



2008 Senior Management Compensation Survey

Attached are the results of the 2008 River Cities Capital Funds Senior Management Compensation Survey. Thirty-one 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 April-May 2009, with compensation, company head count and trailing twelve months (TTM) revenue noted as close to December 2008 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 \$244K, target bonus of \$130K and 3.7% in options (or 26% of all options granted).
 - b) Bonuses and commissions provided an average of 33% leverage over base salaries for the average management team, taken as a whole.
 - c) On average, option pools accounted for 12% of fully-diluted ownership.
- 2) **Exhibit 2 – “CEO Compensation versus Company Head Count” Graphs.** The analysis showed that CEOs who manage more people tend to receive more salary, but not dramatically so. The correlation was very weak when CEO total compensation was compared with the head count.
- 3) **Exhibit 3 – “CEO Compensation versus Company TTM Revenue” Graphs.** The analysis showed that CEOs who run companies with more revenue tend to receive more compensation, but similar to the comparison to head count, the relationship was weak.
- 4) **Exhibit 4 – “CEO Compensation versus Option Ownership Percentage” Graphs.** The analysis showed that CEO's with higher compensation were able to negotiate slightly higher options.
- 5) **Exhibit 5 – “Senior Management Compensation versus Company Head Count” Graphs.** The analysis showed a weak relationship between size of the company (measured by head count) and the compensation of management teams taken as a whole.
- 6) **Exhibit 6 – “D&O Coverage and D&O Premium” Graphs.** The analysis showed a fairly strong relationship between size of D&O Coverage and the D&O Annual Premium with few significant variances. The most popular coverage amount is \$3 MM, with 11 companies choosing that amount. The analysis also showed companies with higher TTM Revenue have slightly higher coverage and premiums.
- 7) **Exhibit 7 – “Audit Fees” Graphs.** The analysis showed that companies with higher revenue and head count tend to have higher Audit Fees, but most companies paid \$20K - \$30K.

Out of the twenty-one companies with independent directors, eleven compensate with options only; eight compensate with both cash and options; and two compensate with cash only. The average option and cash compensation were at 0.7% (options on a fully diluted basis) and \$12K per director per year, respectively.

For further information about this report, please contact Parag Rathi; more detailed analysis is available for interested managers.

2008 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^
Chairman/CEO	\$243,733 <small>\$110,000 \$425,000</small>	\$130,412 <small>\$28,690 \$425,000</small>	\$0 <small>\$0 \$0</small>	\$348,904 <small>\$140,000 \$850,000</small>	25.94% <small>2.32% 54.55%</small>	3.84% <small>0.18% 6.74%</small>	9.35% <small>1.25% 51.00%</small>
COO/President	\$198,820 <small>\$150,000 \$260,000</small>	\$82,391 <small>\$23,842 \$130,000</small>	\$0 <small>\$0 \$0</small>	\$281,211 <small>\$180,506 \$360,360</small>	19.04% <small>6.04% 44.55%</small>	2.30% <small>0.25% 5.98%</small>	4.36% <small>0.65% 12.37%</small>
CFO	\$166,566 <small>\$106,000 \$231,750</small>	\$54,965 <small>\$14,000 \$100,000</small>	\$0 <small>\$0 \$0</small>	\$211,972 <small>\$120,000 \$289,688</small>	6.89% <small>3.05% 13.64%</small>	0.96% <small>0.30% 1.74%</small>	1.16% <small>0.26% 3.37%</small>
Controller	\$106,450 <small>\$65,550 \$147,000</small>	\$18,995 <small>\$7,000 \$40,000</small>	\$0 <small>\$0 \$0</small>	\$121,646 <small>\$65,550 \$165,000</small>	1.93% <small>0.17% 10.38%</small>	0.14% <small>0.01% 0.34%</small>	0.17% <small>0.01% 0.34%</small>
CTO	\$177,722 <small>\$127,500 \$215,000</small>	\$53,980 <small>\$12,500 \$113,000</small>	\$0 <small>\$0 \$0</small>	\$207,711 <small>\$140,000 \$300,500</small>	7.00% <small>0.93% 11.97%</small>	1.17% <small>0.18% 1.90%</small>	1.92% <small>0.18% 3.40%</small>
VP Development	\$158,211 <small>\$117,632 \$230,000</small>	\$36,810 <small>\$6,000 \$80,000</small>	\$50,000 <small>\$50,000 \$50,000</small>	\$189,769 <small>\$123,632 \$280,000</small>	5.20% <small>2.51% 10.17%</small>	0.80% <small>0.29% 1.81%</small>	0.92% <small>0.39% 1.81%</small>
VP Bus Dev	\$164,118 <small>\$110,000 \$254,000</small>	\$44,235 <small>\$11,333 \$66,500</small>	\$57,606 <small>\$15,000 \$101,529</small>	\$218,452 <small>\$139,000 \$304,800</small>	6.88% <small>2.80% 15.10%</small>	1.19% <small>0.48% 2.71%</small>	2.92% <small>0.48% 17.40%</small>
VP Marketing	\$152,242 <small>\$92,000 \$226,000</small>	\$30,464 <small>\$6,000 \$57,000</small>	\$0 <small>\$0 \$0</small>	\$178,898 <small>\$110,400 \$282,500</small>	2.92% <small>0.56% 9.09%</small>	0.38% <small>0.11% 1.00%</small>	0.38% <small>0.11% 1.00%</small>
VP Sales	\$162,502 <small>\$90,000 \$212,181</small>	\$77,721 <small>\$10,000 \$285,000</small>	\$140,241 <small>\$50,474 \$279,139</small>	\$278,019 <small>\$90,000 \$460,000</small>	6.52% <small>1.66% 15.81%</small>	0.91% <small>0.26% 2.21%</small>	1.02% <small>0.26% 2.21%</small>
Totals	\$1,530,365	\$529,974	\$247,847	\$2,036,583	82.33%	11.70%	22.19%
31 Companies Participating				33.1% Leverage Over Base			
Independent Directors	\$11,675 <small>\$2,000 \$26,250</small>	\$0 <small>\$0 \$0</small>	\$0 <small>\$0 \$0</small>	\$11,675 <small>\$2,000 \$26,250</small>	3.80% <small>0.40% 9.50%</small>	0.67% <small>0.08% 1.70%</small>	0.00% <small>0.00% 0.00%</small>

* 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

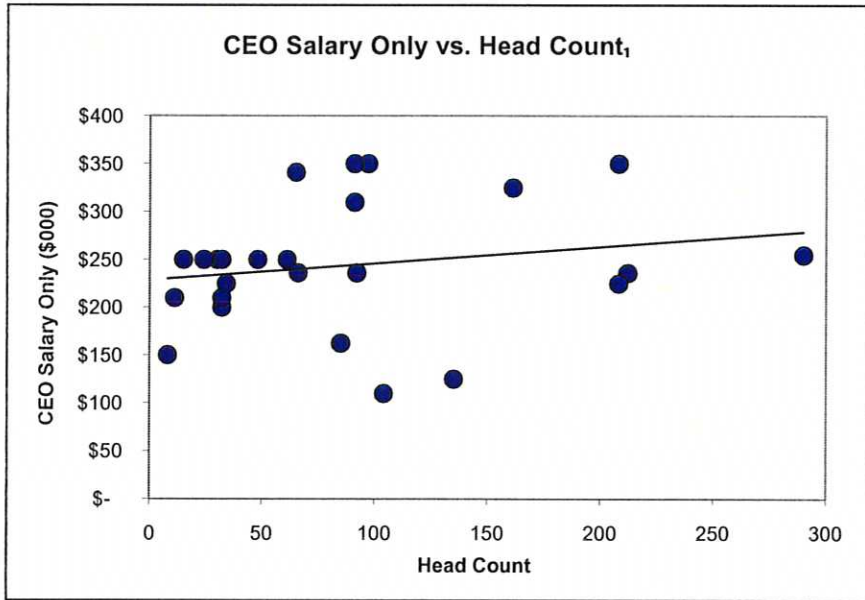


Exhibit 3a

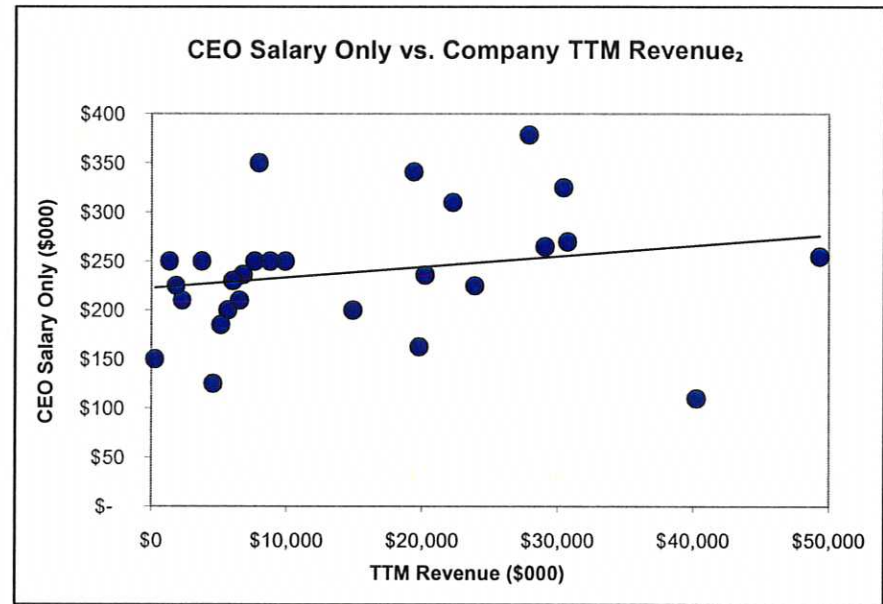


Exhibit 2b

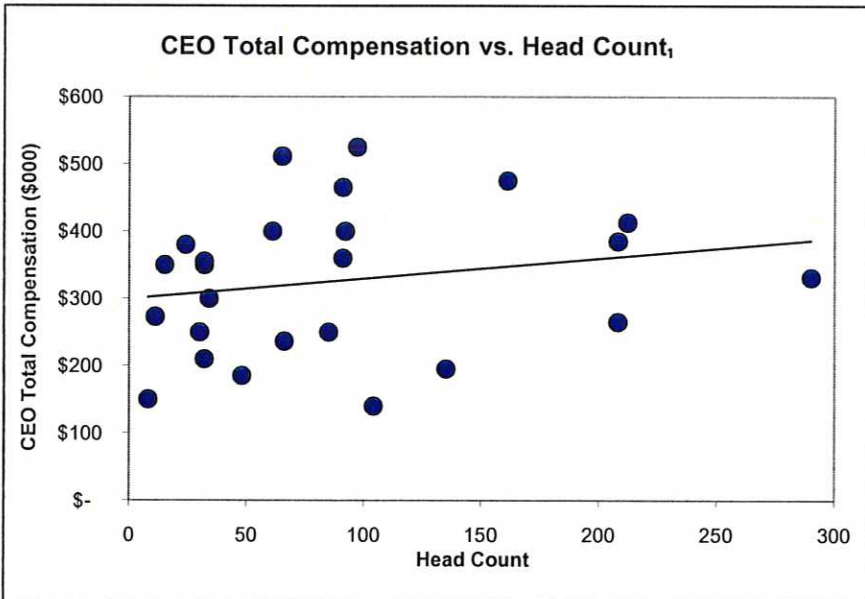
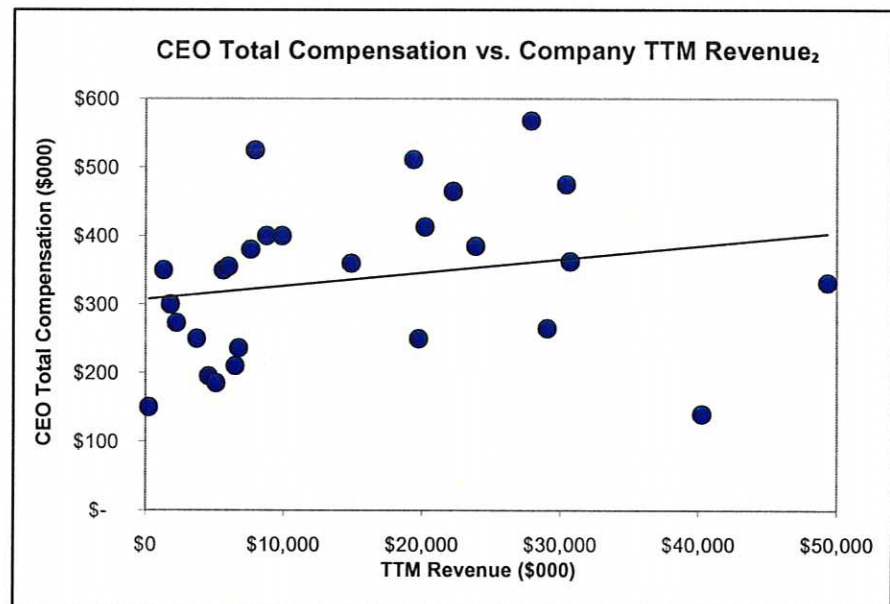


Exhibit 3b



1 Four Companies with head count in excess of 300 have been excluded.

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

Exhibit 4a

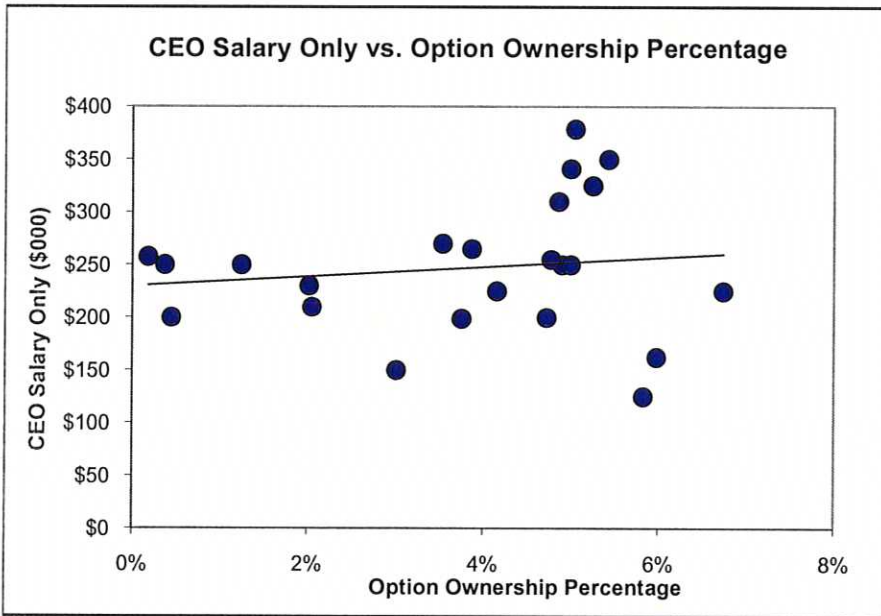


Exhibit 5a

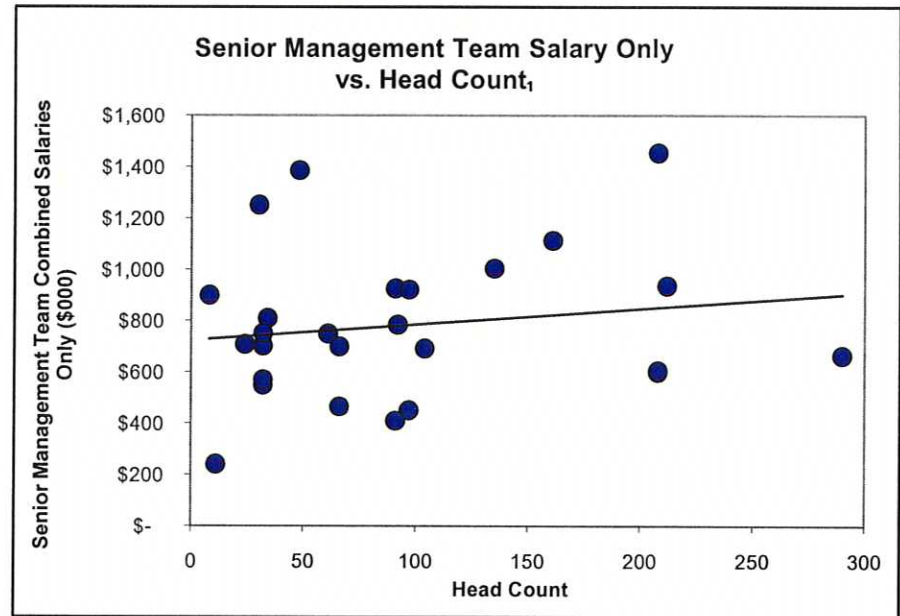


Exhibit 4b

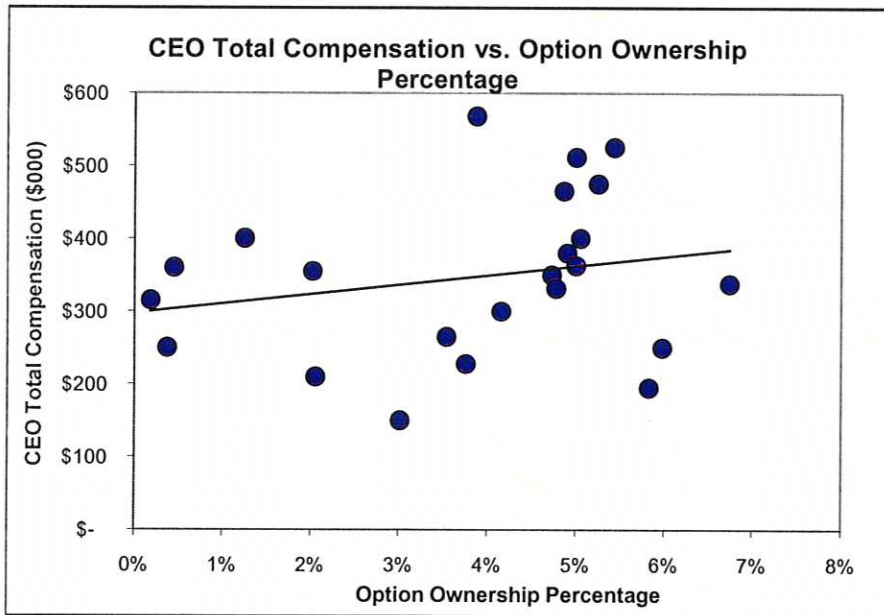
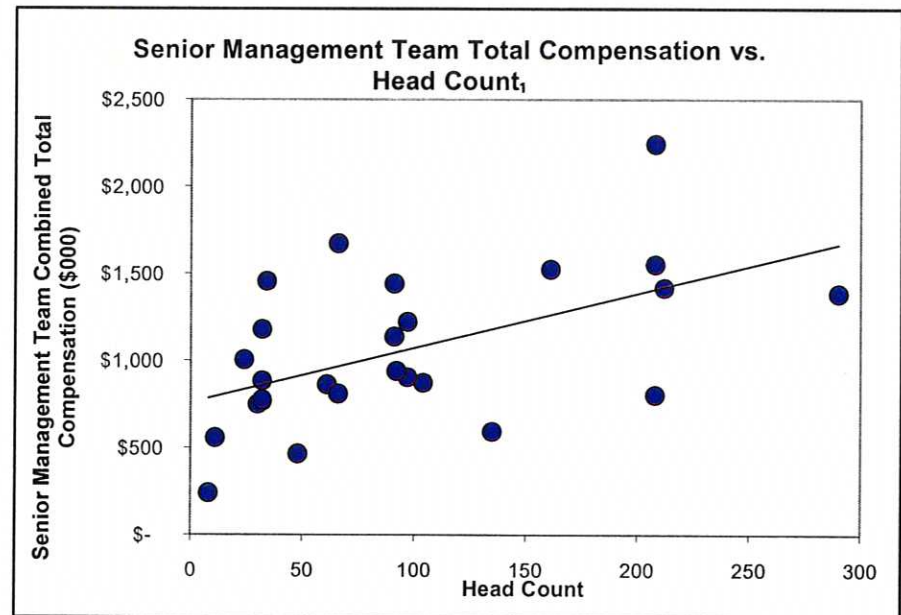


Exhibit 5b



¹ Four Companies with head count in excess of 300 have been excluded.

Exhibit 6a

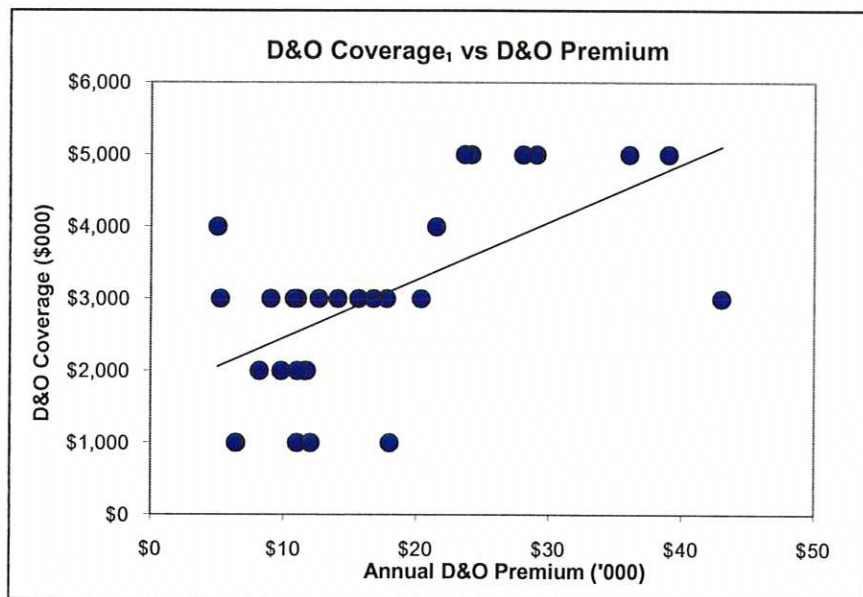


Exhibit 6c

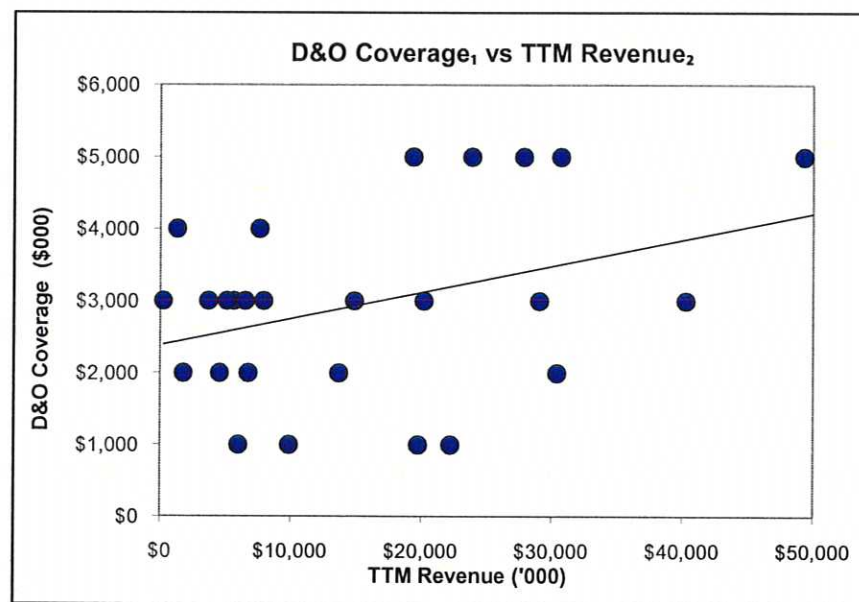


Exhibit 6b

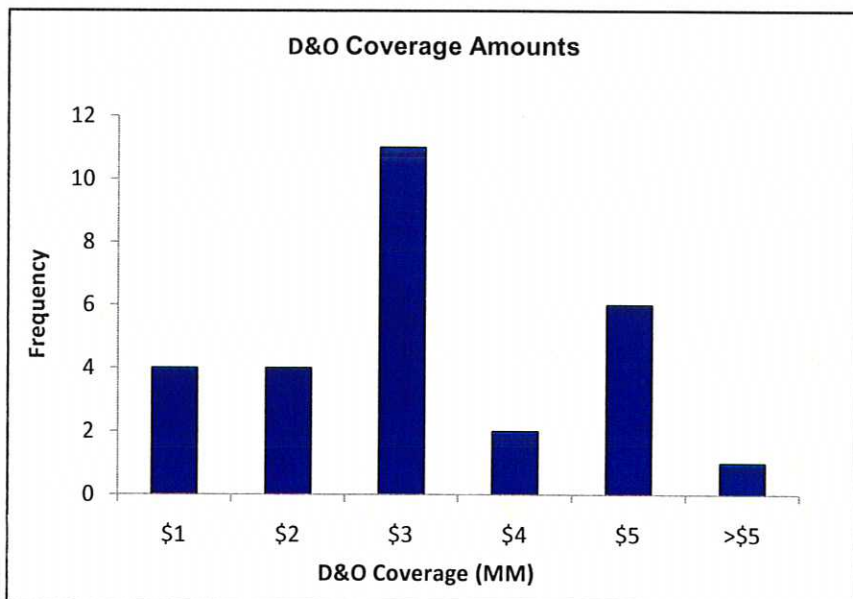
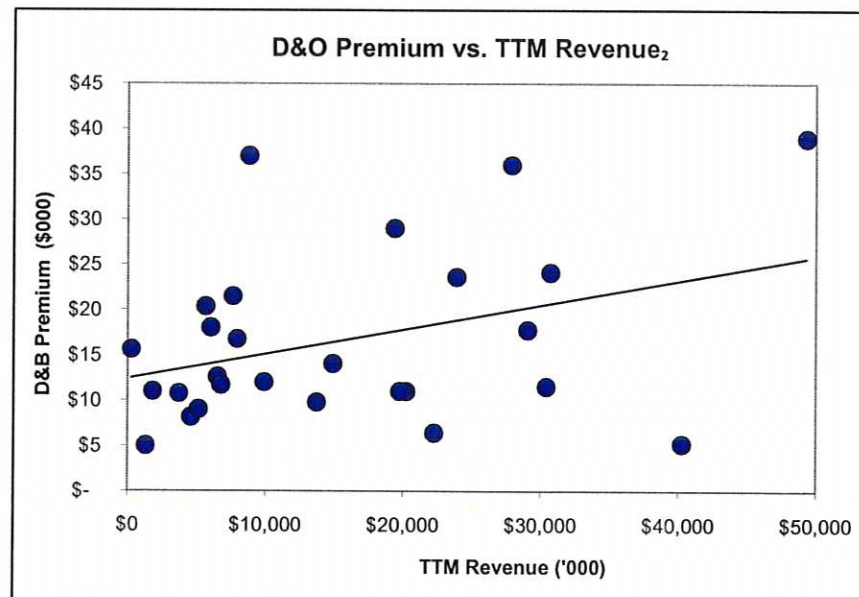


Exhibit 6d



¹ One company with D&O coverage in excess of \$5 MM has been excluded.

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

Exhibit 7a

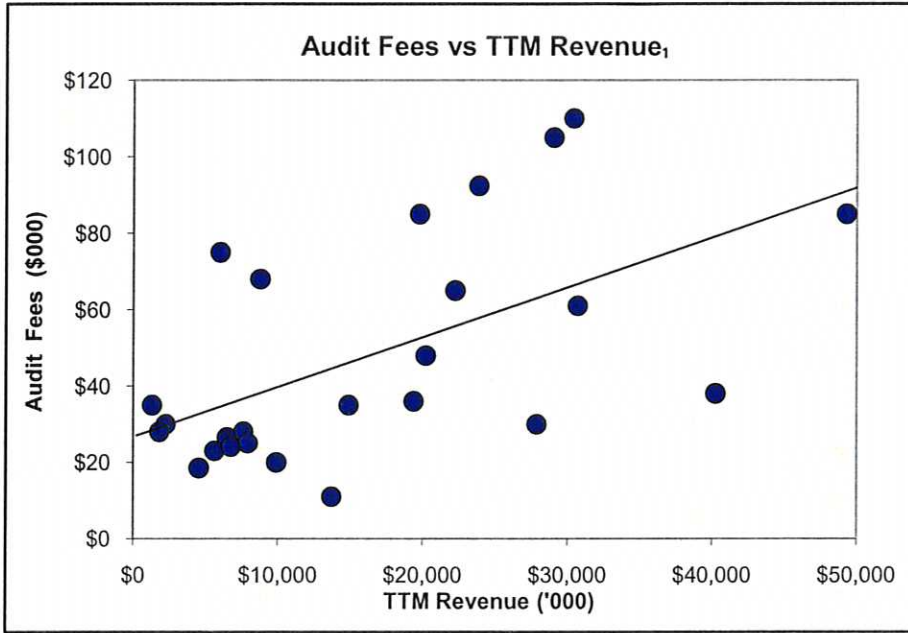
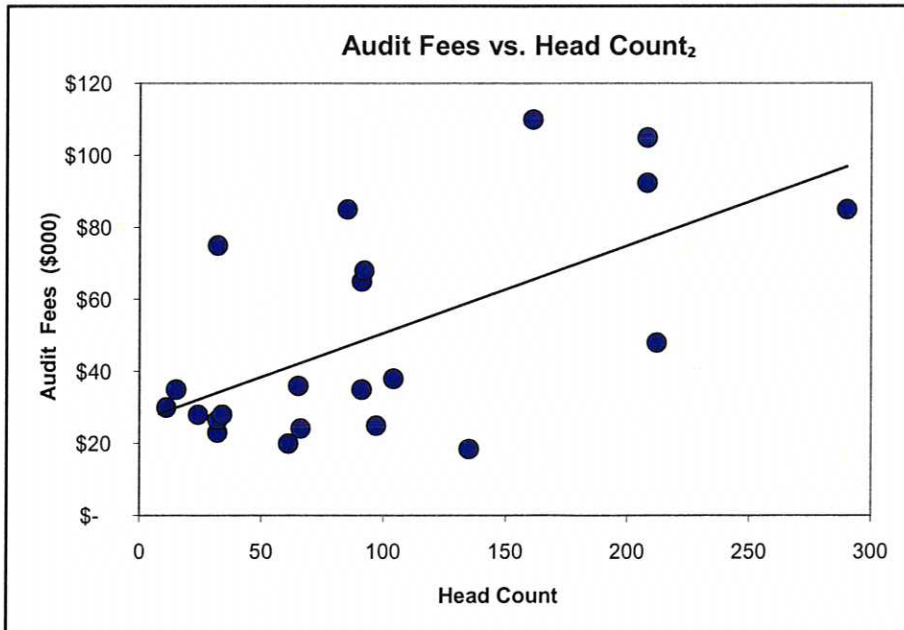


Exhibit 7b



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

² Four Companies with head count in excess of 300 have been excluded.