



RIVER CITIES
CAPITAL FUNDS

2017 Senior Management Compensation Survey

Attached are the results of the 2017 River Cities Capital Funds Senior Management Compensation Survey. Sixteen 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 2017 compensation and company head count; TTM revenue are noted as close to December 2016 as possible. The survey data is illustrated in the exhibits attached.

Key Findings

CEO

The average base salary of CEOs is \$289k, with a target bonus of \$138k and 4% in options (or 23% of all options granted). Average salary increased by roughly \$16k over last year; target bonuses showed a slight increase on average; option percentages saw little variation.

While typically larger companies (measured by revenue and head count) generally pay higher salaries, size didn't correlate strongly with compensation in our dataset. Likely factors contributing to this dynamic are industry focus and geographic location. In terms of ownership, CEOs of larger companies with higher revenue and head count receive fewer options given the maturity of the company and higher value of the options.

Senior Management

Similarly to the CEO compensation data, 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 33% more compensation leverage over base salaries. Not surprisingly, VPs of Sales had the most variable compensation over base at 64% – CEOs and COOs trailed behind with 42% and 50%, respectively, followed closely by VPs Bus Dev at 26% and CFOs at 29%.

Four of the 16 CEO's and one of the 10 CTO's surveyed didn't receive any options; however, these executives tended to have meaningful ownership through founding common stock, averaging 14% 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 or \$4M, with four companies choosing each of those coverage amounts. The second most popular plans were the \$1M and \$2M options, with three companies selecting each of those coverage amounts. Not surprising, the higher the coverage, the higher the premium paid.

Independent Director

According to the analysis, larger companies tend to offer a smaller percentage of option ownership given the higher value of the options. Out of 9 companies with independent directors, seven compensate with options only and two compensate with both cash and options. The average option and cash compensation was 0.93% (options on a fully diluted basis) and \$8.7K per director per year, respectively.

Audit Fees

Companies with higher head count and TTM revenue pay substantially higher audit fees. Fees ranged from \$16k to \$90k; the average amount paid for audit fees is \$53k.

Exhibit 2a

Exhibit 3a

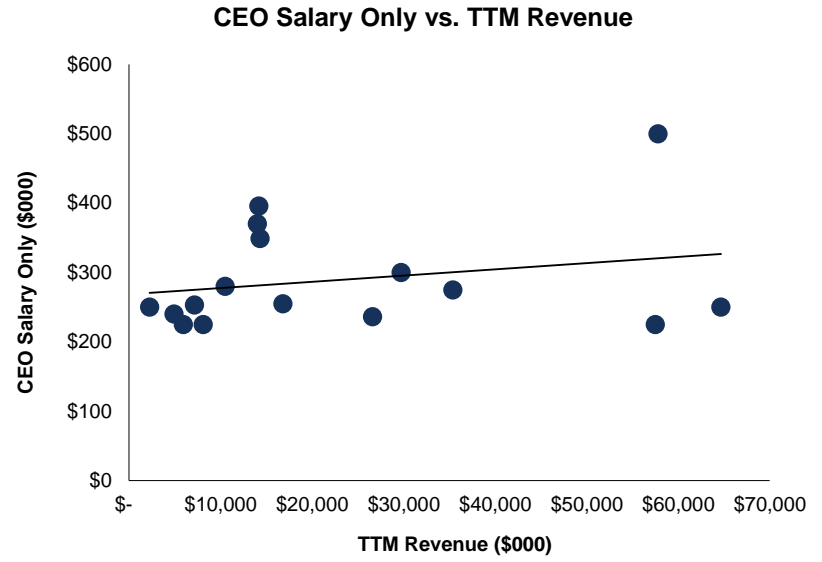
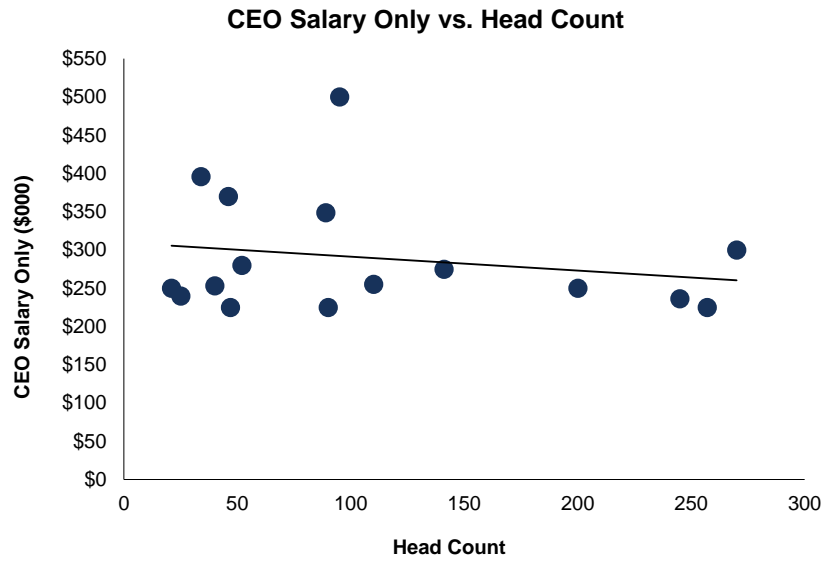


Exhibit 2b

Exhibit 3b

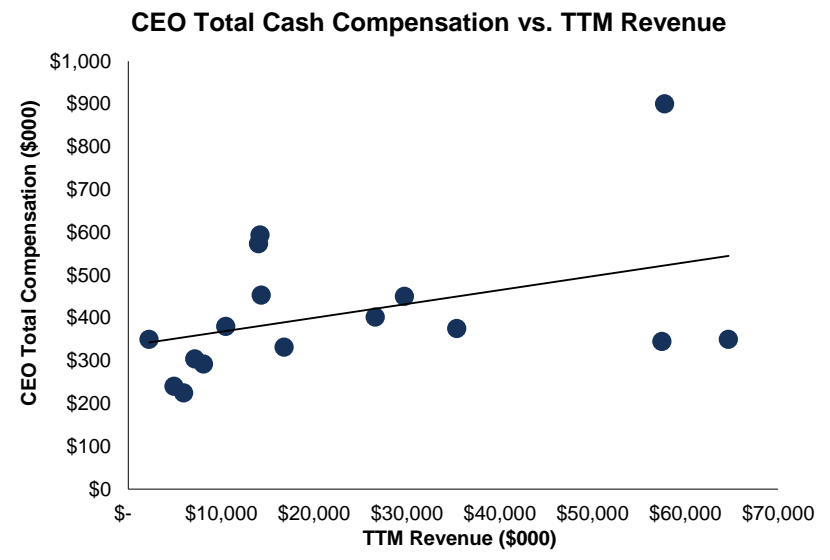
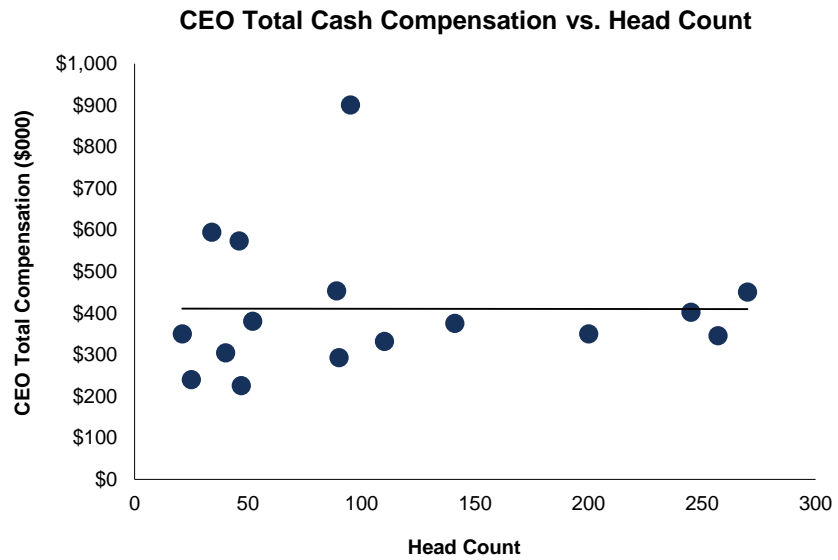


Exhibit 4a

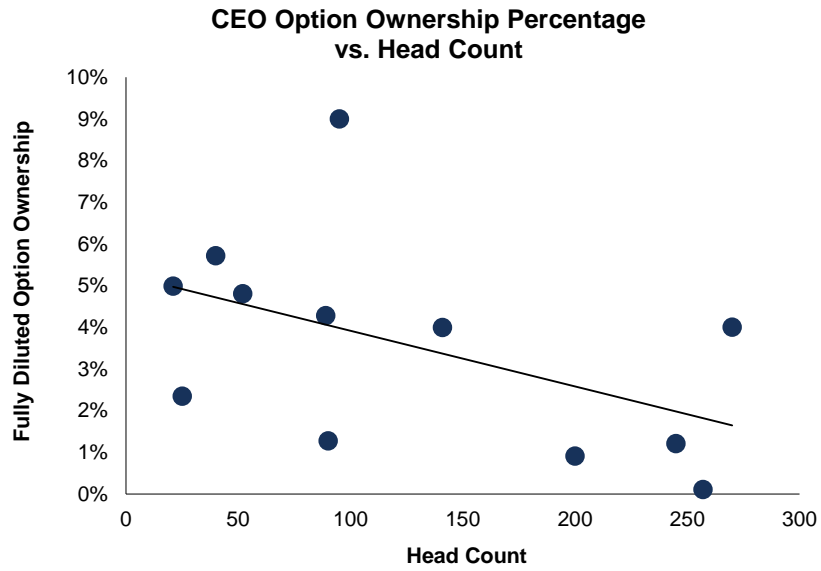


Exhibit 5a

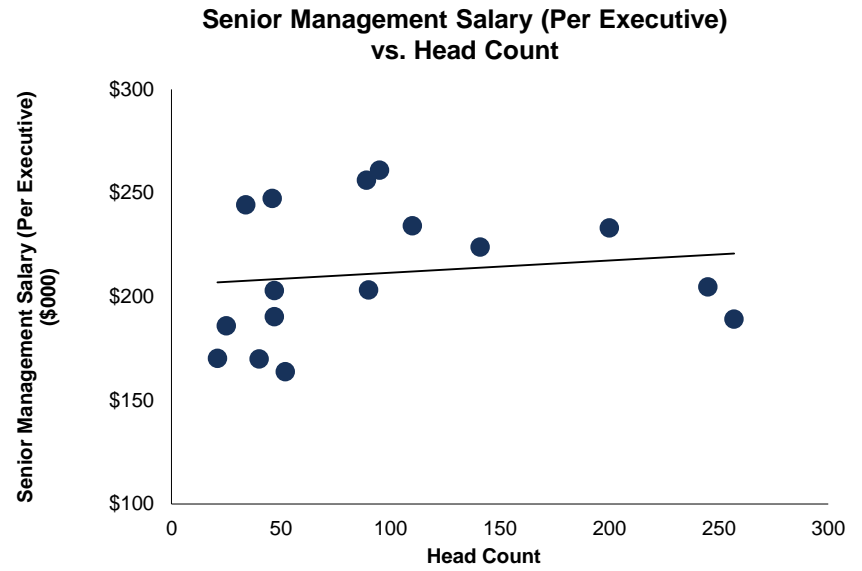


Exhibit 4b

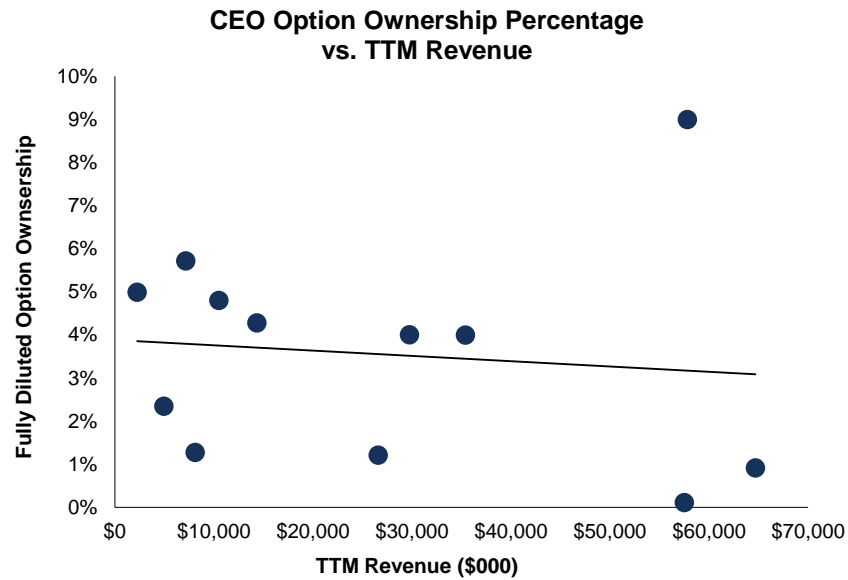


Exhibit 5b

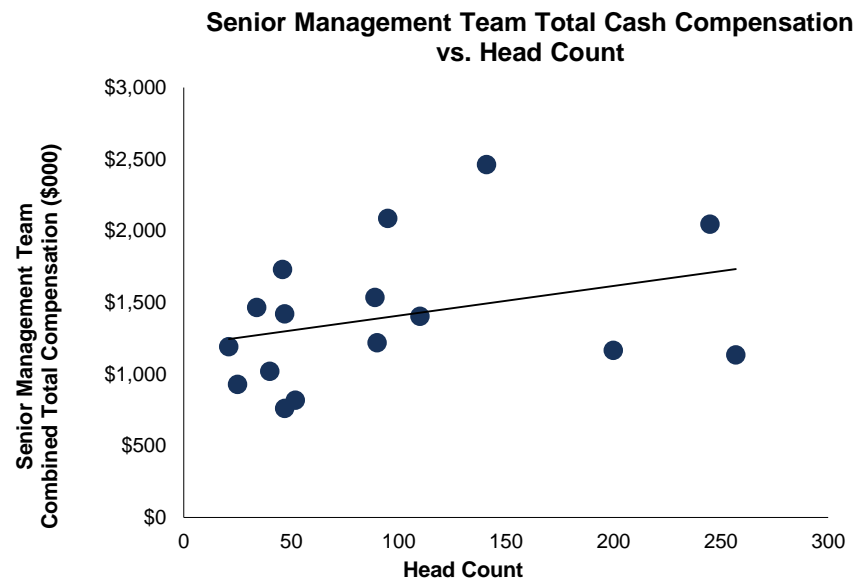


Exhibit 6a

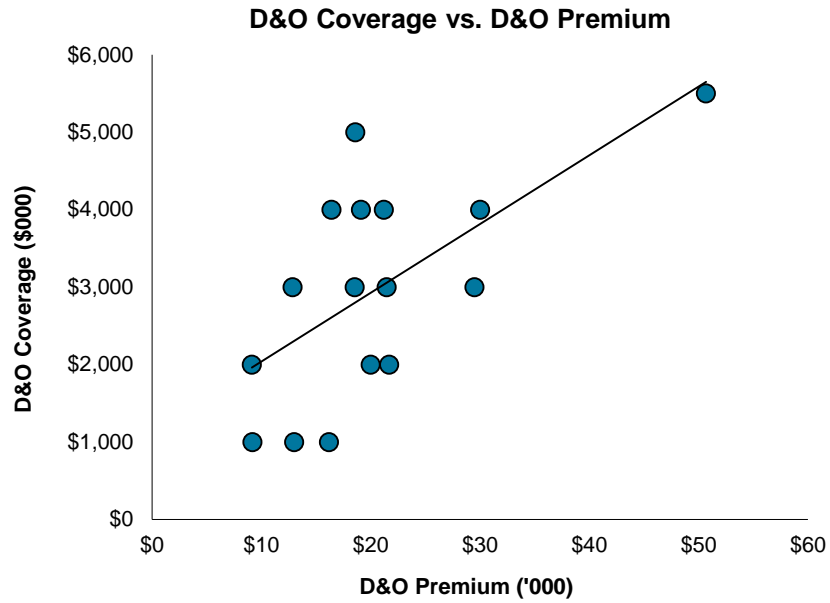


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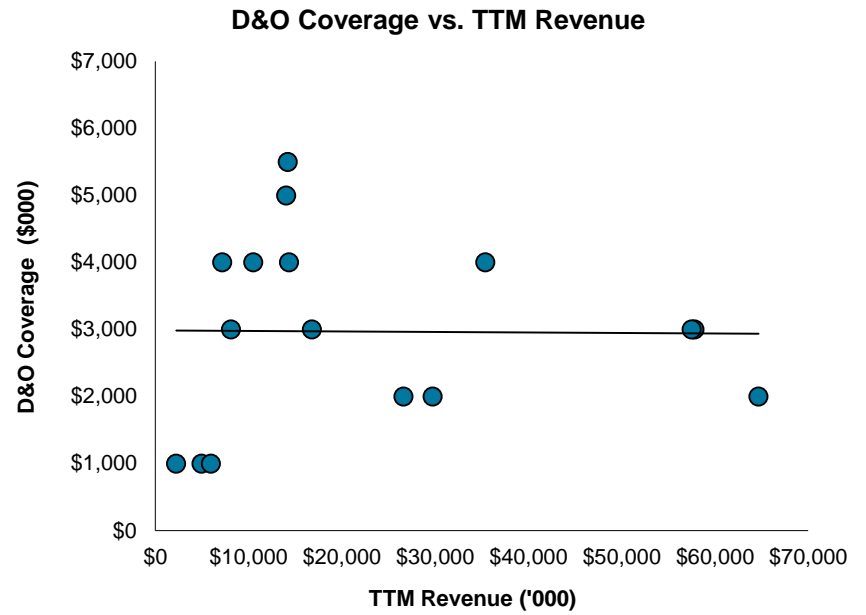


Exhibit 6b

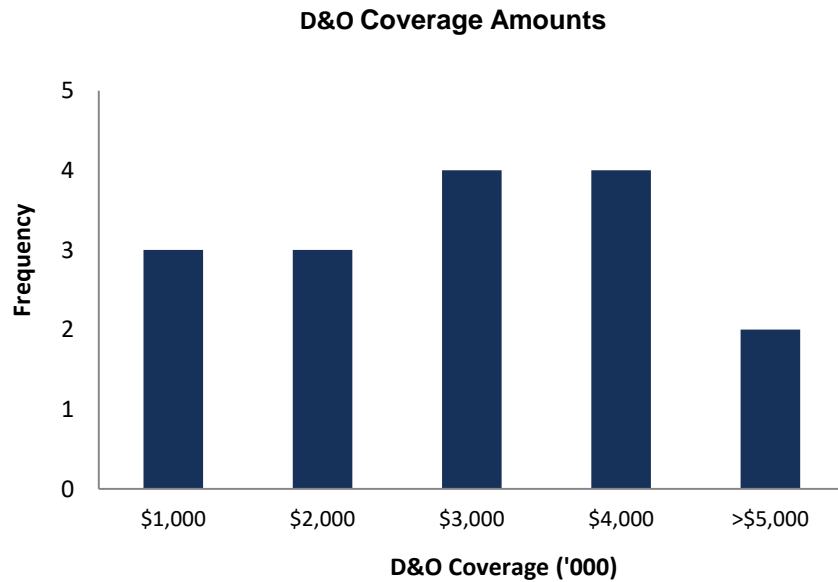


Exhibit 6d

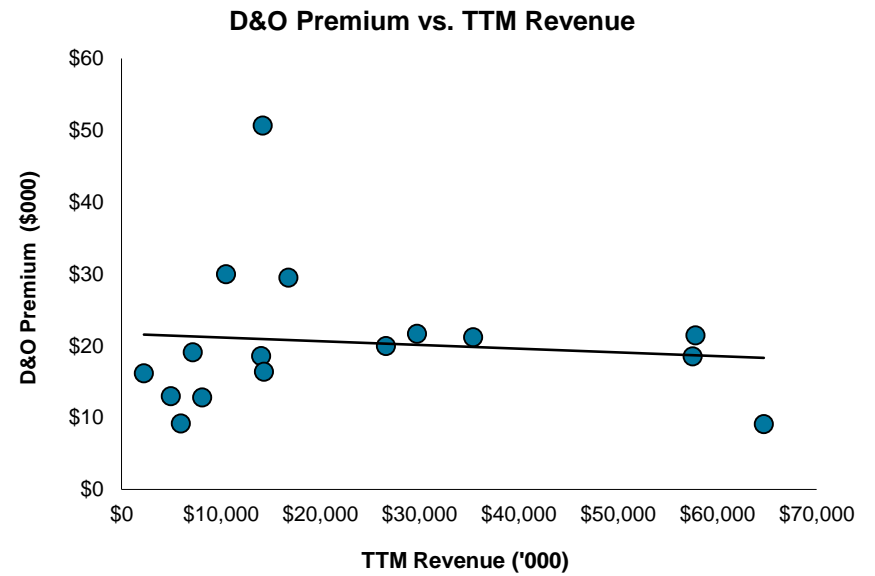


Exhibit 7a

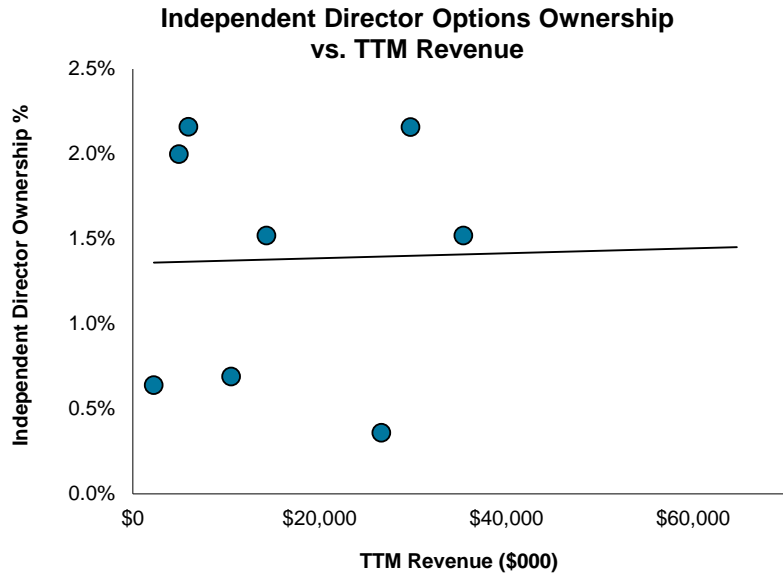


Exhibit 8a

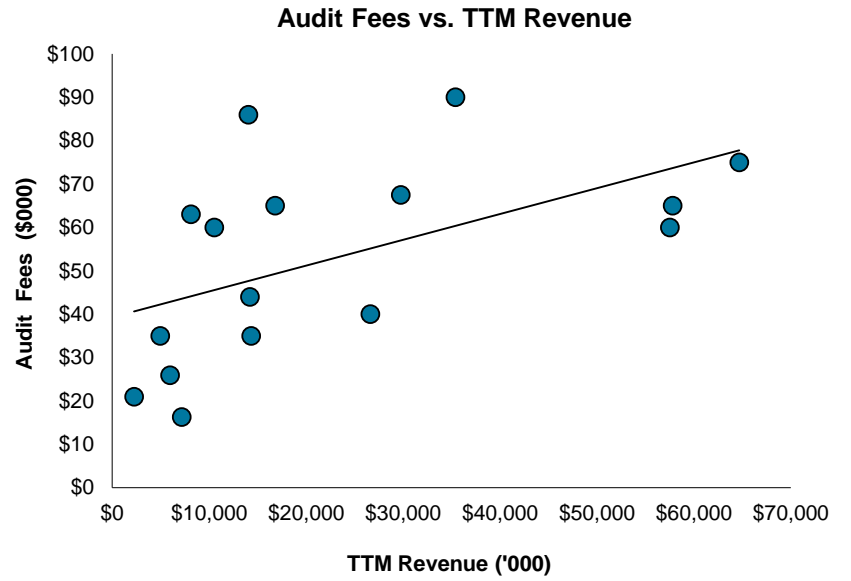


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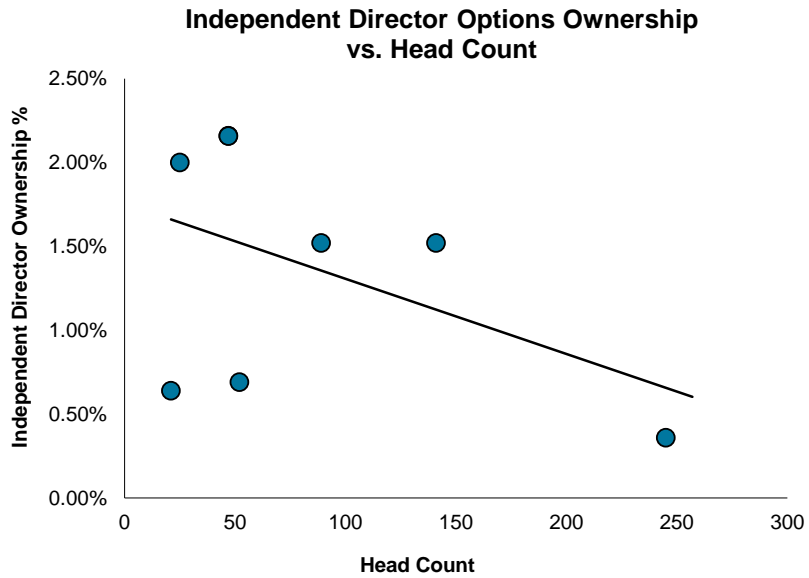


Exhibit 8b

