RC CAPITAL

2023 Senior Management Compensation Survey

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

Below are the results of the 2023 RC Capital Senior Management Compensation Survey. Thirty-five private-growth companies from the Healthcare and IT 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 RC Capital, Mutual Capital and TT Capital Partners portfolio companies. Company head count and TTM revenue are noted as close to December 2022 as possible.

Key Findings

CEO

The average base salary of CEOs is $341k, with a target bonus of $185k and 3% in options (or 20% of all options granted). Average salary and target bonuses increased only slightly compared to 2022. Total cash comp increased 8% year-over-year.

While typically larger companies (measured by revenue and head count) generally pay higher salaries, head count did not correlate as strongly with compensation in our dataset and higher revenue companies showed only a slight correlation with CEO compensation. Likely factors contributing to this dynamic are industry focus and geographic location. The stronger correlation between company size and CEO compensation was between CEO total cash compensation and 2022 revenue, suggesting that the increase in CEO compensation was generated from bonus-based comp. 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

Similar 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 37% more compensation compared to base salaries. CEO had the most variable compensation over base with 50%, respectively, followed closely by CRO (47%) and VP Sales (47%).

Compared to 2022, 2023 compensation data showed that a higher proportion of total compensation came from variable comp.

D&O Insurance

D&O plans range from $1M - $5M in coverage, the most common plan being $5M. Not surprisingly, the higher the coverage, the higher the premium paid. However, on a few occasions, premium paid with the same coverage varied in cost.

Independent Director

According to the analysis, larger companies tend to offer a slightly smaller percentage of option ownership given the higher value of the options. Out of 15 companies with independent directors, six compensate with options only, three companies compensate with cash only, and six compensate with both cash and options. The average option and cash compensation were 0.63% (options on a fully diluted basis) and $31k per director per year, respectively.

Audit Fees

Companies with a greater head count pay higher audit fees. Revenue has a similar impact on audit fees. Fees range from $20k to $280k (high end of the range not depicted on chart given revenue & head count max.); the average amount paid for audit fees is $70k.

Workplace Flexibility

Given the new office/remote flexibility post-Covid, we surveyed participants to see how they are continuing to handle workplace flexibility. Only 14% of companies surveyed require employees to be in the office five days per week; 36% mandate a specified number of days (between 1 and 4), 43% allow for hybrid with no set number of days and only 7% mandate no in office days.

401K Plans

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The average 401K match for employers surveyed is 3% of the employee's salary, ranging from 2% to 4%.

Parental Leave

Parental leave policies range anywhere from no leave policy at all, six weeks of leave, eight weeks of leave and 12 weeks leave with ~71% of companies having an established policy. ~21% of companies offer up to 12 weeks of leave; ~29% follow state mandates/FMLA, and ~21% offer less than 12 weeks of leave.

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2023 RC Capital 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	35 $340,879 $175,000 $650,000	31 $185,073 $25,000 $1,000,000		35 $509,622 $200,000 $1,650,000	26 20.07% 2.36% 35.98%	26 3.09% 0.22% 6.75%	35 8.08% 0.22% 34.13%
COO/President	18 $261,301 $145,000 $367,600	15 $92,549 $31,250 $150,311		18 $338,425 $176,250 $490,268	14 8.51% 2.51% 19.97%	14 1.16% 0.33% 3.55%	16 2.93% 0.33% 10.95%
CFO	25 $270,140 $140,000 $450,000	23 $113,930 $30,870 $450,000		25 $374,955 $140,000 $900,000	22 7.56% 2.40% 12.19%	22 1.12% 0.24% 2.43%	24 1.21% 0.24% 2.43%
Controller	17 $162,672 $92,500 $300,000	14 $47,021 $1,350 $225,000		17 $201,396 $92,500 $525,000	12 3.53% 0.39% 16.39%	12 0.29% 0.05% 1.46%	12 0.28% 0.02% 1.74%
CTO	19 $264,846 $155,000 $404,250	16 $97,559 $25,000 $222,338		19 $347,001 $165,000 $626,588	16 7.40% 1.69% 21.28%	16 1.09% 0.17% 3.33%	18 2.84% 0.17% 14.34%
VP Development	19 $223,501 $125,000 $350,000	17 $77,200 $18,000 $262,500		19 $292,574 $150,000 $612,500	17 4.78% 1.20% 15.08%	17 0.72% 0.12% 2.40%	18 1.11% 0.15% 4.02%
VP Bus Dev	8 $194,184 $137,500 $280,000	5 $49,408 $29,675 $68,215	2 $126,545 $33,090 $220,000	8 $256,701 $169,600 $440,000	6 6.50% 1.94% 16.39%	6 0.52% 0.23% 1.00%	6 0.57% 0.24% 1.00%
Chief Customer Success Officer	5 $209,906 $162,000 $300,000	4 $69,505 $35,520 $95,000		5 $265,510 $197,520 $360,000	4 4.11% 2.99% 5.49%	4 0.64% 0.19% 1.31%	5 1.27% 0.44% 2.75%
VP Marketing	15 $220,459 $120,000 $300,600	13 $67,284 $33,400 $125,000		15 $278,772 $120,000 $390,780	12 3.75% 0.98% 16.39%	12 0.42% 0.12% 0.80%	12 0.42% 0.12% 0.80%
CRO	15 $238,716 $145,000 $318,000	12 $90,429 $20,600 $225,000	6 $106,010 $29,000 $242,060	15 $353,463 $234,000 $490,750	13 7.31% 0.57% 25.30%	13 1.02% 0.10% 2.91%	13 1.07% 0.10% 2.91%
VP Sales	11 $244,397 $121,707 $332,163	6 $76,042 $30,000 $140,000	5 $162,060 $100,000 $207,500	11 $359,538 $121,707 $537,163	9 4.71% 2.51% 14.25%	9 0.74% 0.35% 2.00%	9 0.78% 0.12% 2.51%
Chief Clinical Officer	10 $258,170 $140,400 $400,000	10 $113,103 $2,808 $400,000		10 $371,273 $143,208 $800,000	8 6.00% 0.96% 13.52%	8 0.82% 0.07% 1.90%	8 0.90% 0.07% 1.94%
Chairman	6 $191,875 $50,000 $461,250	2 $274,375 $87,500 $461,250		6 $283,333 $50,000 $922,500	6 10.57% 1.61% 20.28%	6 1.62% 0.35% 3.85%	7 3.20% 0.75% 8.16%
Totals	**$3,081,046**	**$1,353,478**	**$394,615**	**$4,232,563**	**95%**	**13%**	**25%**
	35 Companies Participating			**37% Leverage Over Base @ 100% of Goal**			
Independent Directors	15 $31,429 $20,000 $60,000	NA NA NA NA	NA NA NA NA	15 $31,429 $20,000 $60,000	NA NA NA NA	NA NA NA NA	15 0.63% 0.25% 1.30%

* 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.

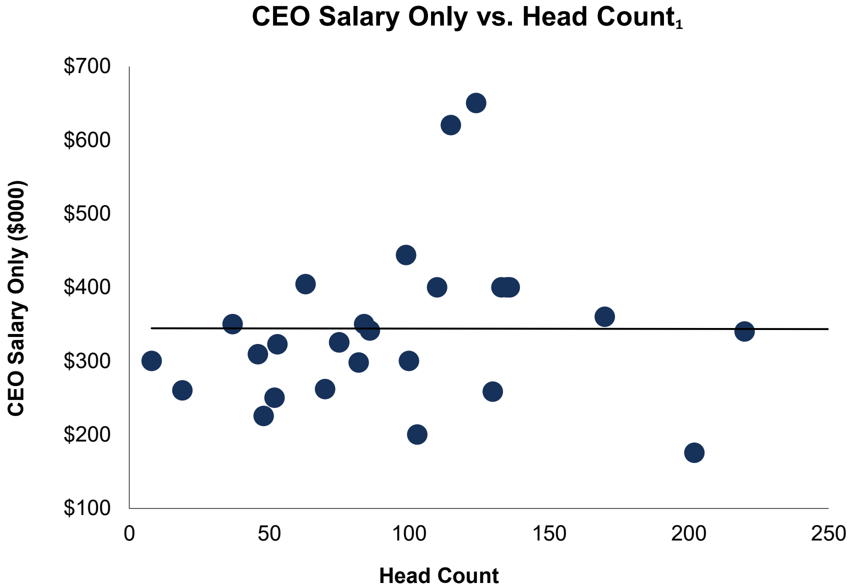
** Note: Percent of Option Pool measures the portion of the option pool allocated to the title. The corresponding total provides a measure of the concentration of the option pool within the senior management. Option Ownership is on a fully diluted basis. Senior managers that do not receive options are 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



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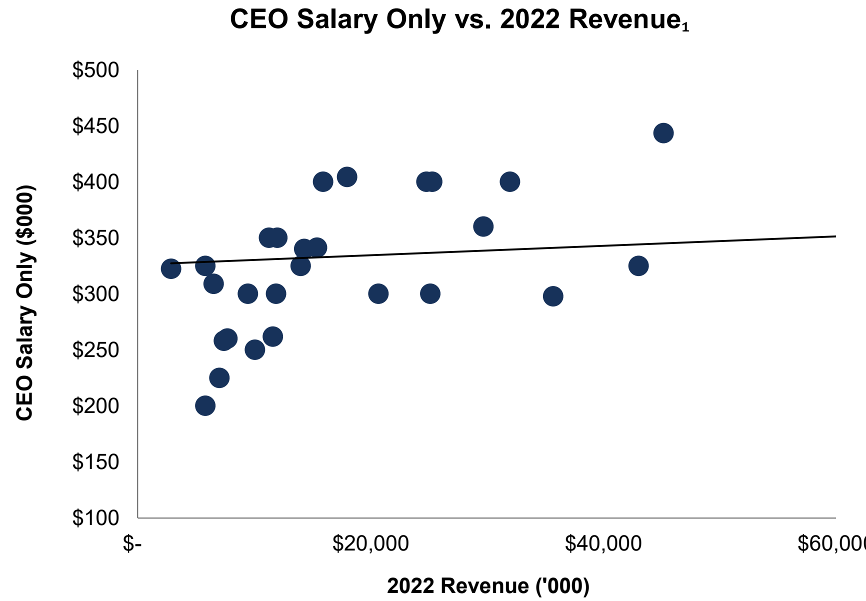
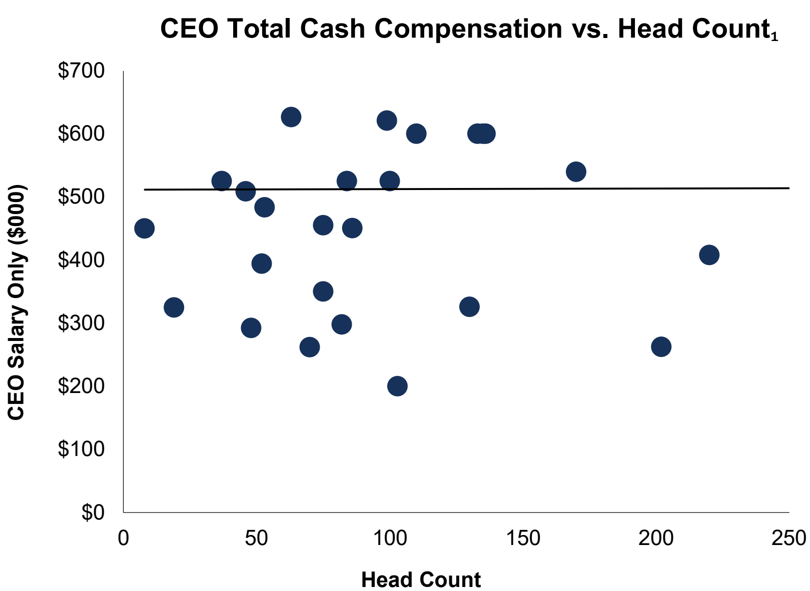


Exhibit 2b



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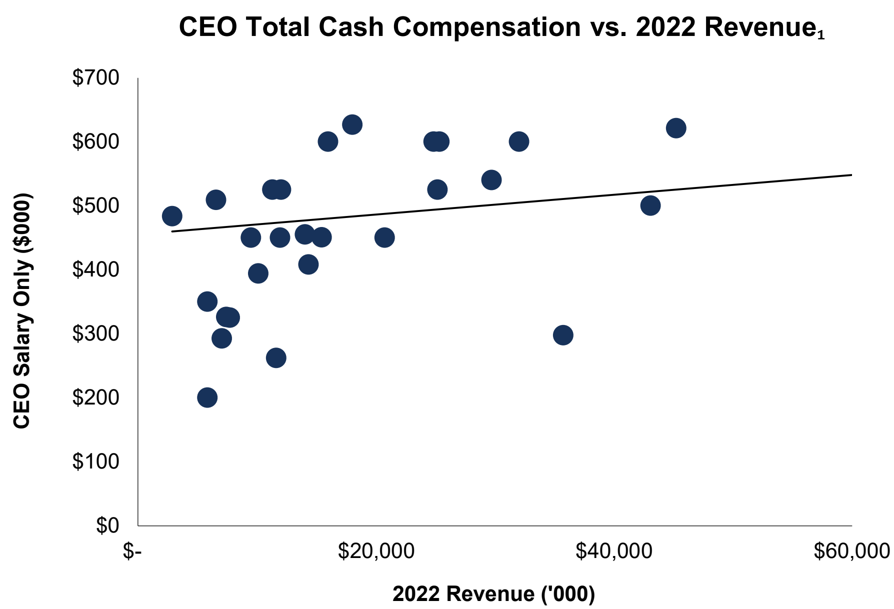
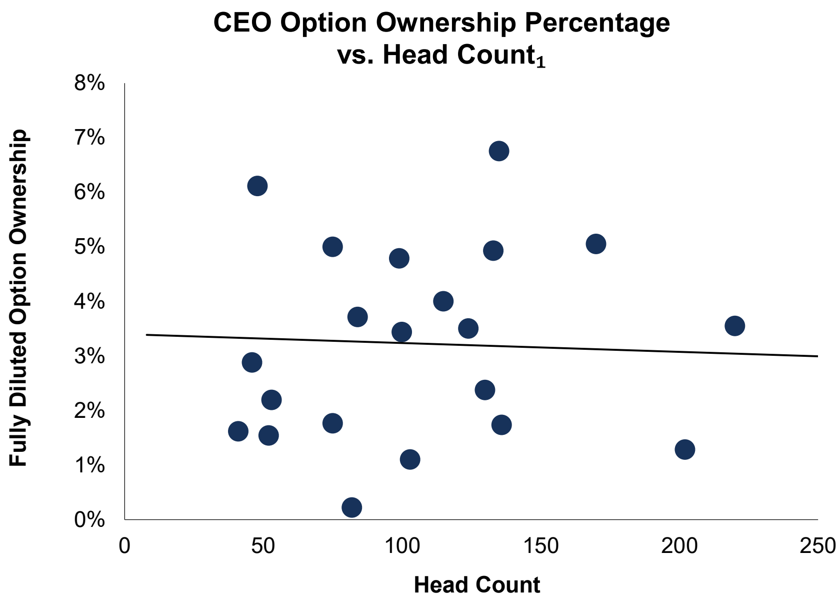


[1]Five companies with head count greater than 250 have been excluded.

[1]Six companies with revenue greater than $60M have been excluded

Exhibit 4a



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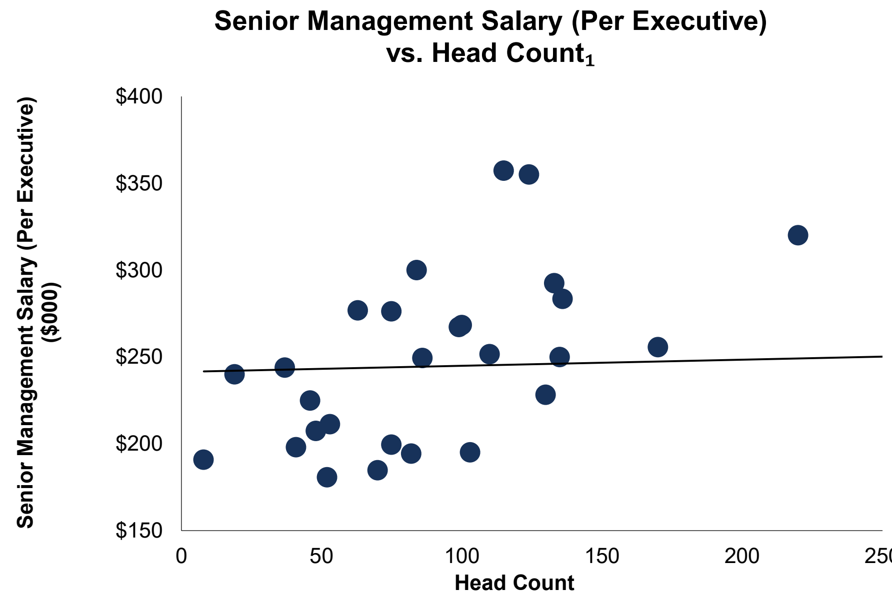

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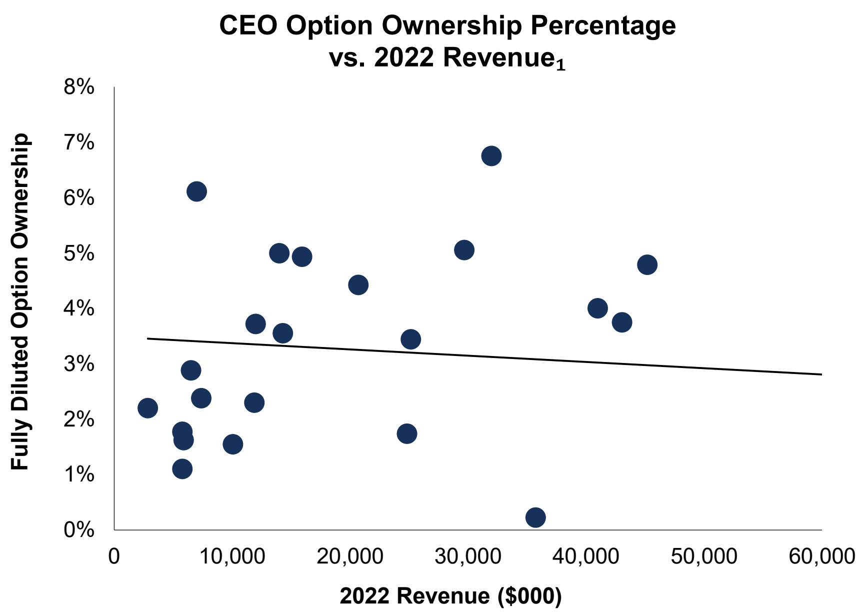

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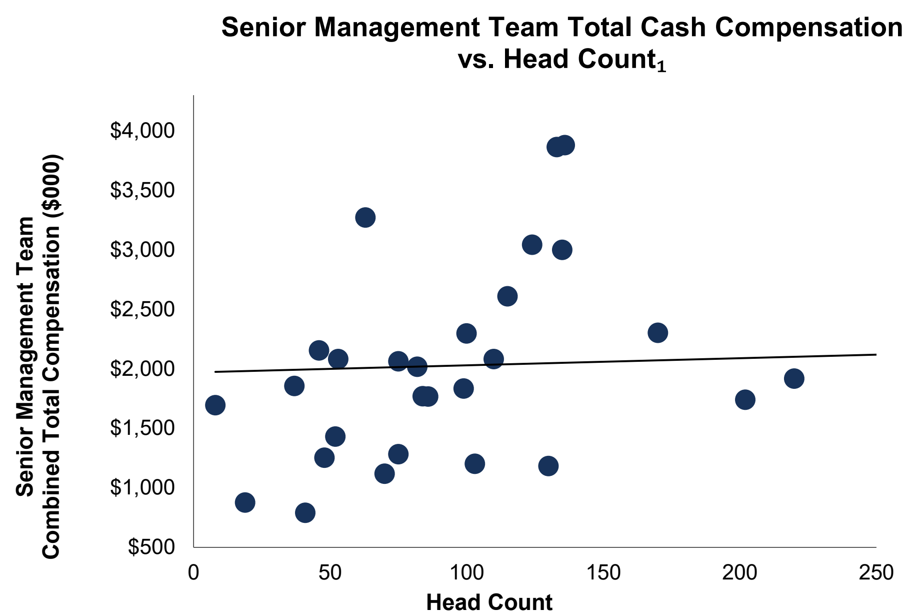
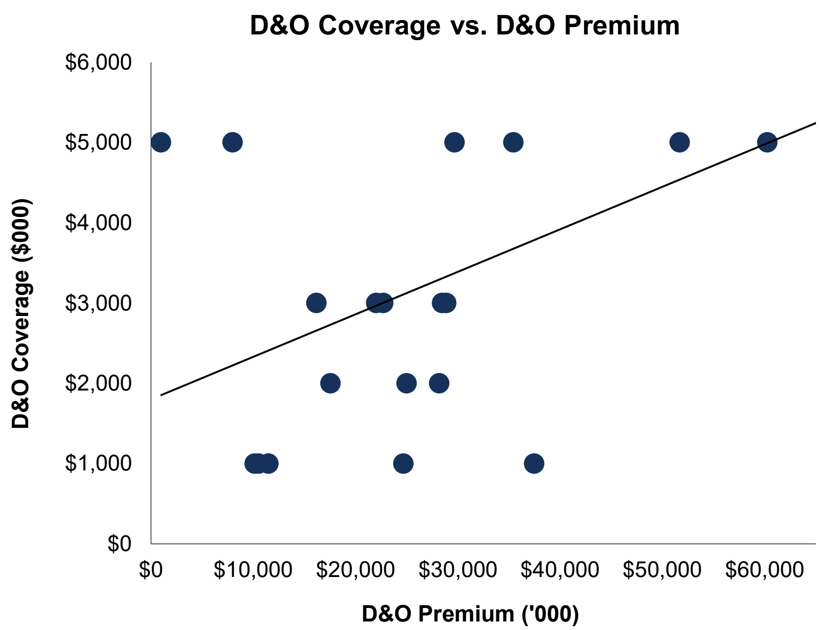


[1]Five companies with head count greater than 250 have been excluded.

[1]Six companies with revenue greater than $60M have been excluded

Exhibit 6a



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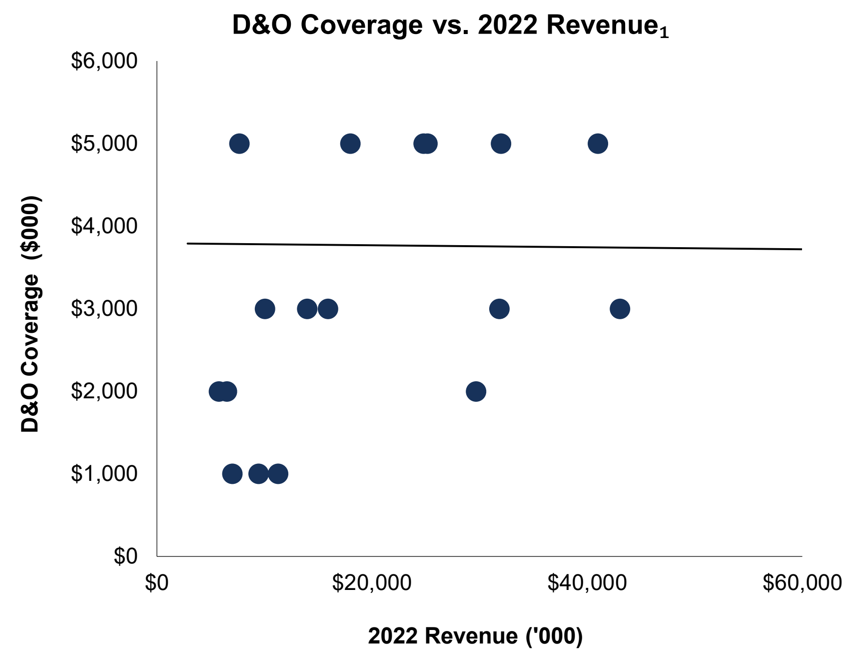

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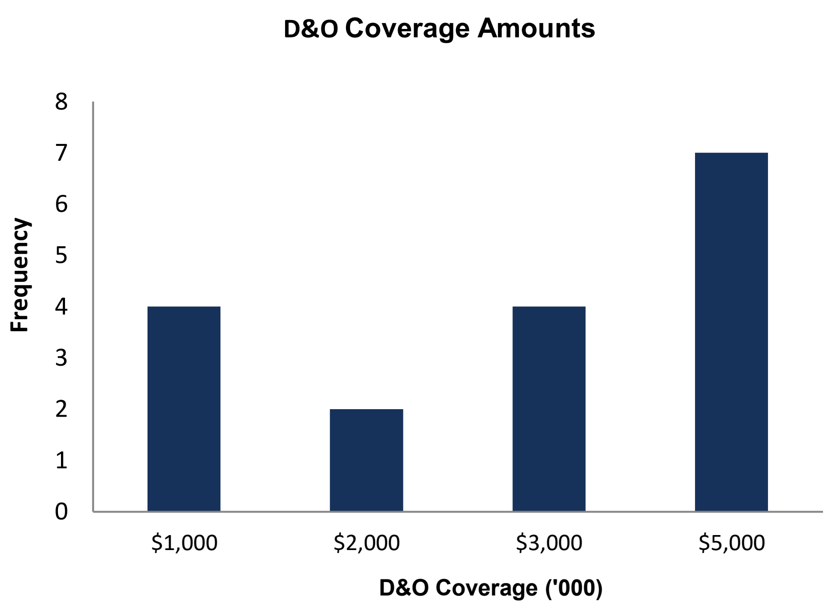

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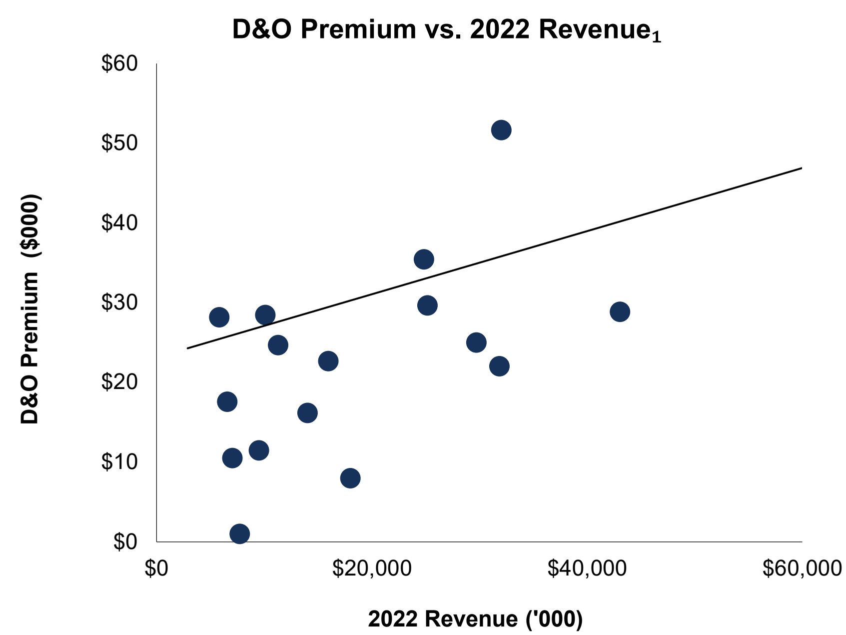
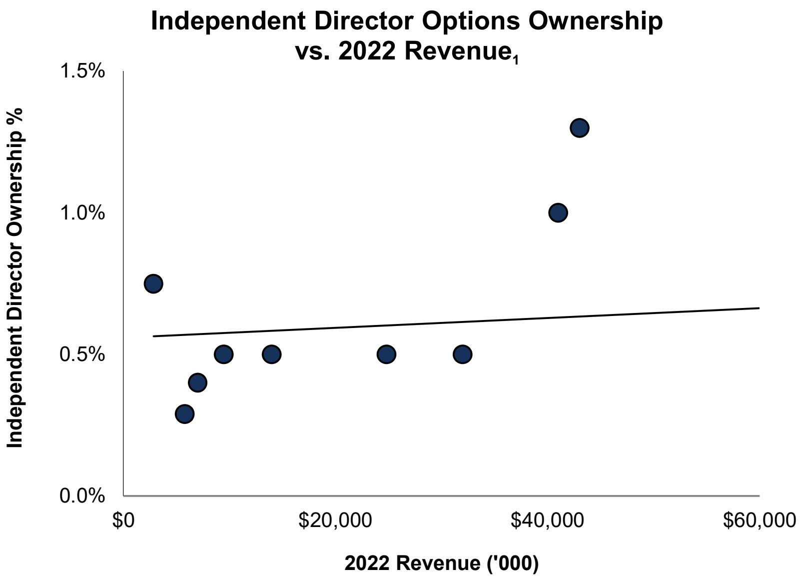


[1]Six companies with revenue greater than $60M have been excluded

Exhibit 7a

Exhibit 8a



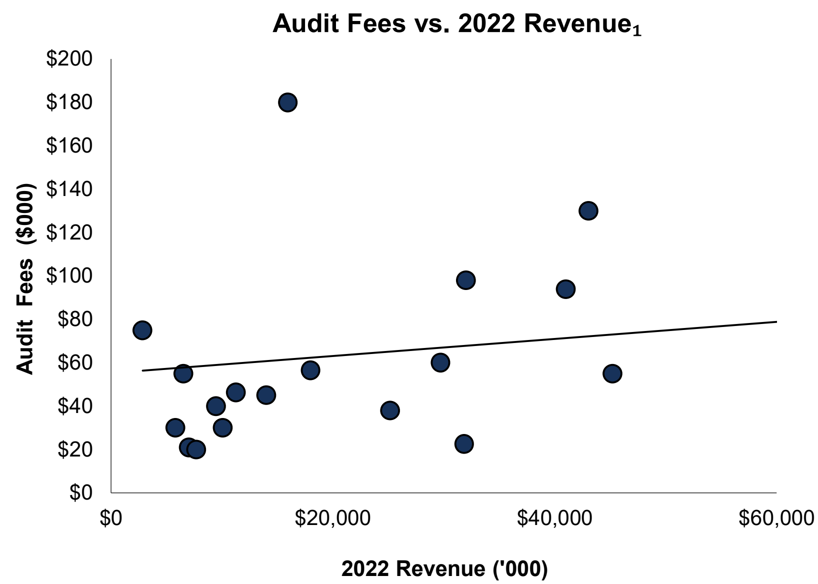
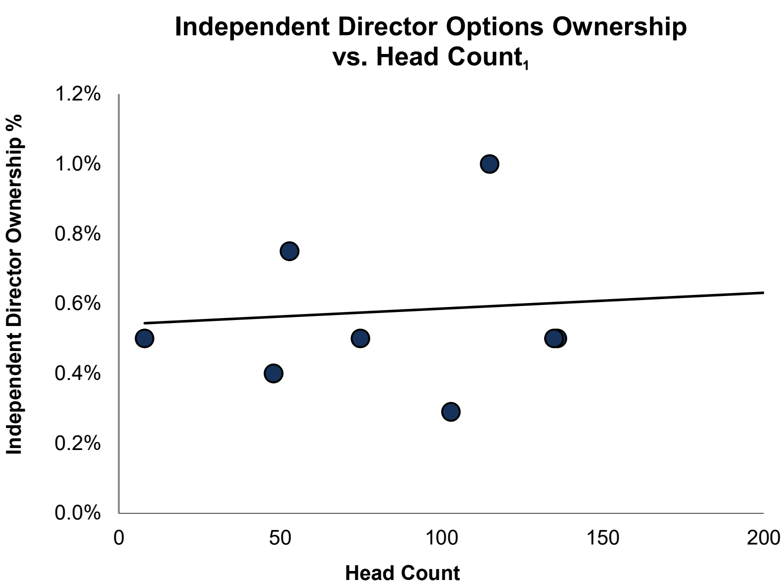
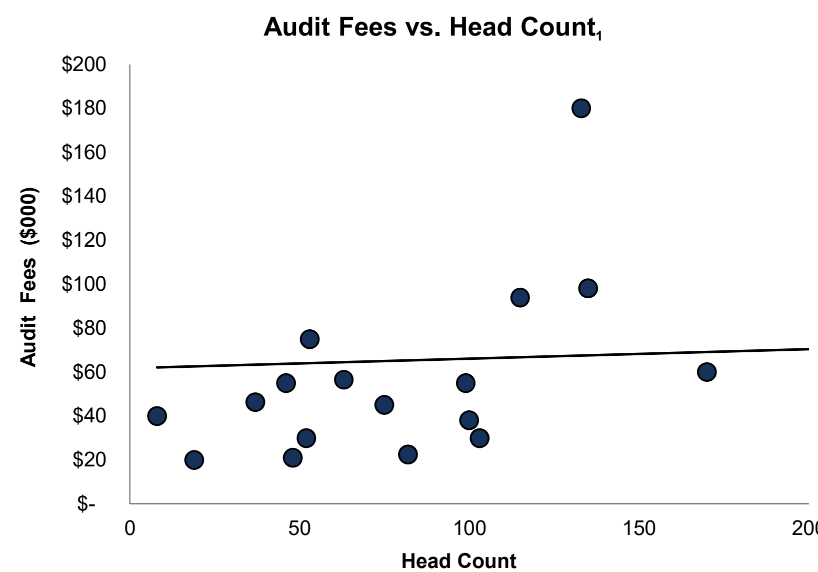


Exhibit 7b

Exhibit 8b





[1]Seven companies with head count greater than 200 have been excluded.

[1]Six companies with revenue greater than $60M have been excluded