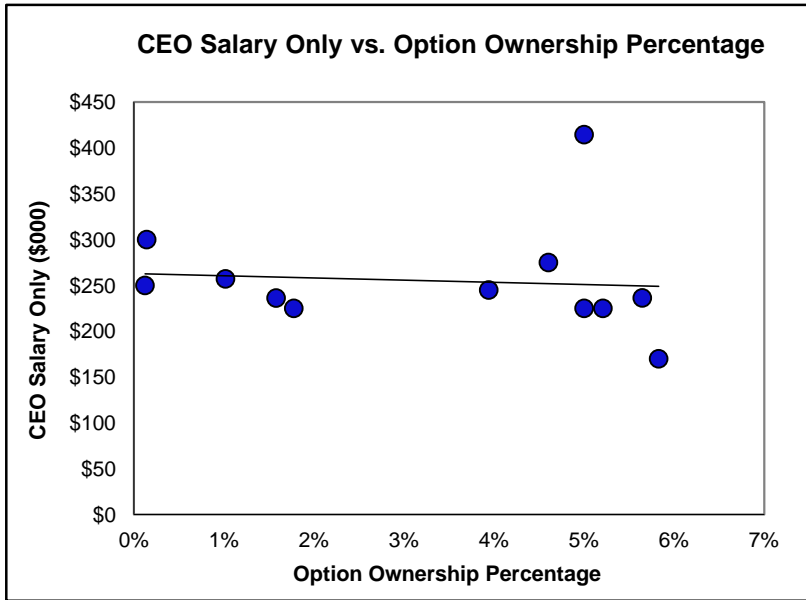


Exhibit 5a

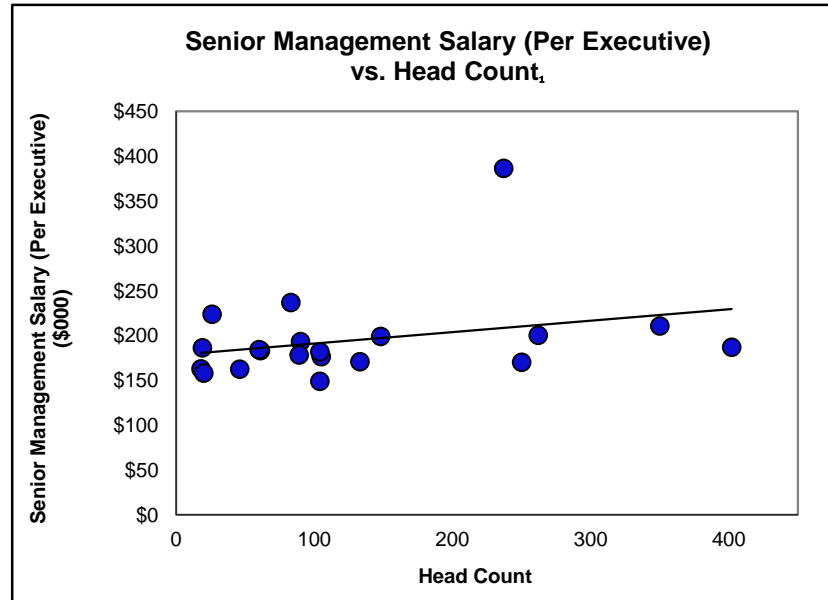


Exhibit 4b

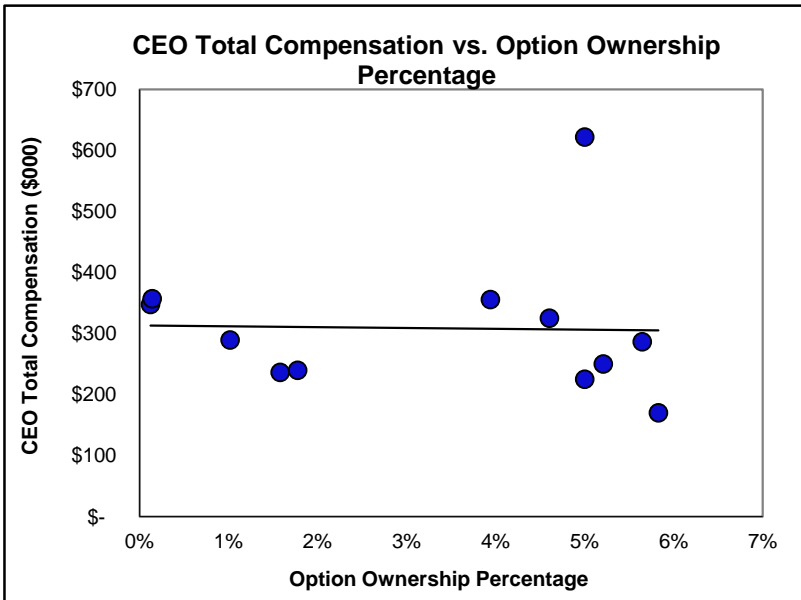
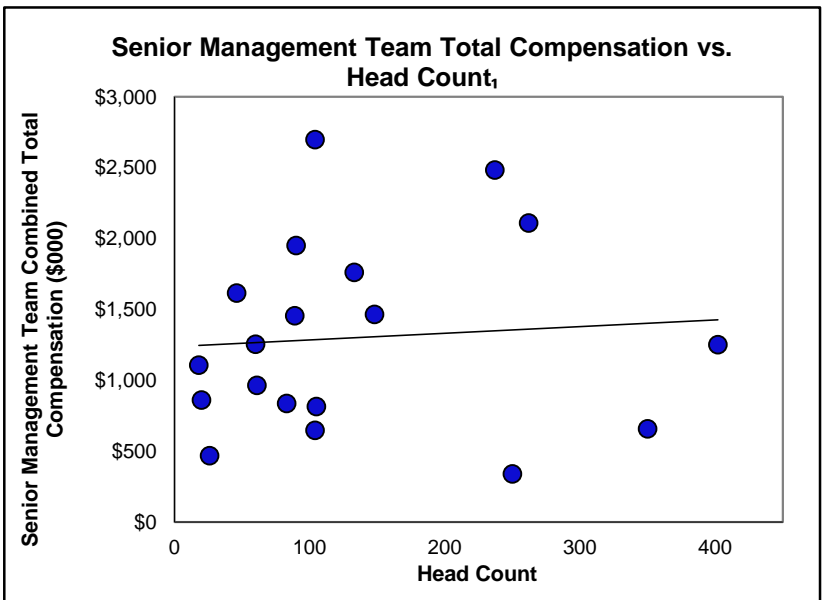


Exhibit 5b



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

Exhibit 6a

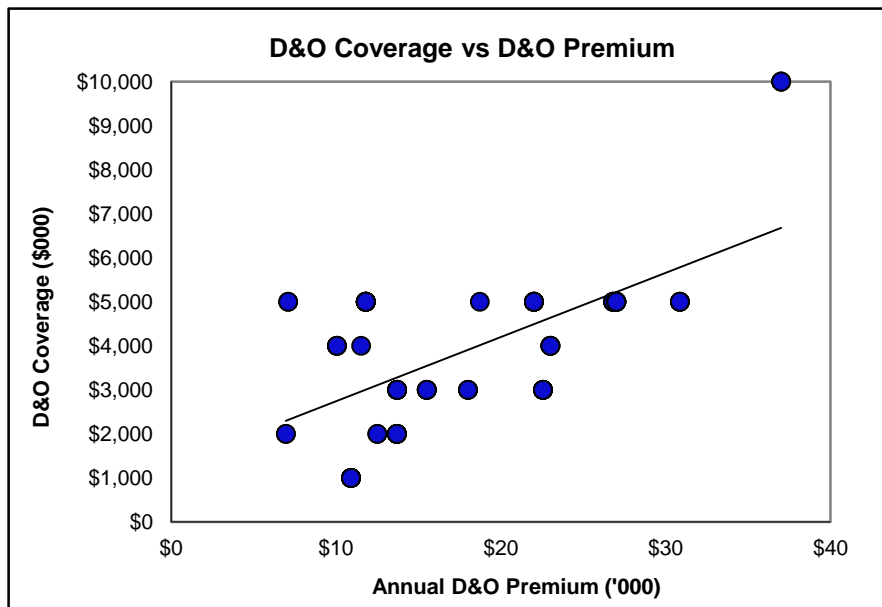


Exhibit 6c

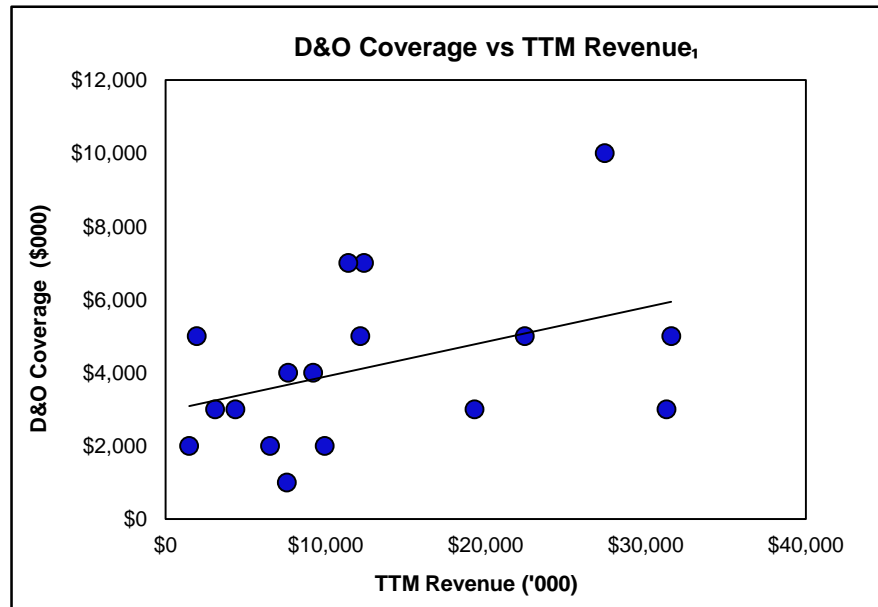


Exhibit 6b

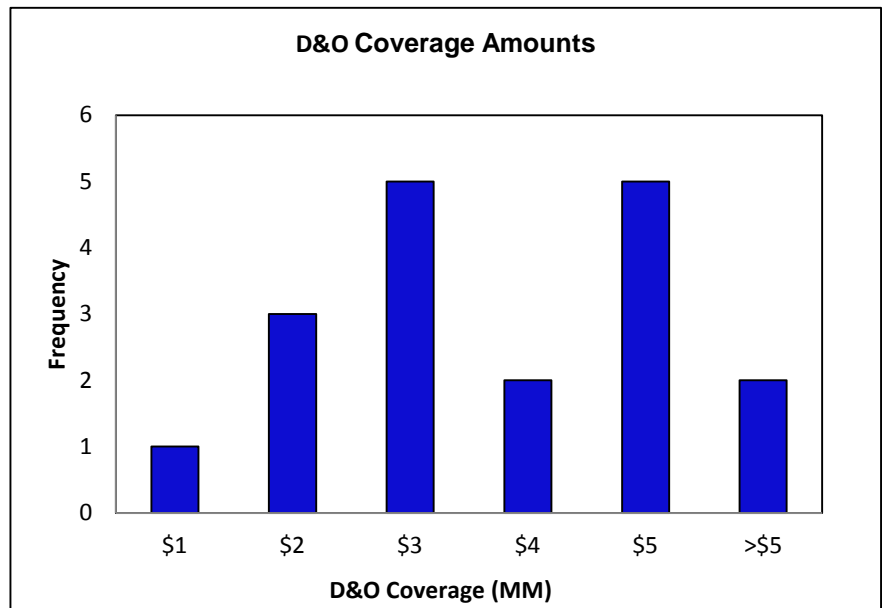
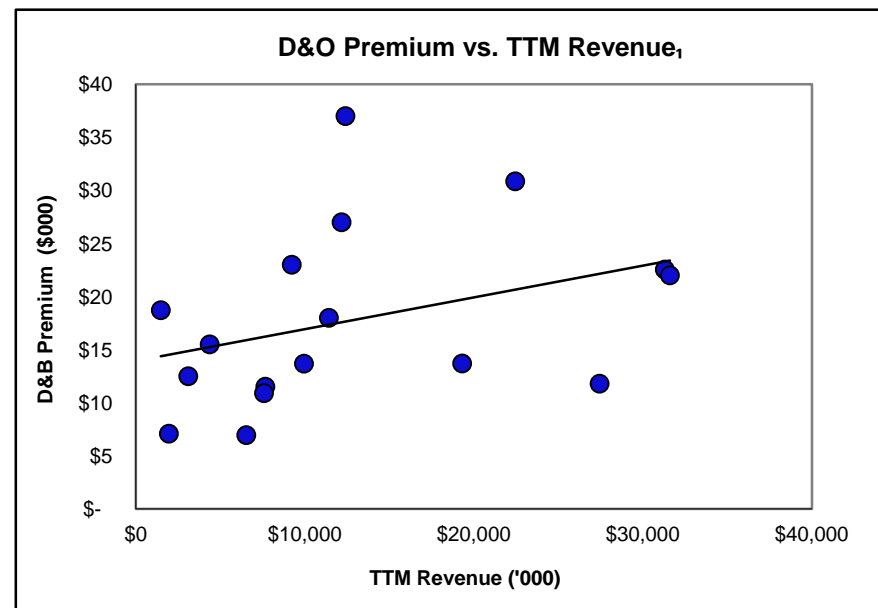


Exhibit 6d



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

Exhibit 7a

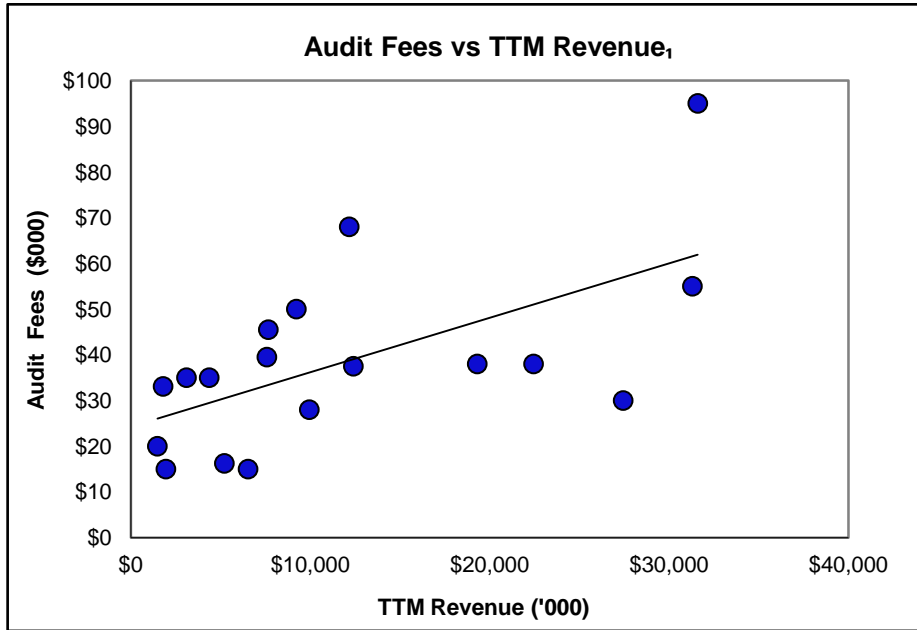
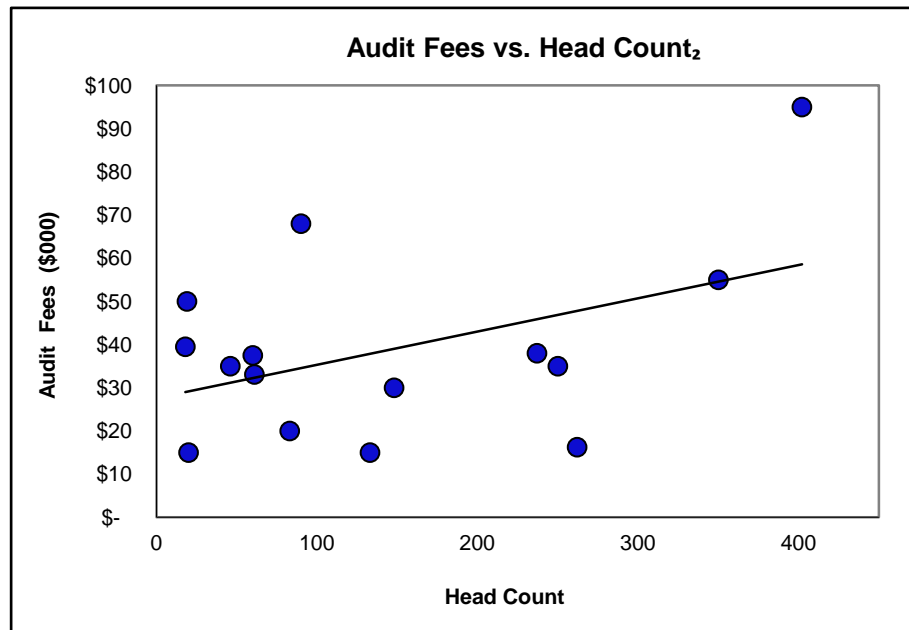


Exhibit 7b



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

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