



# **2018 Senior Management Compensation Survey**

Attached are the results of the 2018 River Cities Capital Funds Senior Management Compensation Survey. Twenty-five 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 from [RCCF](#) and [TripleTree](#) portfolio companies for 2018 compensation and company head count; TTM revenue are noted as close to December 2017 as possible. The survey data is illustrated in the exhibits attached.

## **Key Findings**

### **CEO**

The average base salary of CEOs is \$305k, with a target bonus of \$154k and 4% in options (or 23% of all options granted). Average salary increased by 5% over last year; target bonuses saw an 11% increase on average; option percentages stayed stagnant.

While typically larger companies (measured by revenue and head count) generally pay higher salaries, head count didn't correlate strongly with compensation in our dataset and higher revenue companies showed only a slight correlation with higher cash compensation. 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 head count and only a slightly higher correlation with revenue. 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 60% – CROs and CEOs trailed behind with 52% and 38%, respectively, followed closely by COOs at 36% and CFOs at 28%.

### **D&O Insurance**

D&O plans range from \$1M - \$5M in coverage, the most common plan being \$3M followed by the \$5M plan. 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 15 companies with independent directors, seven compensate with options only, two compensate with cash only and six compensate with both cash and options. Two of the independent directors in our dataset are actively engaged by their respective companies, thus receive above-average option and cash compensation. The average option and cash compensation were 1.00% (options on a fully diluted basis) and \$25K per director per year, respectively.

### **Audit Fees**

Companies with greater TTM revenue pay substantially higher audit fees. Head count has an insignificant effect upon audit fees. Fees range from \$18k to \$98k; the average amount paid for audit fees is \$47k.

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

**2018 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	\$305,021	25	\$154,011	19			\$422,069	25	22.68%	14	4.16%	16	14.06%	24
	\$153,700	\$550,000	\$52,167	\$440,000			\$153,700	\$990,000	1.88%	46.22%	0.25%	10.63%	2.55%	48.58%
COO/President	\$270,402	16	\$124,747	11	\$170,000	1	\$366,790	16	11.60%	7	2.80%	10	3.75%	14
	\$153,750	\$450,000	\$25,000	\$337,500	\$170,000	\$170,000	\$153,750	\$787,500	2.89%	30.00%	0.32%	7.81%	0.07%	9.94%
CFO	\$218,354	22	\$79,895	17			\$280,090	22	7.08%	15	1.02%	17	2.37%	21
	\$141,466	\$350,000	\$29,493	\$150,000			\$151,748	\$490,000	2.03%	22.26%	0.26%	2.64%	0.06%	19.33%
CRO	\$215,000	7	\$117,500	2	\$181,000	3	\$326,143	7	7.81%	5	1.50%	6	1.56%	6
	\$165,000	\$275,000	\$60,000	\$175,000	\$35,000	\$348,000	\$200,000	\$538,000	2.48%	14.26%	0.33%	3.50%	0.48%	3.50%
CTO	\$230,728	17	\$89,007	12			\$293,557	17	6.55%	10	0.94%	12	6.08%	15
	\$130,000	\$370,000	\$43,316	\$203,500			\$130,000	\$573,500	1.00%	11.81%	0.05%	2.90%	0.05%	45.18%
Chief Customer Success Officer	\$188,921	6	\$50,051	6			\$238,972	6	3.91%	5	0.58%	5	0.67%	5
	\$141,524	\$252,000	\$17,000	\$100,000			\$169,829	\$352,000	0.58%	8.02%	0.10%	1.11%	0.29%	1.11%
Controller	\$138,519	8	\$26,753	6			\$158,584	8	0.84%	8	0.12%	8	0.11%	6
	\$83,000	\$200,000	\$16,600	\$50,000			\$99,600	\$250,000	0.27%	2.54%	0.05%	0.29%	0.05%	0.22%
VP Development	\$198,782	14	\$49,458	11			\$237,642	14	3.87%	8	0.67%	9	1.68%	9
	\$136,500	\$267,877	\$25,000	\$84,000			\$136,500	\$334,846	0.49%	8.68%	0.09%	1.46%	0.09%	8.23%
VP Bus Dev	\$177,312	9	\$41,419	4	\$76,043	3	\$221,068	9	3.23%	7	0.58%	8	0.69%	6
	\$117,875	\$290,000	\$17,681	\$72,416	\$10,000	\$118,128	\$130,000	\$290,000	1.97%	6.79%	0.29%	1.31%	0.16%	1.77%
VP Marketing	\$188,549	15	\$58,695	11			\$231,592	15	3.94%	12	0.65%	14	0.68%	13
	\$107,178	\$279,000	\$19,995	\$117,500			\$107,178	\$362,700	0.49%	9.77%	0.05%	1.93%	0.05%	1.93%
VP Sales	\$199,000	11	\$90,208	6	\$130,042	6	\$319,136	11	3.52%	10	0.64%	11	0.59%	10
	\$100,000	\$260,000	\$35,000	\$201,000	\$90,000	\$195,000	\$200,000	\$415,000	0.11%	5.99%	0.02%	1.13%	0.02%	1.13%
<b>Totals</b>	<b>\$2,330,586</b>		<b>\$881,744</b>		<b>\$557,084</b>		<b>\$3,095,641</b>		<b>75%</b>		<b>14%</b>		<b>32%</b>	
<b>25 Companies Participating</b>														
<b>32.8% Leverage Over Base @ 100% of Goal</b>														
Independent Directors	\$25,458	8	NA	NA	NA	NA	\$25,458	8	NA	NA	NA	NA	1.00%	13
	\$6,000	\$52,667	NA	NA	NA	NA	\$6,000	\$52,667	NA	NA	NA	NA	0.13%	3.47%

\* 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:**  
 Title/Position                      No. of Observations  
     Average Val  
     Min Val                      Max Val

Exhibit 2a

Exhibit 3a

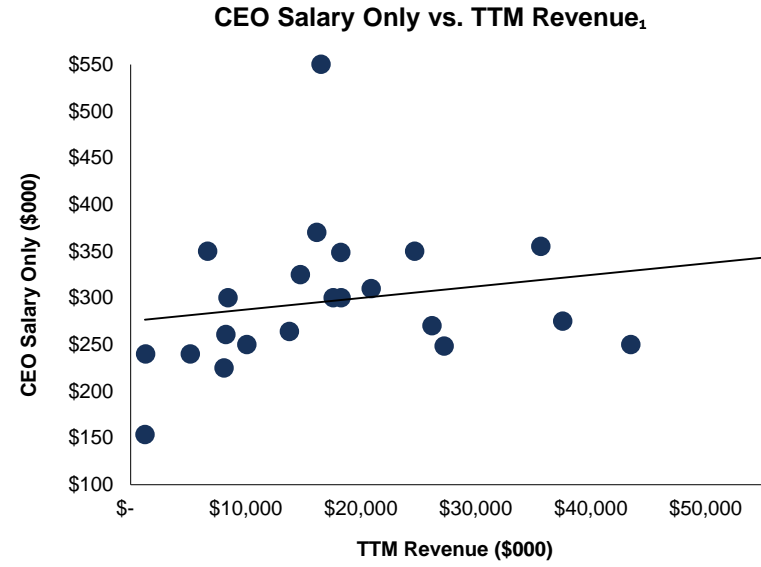
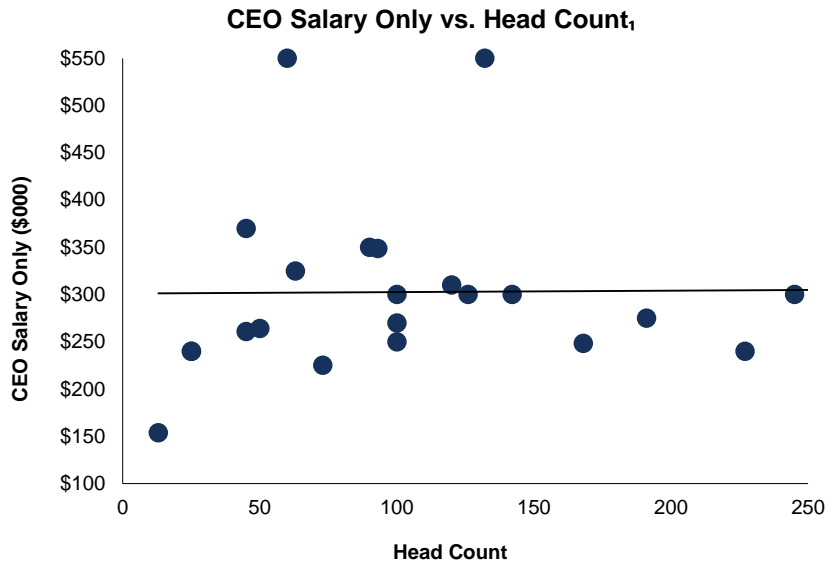
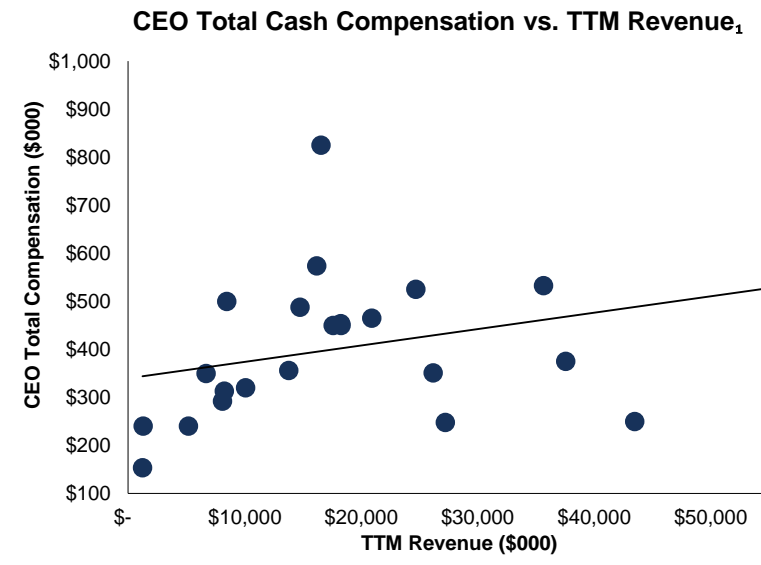
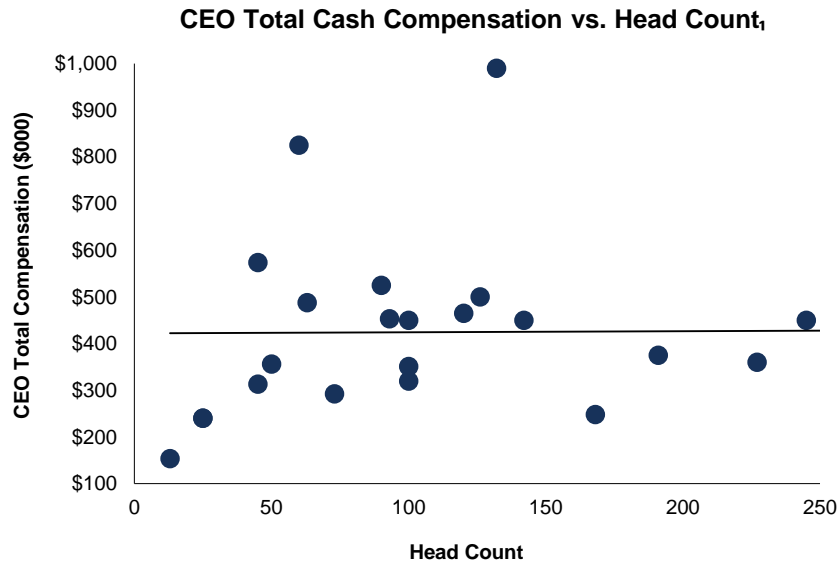


Exhibit 2b

Exhibit 3b



<sup>1</sup>Companies with TTM revenue in excess of \$50M and head count greater than 250 have been excluded.

Exhibit 4a

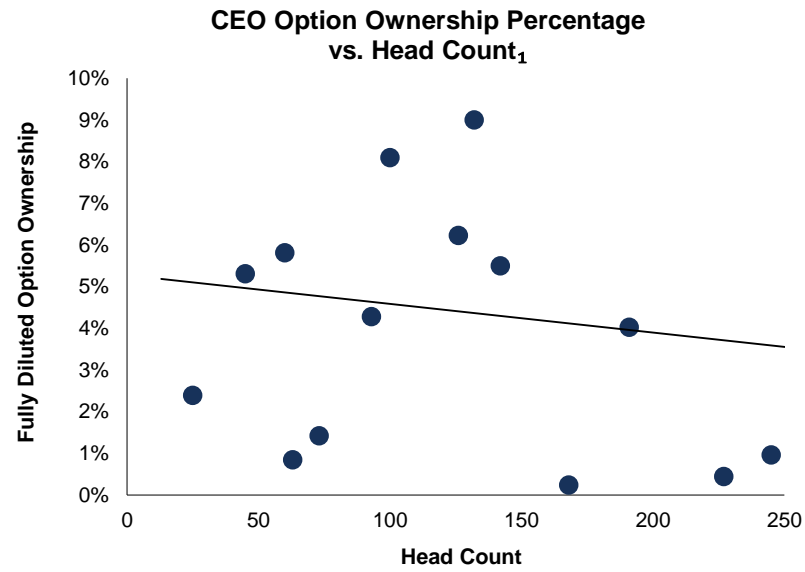
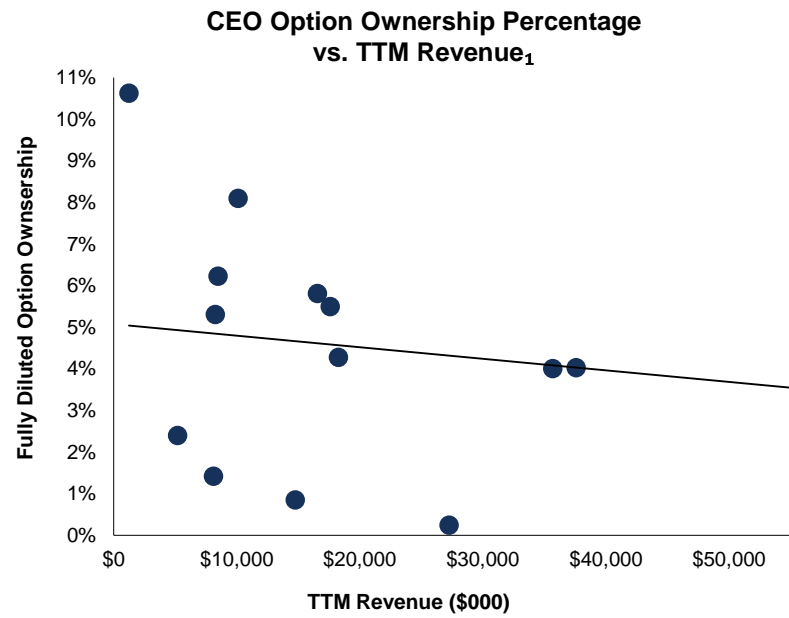


Exhibit 4b



<sup>1</sup>Companies with TTM revenue in excess of \$50M and head count greater than 250 have been excluded.

Exhibit 5a

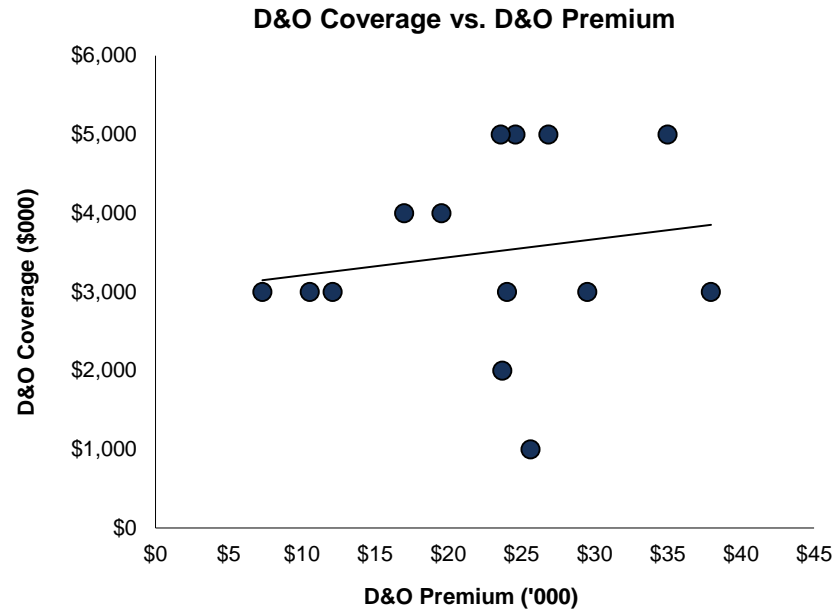


Exhibit 5c

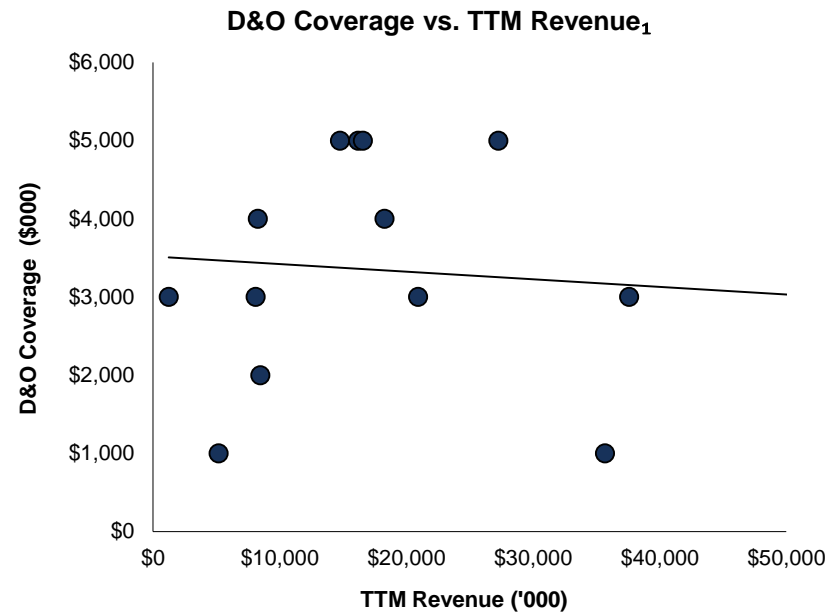


Exhibit 5b

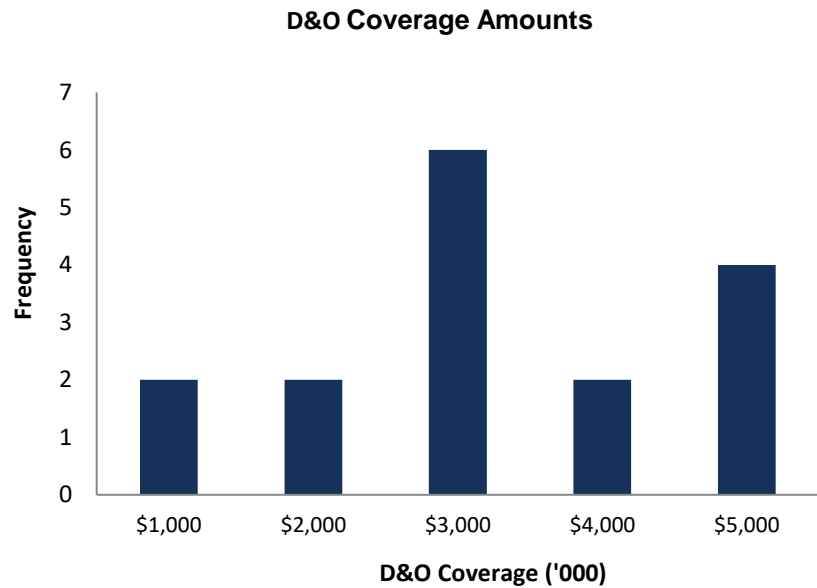
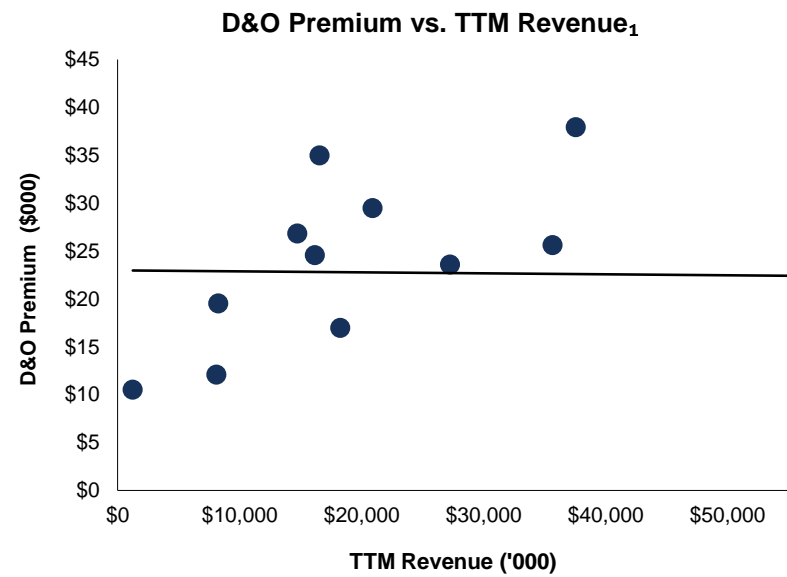


Exhibit 5d



<sup>1</sup>Companies with TTM revenue in excess of \$50M and head count greater than 250 have been excluded.

Exhibit 6a

Exhibit 7a

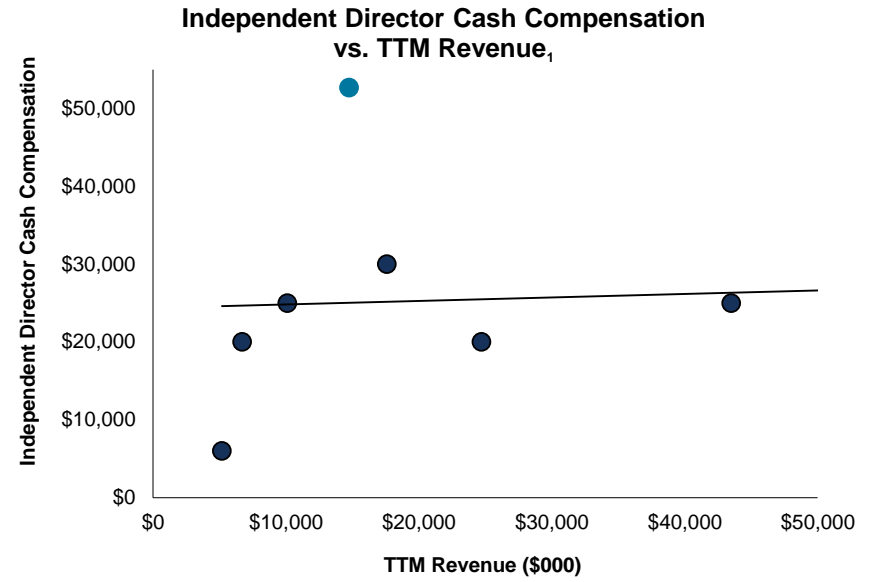
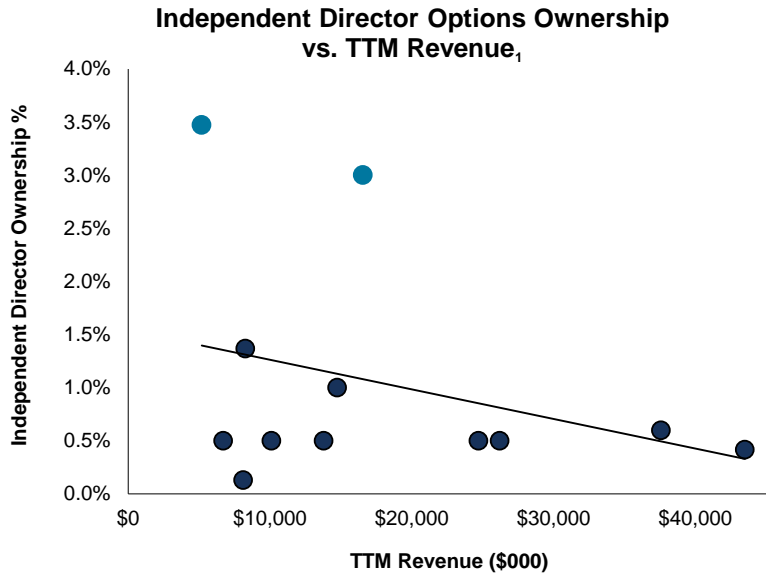
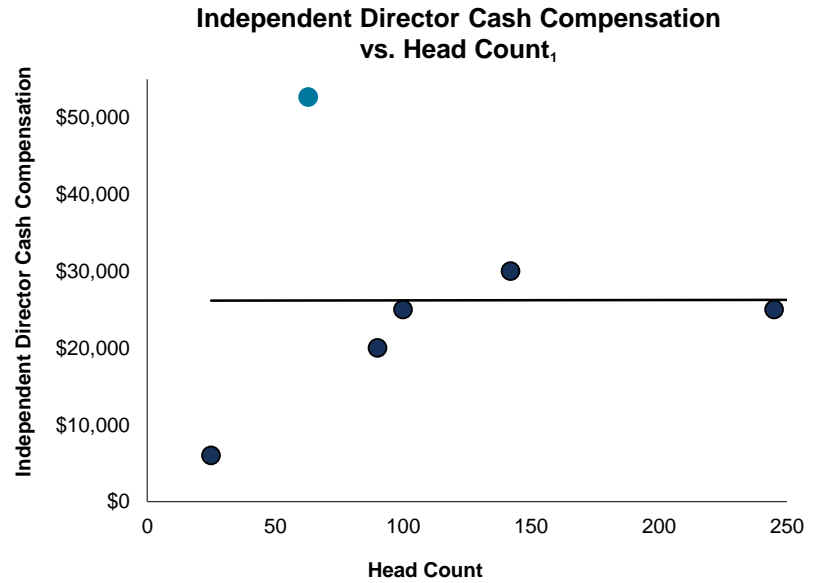
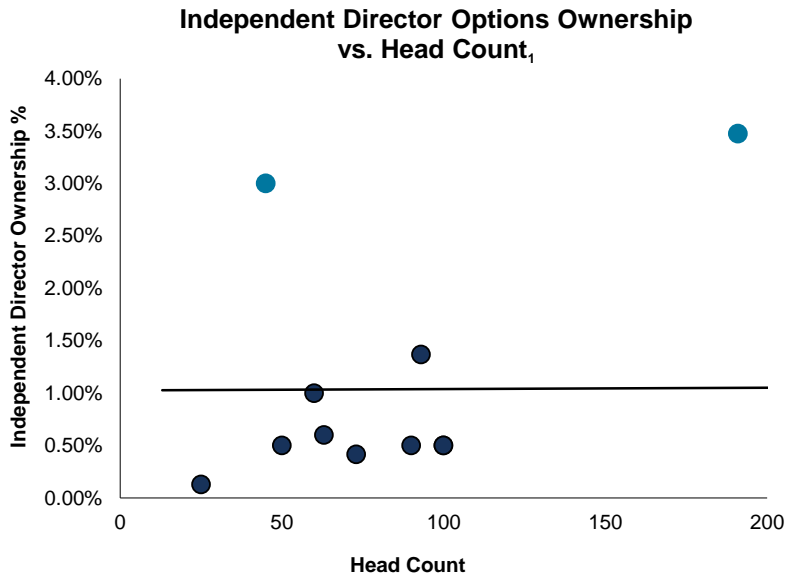


Exhibit 6b

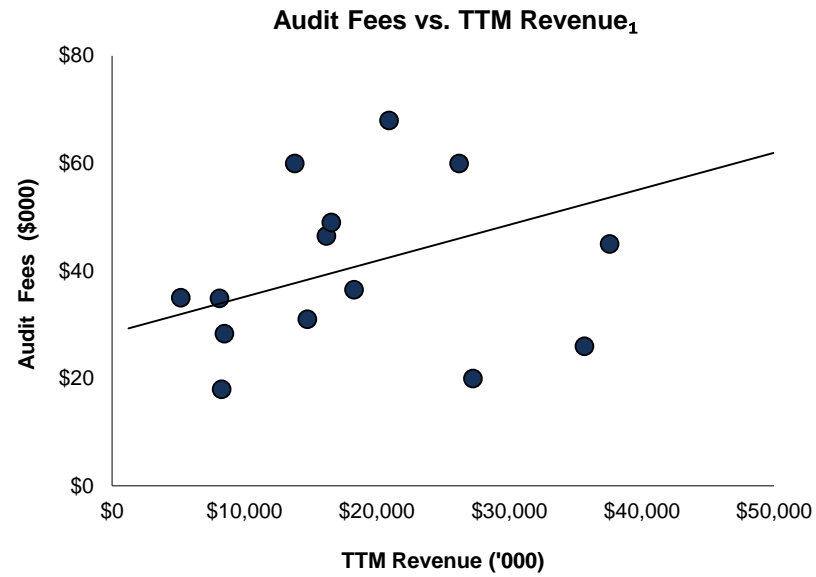
Exhibit 7b



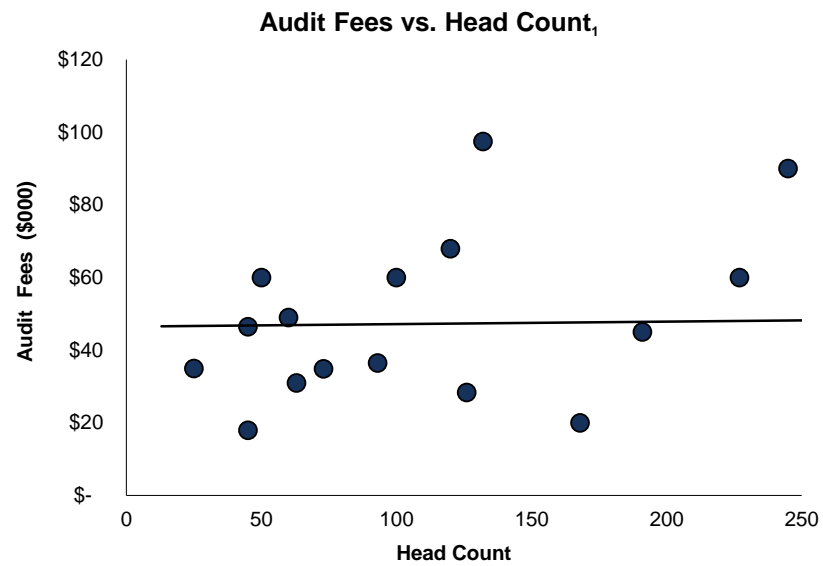
● Individuals actively engaged by respective companies.

<sup>1</sup>Companies with TTM revenue in excess of \$50M and head count greater than 250 have been excluded.

**Exhibit 8a**



**Exhibit 8b**



<sup>1</sup>Companies with TTM revenue in excess of \$50M and head count greater than 250 have been excluded.