



RIVER CITIES
CAPITAL FUNDS

2016 Senior Management Compensation Survey

Attached are the results of the 2016 River Cities Capital Funds Senior Management Compensation Survey. Nineteen 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 2016 compensation and company head count; TTM revenue are noted as close to December 2015 as possible. The survey data is illustrated in the exhibits attached.

Key Findings

CEO

The average base salary of CEOs is \$273k, with a target bonus of \$135k and 3% in options (or 26% of all options granted). Average salary increased by roughly \$7k over last year; target bonuses remained steady on average; option percentages saw little variation.

As is to be expected, larger companies (measured by revenue and head count) generally pay higher salaries. In terms of ownership, CEOs of larger companies with higher revenue and head count receive fewer options given the higher value of the options.

Senior Management

This analysis suggests that the total compensation of senior management teams has little correlation with revenue and only a slightly higher correlation with head count. On average, target bonuses and commissions provided 35% leverage over base salaries. Not surprisingly, VPs of Sales had the most variable compensation over base at 69% – CEOs and COOs trailed behind with 42% and 41%, respectively, followed closely by VPs Bus Dev at 35% and CFOs at 31%.

Five of the 19 CEO's and two of the 10 CTO's surveyed didn't receive any options; however, these executives tended to have meaningful ownership through founding common stock, averaging 13% fully diluted ownership as compared to those CEOs and CTOs with options who averaged fully diluted ownership of only 5%. Other senior managers who do not receive options are typically rewarded with other forms of compensation such as transactional bonuses. Option pools for senior management teams accounted for 11% of fully diluted ownership.

D&O Insurance

The most common D&O plans offer coverage of \$3M, with seven companies choosing that amount of coverage. The second most popular plans were the \$1M and \$4M options, with three companies selecting each of those coverage amounts. Not surprising, 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 10 companies with independent directors, eight compensate with options only and two compensate with both cash and options. The average option and cash compensation was 0.95% (options on a fully diluted basis) and \$23.5K 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 \$95k; the average amount paid for audit fees is \$48k.

2016 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	\$273,460 ¹⁹ \$175,000 \$396,000	\$135,110 ¹⁶ \$49,173 \$309,000		\$387,236 ¹⁹ \$175,000 \$618,000	26.45% ¹⁴ 0.64% 52.06%	3.40% ¹⁴ 0.11% 7.30%	8.47% ¹⁹ 3.78% 24.53%
COO/President	\$228,847 ¹⁰ \$175,000 \$305,000	\$104,278 ⁹ \$25,000 \$150,000		\$322,697 ¹⁰ \$178,470 \$442,250	7.27% ⁸ 2.28% 17.40%	1.05% ⁸ 0.40% 2.01%	1.98% ⁸ 0.77% 4.45%
CFO	\$211,113 ¹⁵ \$139,000 \$275,000	\$70,812 ¹⁴ \$25,000 \$193,144		\$277,204 ¹⁵ \$166,800 \$450,669	8.50% ¹⁴ 2.02% 22.67%	1.12% ¹⁵ 0.16% 1.96%	1.24% ¹⁵ 0.33% 2.19%
Controller	\$129,141 ¹³ \$70,000 \$202,746	\$32,066 ¹¹ \$7,000 \$101,373		\$156,274 ¹³ \$77,000 \$304,119	1.52% ¹² 0.08% 9.00%	0.16% ¹² 0.01% 0.71%	0.18% ¹² 0.01% 0.92%
CTO	\$231,506 ¹³ \$199,500 \$350,000	\$76,277 ¹⁰ \$41,961 \$192,500		\$290,180 ¹³ \$199,500 \$542,500	9.04% ¹⁰ 2.83% 16.32%	1.70% ¹¹ 0.26% 5.42%	3.93% ¹² 0.49% 20.60%
VP Development	\$185,910 ¹² \$133,400 \$244,519	\$44,271 ¹⁰ \$12,000 \$61,250		\$222,802 ¹² \$145,000 \$294,519	7.74% ⁹ 0.52% 27.02%	0.99% ¹¹ 0.07% 3.20%	1.06% ¹¹ 0.07% 3.35%
VP Bus Dev	\$197,745 ¹¹ \$120,000 \$260,075	\$63,197 ¹⁰ \$39,000 \$80,000		\$255,197 ¹¹ \$180,000 \$325,094	5.66% ⁹ 1.74% 10.62%	0.77% ¹¹ 0.25% 1.45%	1.23% ¹¹ 0.25% 5.15%
VP Marketing	\$194,846 ¹² \$99,000 \$268,000	\$58,150 ¹⁰ \$14,850 \$123,000		\$243,304 ¹² \$113,850 \$384,900	4.84% ¹¹ 0.48% 9.77%	0.68% ¹¹ 0.07% 1.42%	1.01% ¹¹ 0.15% 3.00%
VP Sales	\$213,281 ¹⁶ \$152,000 \$250,000	\$82,892 ¹⁰ \$6,667 \$125,000	\$152,613 ¹⁰ \$60,000 \$225,000	\$360,472 ¹⁶ \$285,000 \$450,000	5.87% ¹⁴ 1.42% 12.38%	1.03% ¹⁵ 0.20% 2.49%	1.19% ¹⁶ 0.04% 2.49%
Totals	\$1,865,849	\$667,051	\$152,613	\$2,515,366	76.91%	10.91%	20.30%
19 Companies Participating				34.8% Leverage Over Base @ 100% of Goal			
Independent Directors	2 \$23,500 \$15,000 \$32,000	NA NA NA NA	NA NA NA NA	2 \$23,500 \$15,000 \$32,000	NA NA NA NA	NA NA NA NA	10 0.95% 0.13% 2.16%

* 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

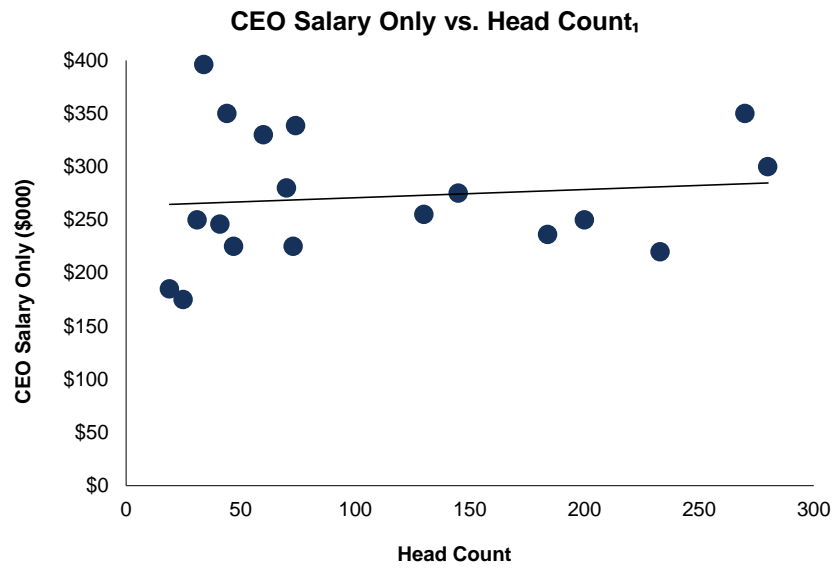


Exhibit 3a

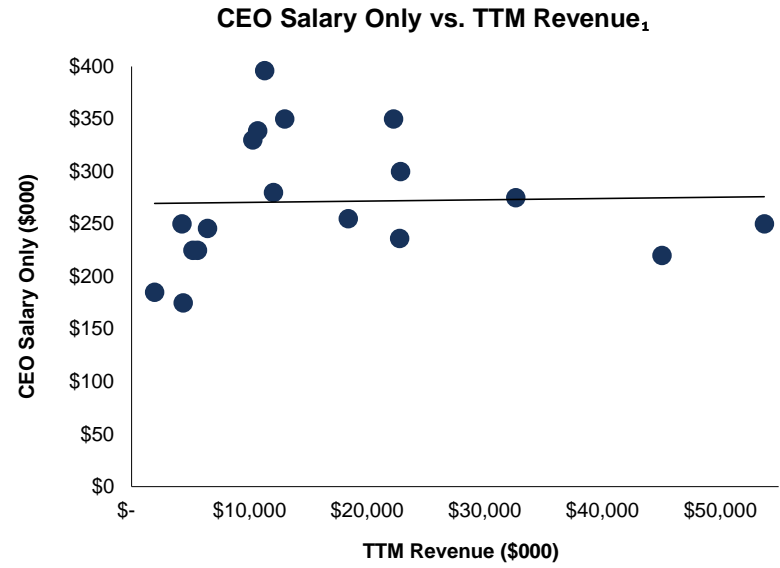


Exhibit 2b

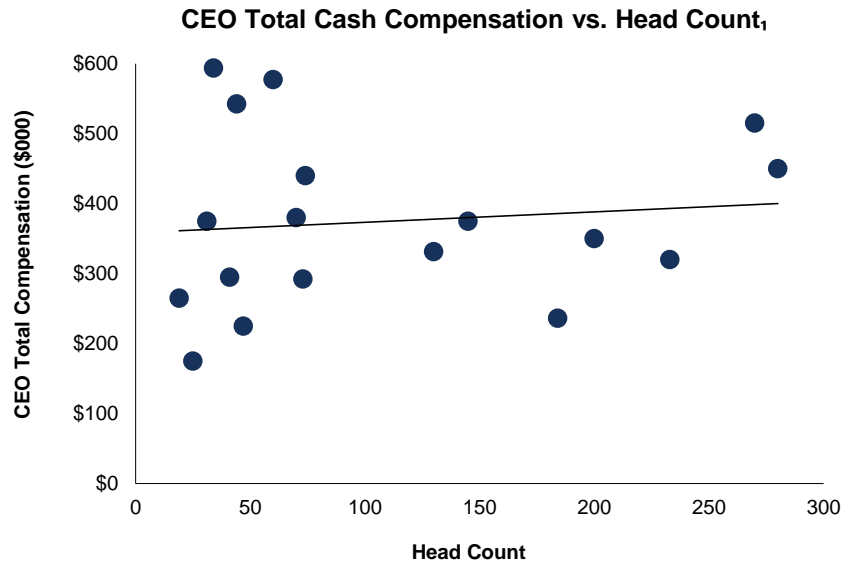
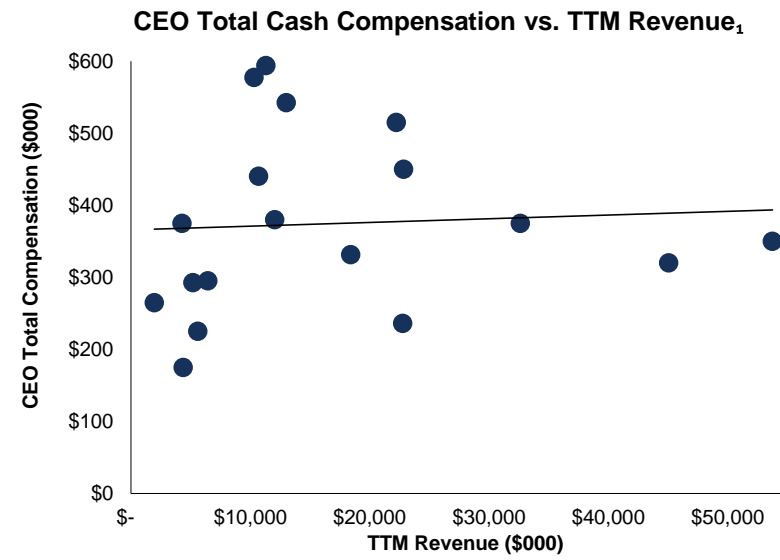


Exhibit 3b



¹Companies with TTM revenue in excess of \$60M and head count greater than 500 have been excluded.

Exhibit 4a

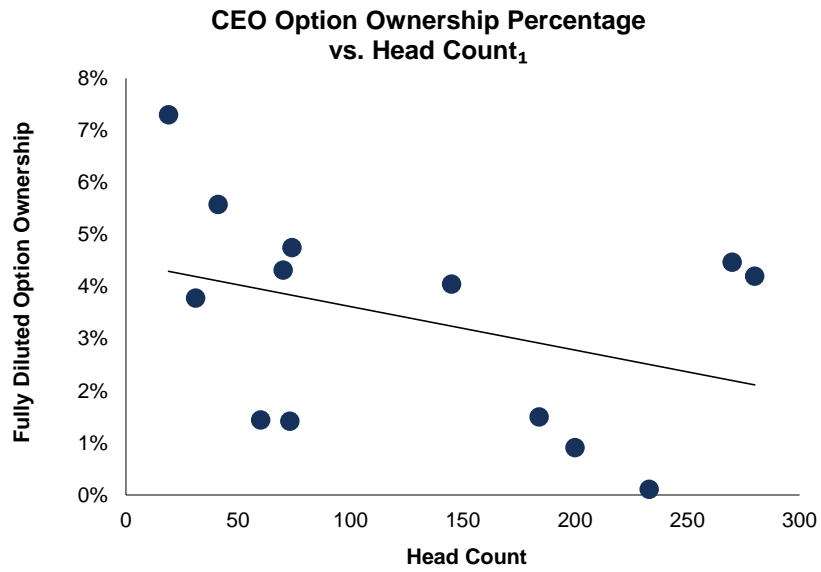


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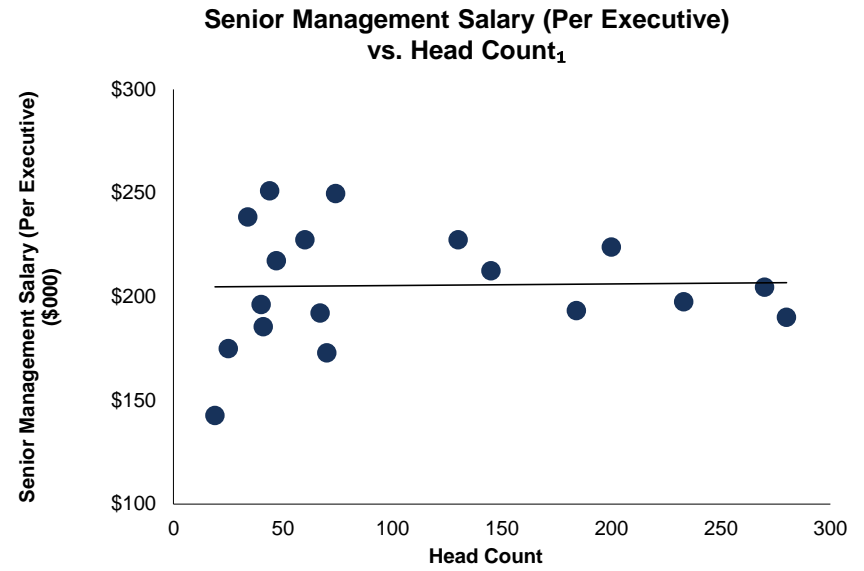


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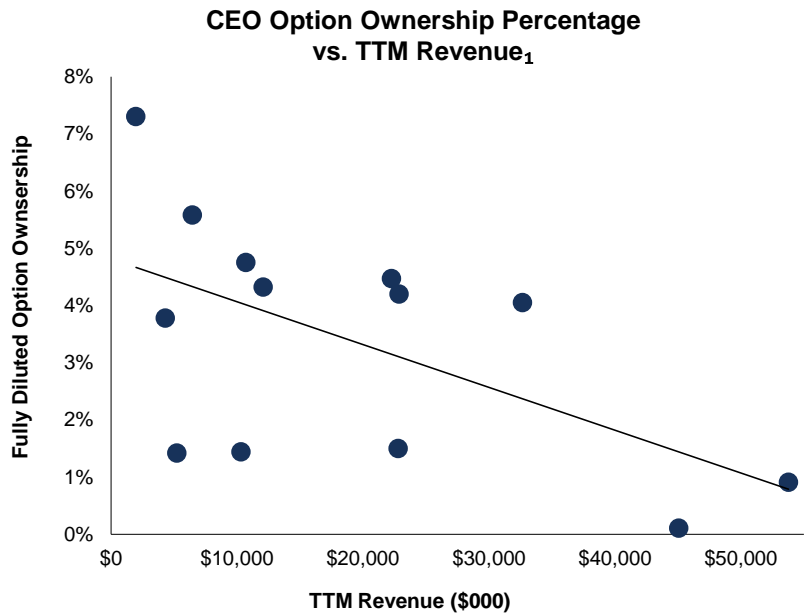
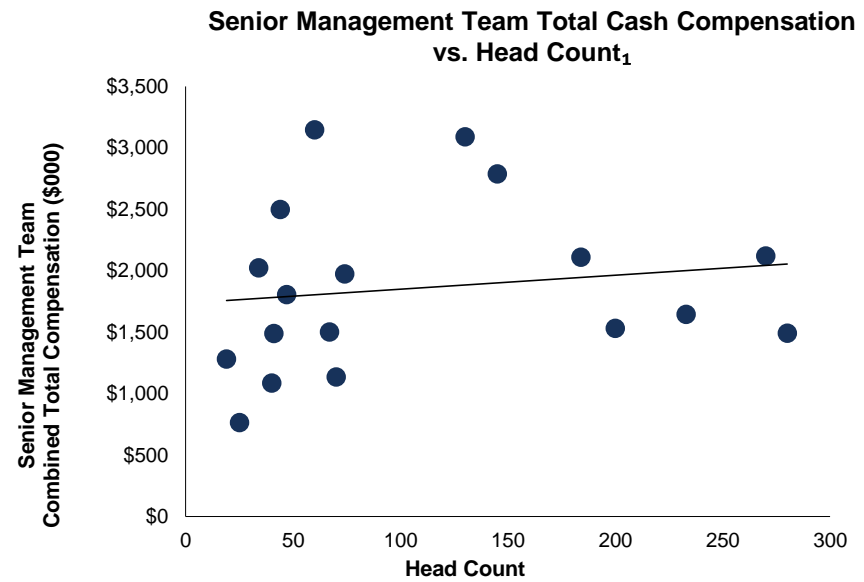


Exhibit 5b



¹Companies with TTM revenue in excess of \$60M and head count greater than 500 have been excluded.

Exhibit 6a

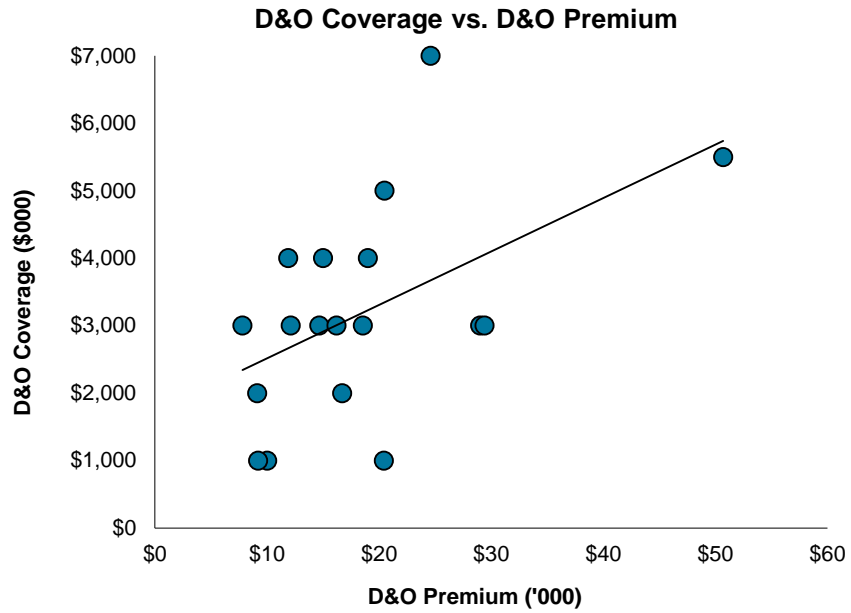


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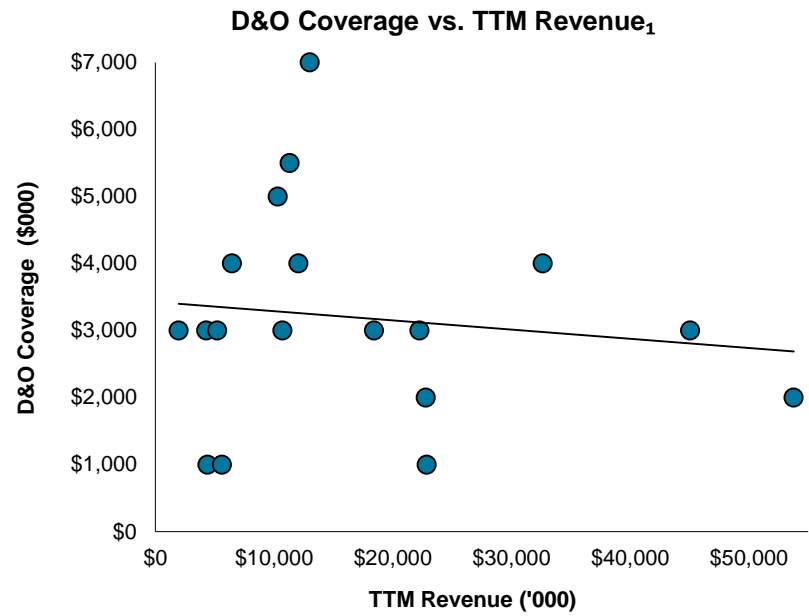


Exhibit 6b

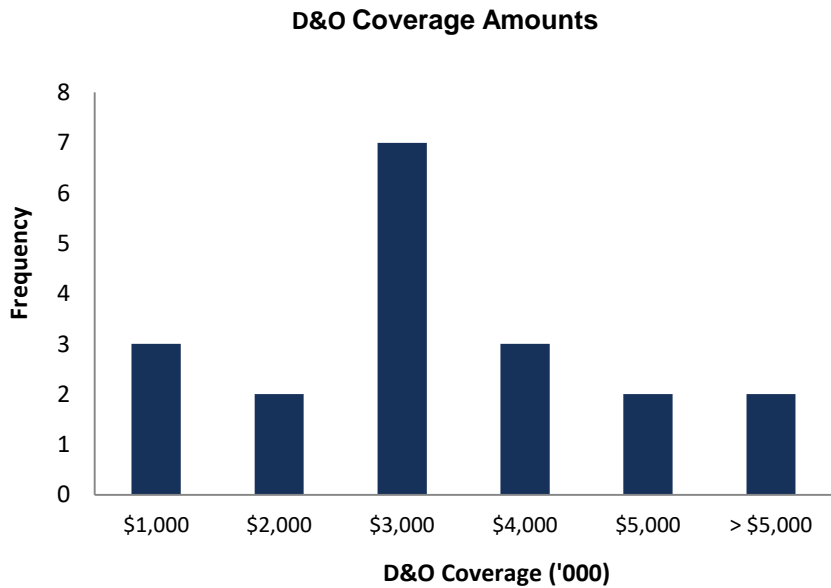
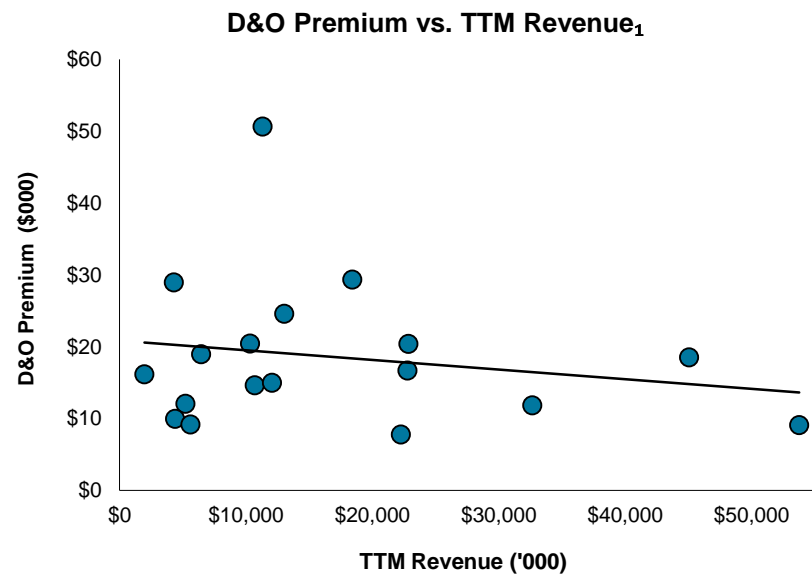


Exhibit 6d



¹Companies with TTM revenue in excess of \$60M and head count greater than 500 have been excluded.

Exhibit 7a

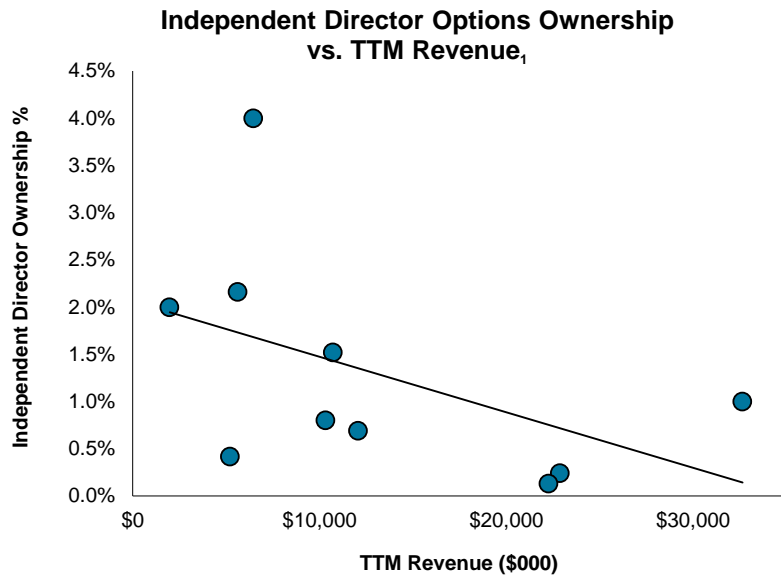


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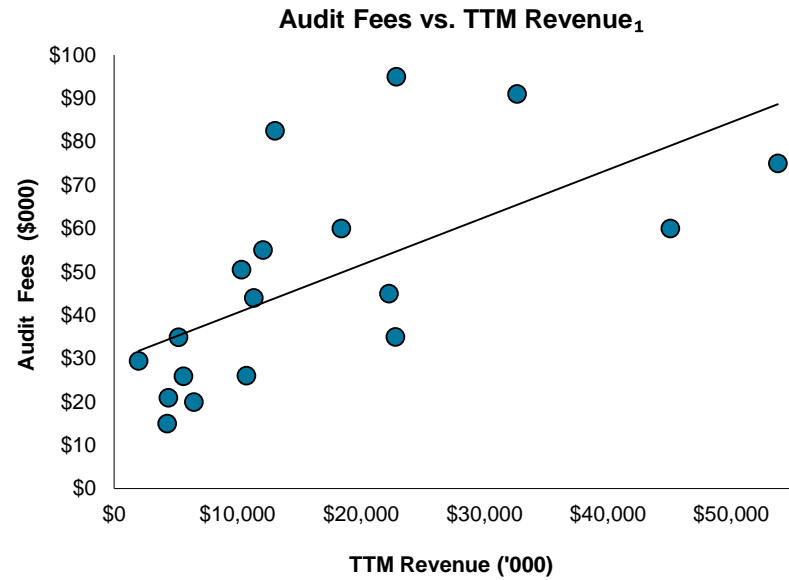


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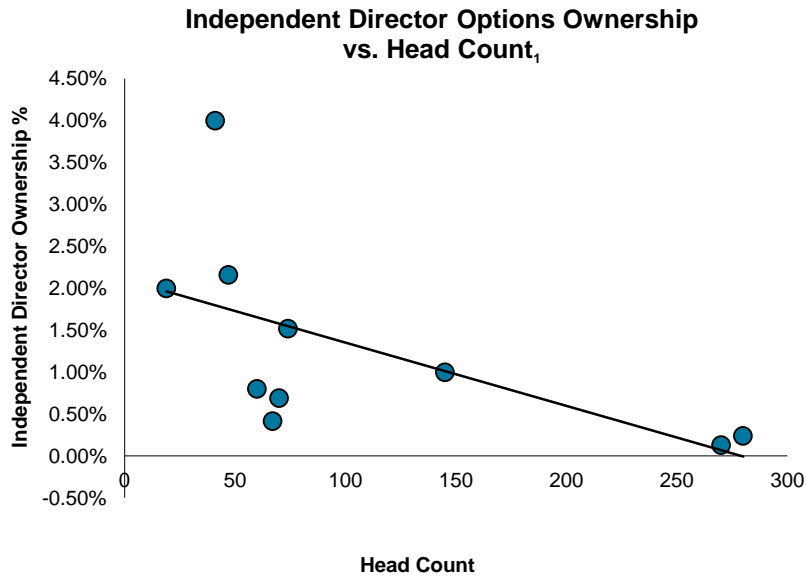
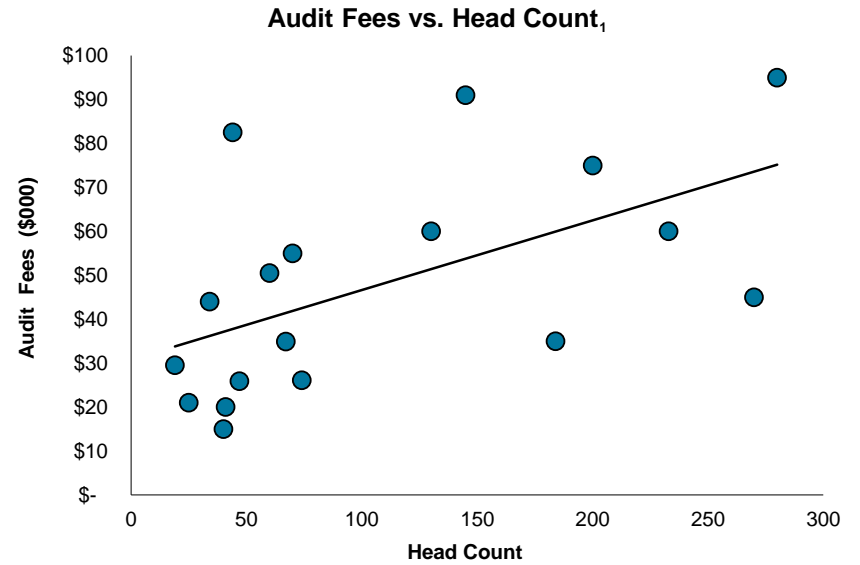


Exhibit 8b



¹Companies with TTM revenue in excess of \$60M and head count greater than 500 have been excluded.