

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.

2014 River Cities Capital Funds Senior Management Compensation Survey – Numeric Summary

Exhibit 1 Total Cash @ Percent of Bonus @ 100% Commission @ Option Title **Annual Salary** of Goal * 100% of Goal * 100% of Goal * Option Pool** Ownership** Full Ownership^ 24 19 22 24 Chairman/CEO \$269,566 \$125,793 \$0 \$384,877 24.38% 3.50% 9.46% \$156,000 \$439,707 \$37,000 \$275,000 \$0 \$0 \$216,000 \$659,561 0.81% 0.03% 13.88% 1.24% 79.49% 31.60% 14 14 11 11 12 0 COO/President \$0 1.63% \$237.638 \$95.723 \$333.361 17.12% 4.87% \$144,708 \$378,851 \$25,000 \$189,426 \$0 \$0 \$188,120 \$568,277 2.38% 81.90% 0.26% 3.80% 0.29% 34.20% 19 18 0 19 15 **CFO** \$197,974 \$70,632 \$0 \$264,888 8.86% 1.21% 1.39% \$130,000 \$235,000 \$29,100 \$117,500 \$0 \$0 \$174,600 \$352,500 1.97% 18.00% 0.22% 2.51% 0.26% 2.51% 12 11 0 12 7 \$123,451 \$33,841 \$0 \$154,472 3.56% 0.27% 0.31% Controller \$78.876 \$0 \$0 0.68% 0.09% \$94.813 \$157,751 \$4.000 \$94.813 \$236,627 0.74% 10.83% 0.05% 0.82% 14 13 0 14 12 СТО \$0 3.24% \$193.049 \$61.808 \$250.442 7.41% 1.08% \$0 \$0 0.17% \$123,600 \$320,000 \$12,360 \$176,000 \$135,960 \$496,000 0.79% 18.96% 0.09% 4.03% 25.87% 10 8 10 **VP** Development \$78,750 \$242,819 7.22% \$181,695 \$59,165 1.02% 1.28% \$130,000 \$239,491 \$10,000 \$119,746 \$78,750 \$78,750 \$140,000 \$360,000 10.71% 3.21% 0.47% 3.21% 10 VP Bus Dev \$197,819 \$71,743 \$50,000 \$265,609 8.75% 1.18% 1.59% \$252,620 \$85,000 0.09% \$115,000 \$10,000 \$125,000 \$15,000 \$125,000 \$375,000 0.57% 30.36% 0.11% 5.74% 6.01% 10 10 0 10 8 8 2.82% 0.49% VP Marketing \$180,400 \$49.380 \$0 \$229,780 1.23% \$95,000 \$240,000 \$14.250 \$100,000 \$0 \$0 \$109.250 0.74% 6.42% 0.11% 1.10% 0.40% 3.06% \$300,000 9 **VP Sales** \$197,269 \$68,500 \$136,607 \$323,519 8.34% 1.38% 1.55% \$137,500 \$242,000 \$20,000 \$107,500 \$40,000 \$400,000 \$167,500 \$575,000 1.93% 18.63% 0.13% 2.50% 0.40% 2.50% **Totals** \$265,357 \$1,778,861 \$636.586 \$2,449,768 88.47% 11.75% 24.92% 24 Companies Participating 37.7% Leverage Over Base @ 100% of Goal NA NA NA 15 Independent Directors \$12,375 NA NA \$12,375 NA NA 0.84% \$6,000 \$20,000 NA NA NA \$6,000 \$20,000 NA NA NA 0.02%

KEY:

No. of Observations

Title/Position

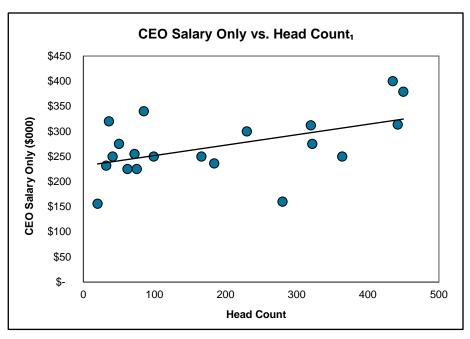
Average Val Min Val Max Val

^{*} 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.

Exhibit 2a Exhibit 3a



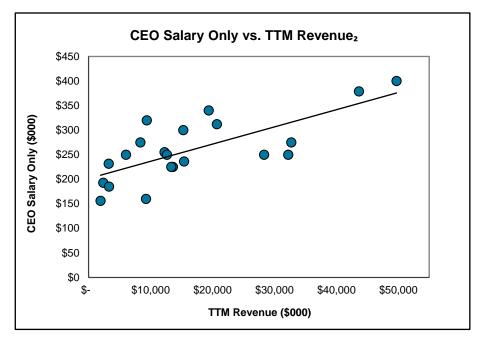
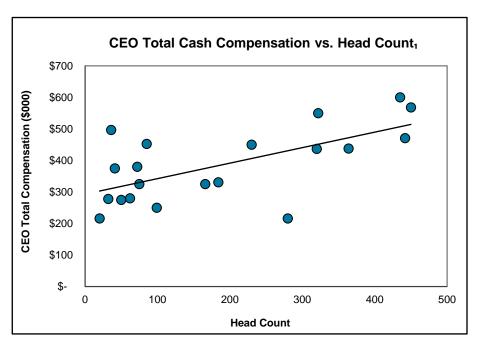
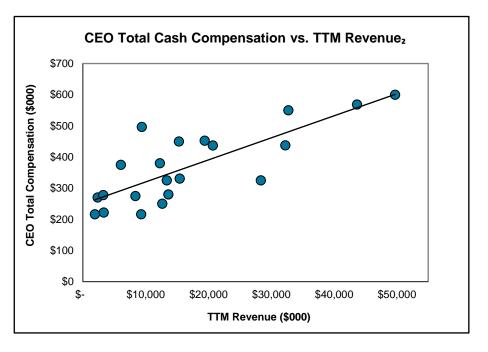


Exhibit 2b Exhibit 3b

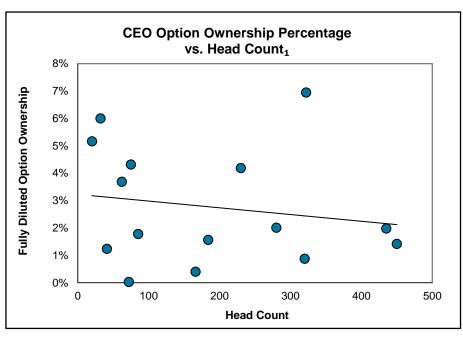




Two companies with head counts in excess of 500 and two with less than 10 have been excluded.

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

Exhibit 4a Exhibit 5a



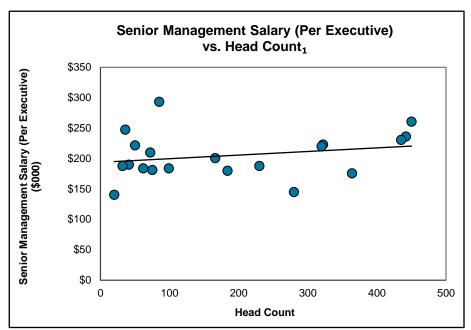
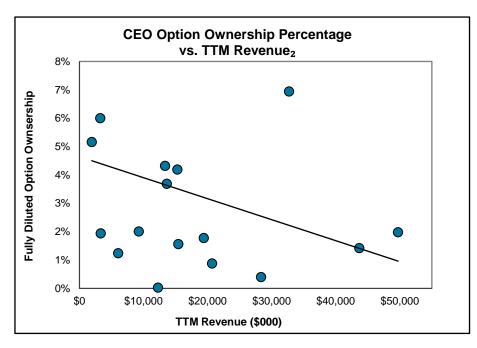
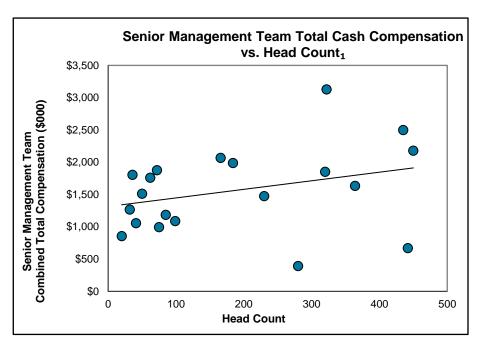


Exhibit 4b Exhibit 5b

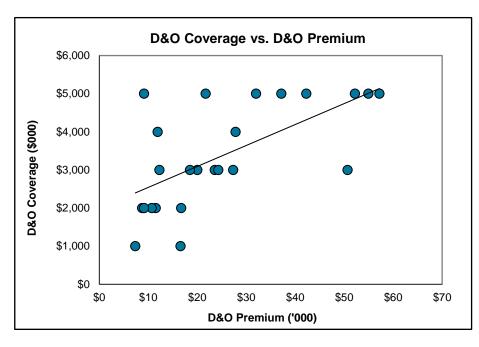




'Two companies with head counts in excess of 500 and two with less than 10 have been excluded.

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

Exhibit 6a Exhibit 6c



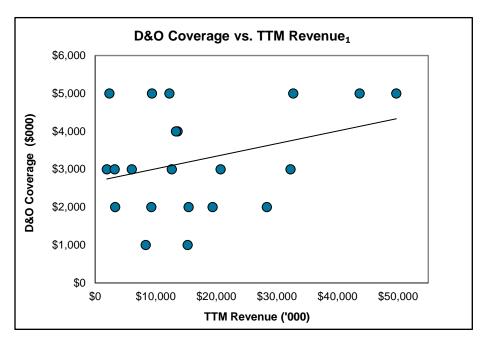
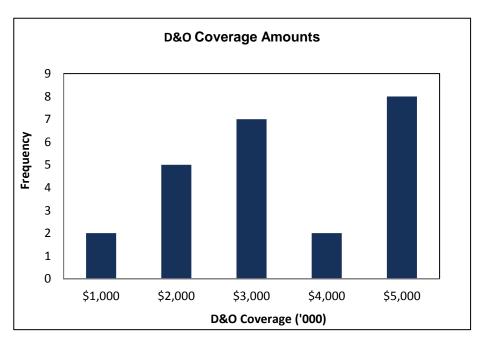
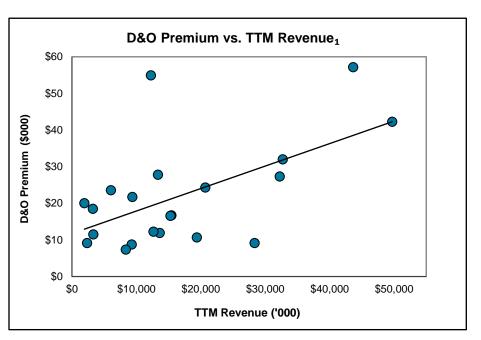


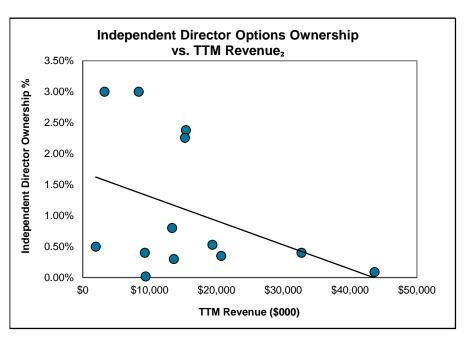
Exhibit 6b





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

Exhibit 7a Exhibit 8a



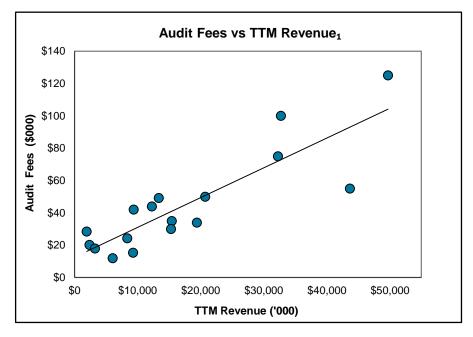
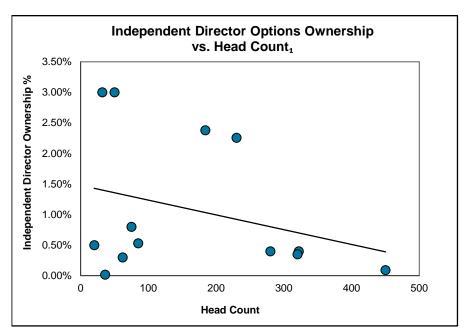
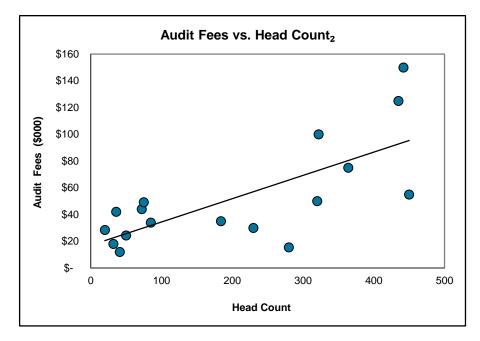


Exhibit 7b Exhibit 8b





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

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