

# INITIAL PUBLIC OFFERING



PRESIDIO PAY ADVISORS, INC.

## PRESIDIO PAY ADVISORS EXECUTIVE COMPENSATION SURVEYS

SUMMARY HIGHLIGHTS



## INITIAL PUBLIC OFFERING SURVEY

Presidio Pay Advisors, Inc. is pleased to announce a new survey covering compensation practices in 187 companies recently undergoing an initial public offering. The survey presents a snapshot of compensation levels at the time of IPO.

We have conducted a thorough examination of compensation practices and pay levels, extracting data from IPO prospectuses filed during calendar year 2005 and 2006. Survey companies cover the biotech, business & financial services, communications, consumer services, medical devices, and technology industries. The table below show the various data cuts provided in the surveys, along with median characteristics for the companies in each data cut. Custom data cuts are also available for purchase.

To download a survey synopsis with data presentation examples or to purchase this and other industry compensation surveys, please visit: <http://www.presidiopay.com>.

### *Dollars In Millions*

	<b>Data Cut</b>	<b>Number of Companies</b>	<b>Median Public Offering Value</b>	<b>Median Market Cap. at IPO</b>	<b>Median % of Company Offered</b>	<b>Median Shares Offered</b>
<b>Annual Revenue</b>	Under \$25MM	60	\$44.5	\$171.2	27%	5,000,000
	\$25MM – \$150MM	62	\$74.3	\$264.3	27%	6,066,177
	Greater Than \$150MM	65	\$178.5	\$570.8	34%	12,250,000
<b>Employees</b>	Under 150	63	\$44.0	\$170.8	27%	5,000,000
	150 – 700	64	\$86.4	\$306.0	28%	6,649,744
	Greater Than 700	60	\$176.0	\$577.1	32%	12,007,500
<b>Market Capitalization</b>	Under \$200MM	56	\$38.3	\$128.8	32%	4,166,667
	\$200MM – \$400MM	64	\$78.9	\$283.3	28%	6,275,000
	Greater Than \$400MM	67	\$189.0	\$662.5	26%	11,868,400
<b>Industry</b>	Biotech	36	\$45.0	\$201.9	26%	5,175,028
	Services - Business & Financial	27	\$172.3	\$569.8	30%	8,250,000
	Communications	13	\$203.7	\$538.7	31%	11,868,400
	Services - Consumer	51	\$100.8	\$316.7	34%	6,300,000
	Medical Supplies & Devices	20	\$51.2	\$155.1	30%	4,850,000
	Technology	40	\$97.3	\$315.8	28%	6,979,435
<b>All Companies</b>		<b>187</b>	<b>\$81.9</b>	<b>\$293.5</b>	<b>28%</b>	<b>6,300,000</b>



## COMPENSATION TRENDS

### Executive Compensation

Companies in the survey used a combination of cash and equity to compensate senior managers in all industries and throughout the various financial metric cuts. Companies with larger overall value (as measured by market capitalization and annual revenue) tended to deliver greater compensation through annual cash (base salary and annual incentive) than through company equity.

- Founder Chief Executive Officers own four times as many shares as Non-Founder Chief Executive Officers.
- A majority of the cash compensation for non-founder Chief Executive Officers lies in annual cash incentives rather than base salary.
- The business & financial Services industry paid the highest amount of compensation to executives in the form of annual cash. Chief Executive Officers in this industry received a median bonus equal to 2.3 times their base salary.
- Executives in the technology industry had the highest levels of ownership (stock options plus shares owned outright) at the time of IPO.

### Equity Compensation

Stock option overhang levels in IPO companies have fallen from the 25% – 30% range in 2000 to near 17% over the past two years, suggesting that the tolerance for equity levels delivered to employees is decreasing.

- Companies with a market capitalization of over \$150 Million have a third less overhang than companies with a market cap under \$25 Million, which suggests smaller companies continue to rely heavily on equity for compensation when cash is tight.
- Companies in the technology industry had the highest overall stock option overhang post-IPO at nearly 20%.
- The communications industry had the lowest overhang level following IPO at 15%.
- Average net annual run-rate (options granted minus cancellations during one year) was a slightly over 2% for all companies in the survey, compared to 3% two years ago.



## EXECUTIVE COMPENSATION

The IPO Executive Compensation Survey presents a thorough analysis of compensation and ownership levels for fifteen (15) executive positions and includes:

- Annual Base Salary and Cash Incentives
- Total Cash Compensation
- Stock Options and Long-Term Equity Incentives
- Stock Options and Shares Owned Outright at IPO
- Stock Option Gain Value at IPO

The table below presents the position data available in the survey by data cut category.

Position Title	N	All Co's	Annual Revenue			Number of Employees			Market Capitalization		
			Under \$25MM	\$25MM – \$150MM	Greater Than \$150MM	Under 150	150 – 700	Greater Than 700	Under \$200MM	\$200MM – \$400MM	Greater Than \$400MM
Chief Executive Officer - All	183	•	•	•	•	•	•	•	•	•	•
Chief Executive Officer - Founder	50	•	•	•	•	•	•	•	•	•	•
Chief Executive Officer - Non-Founder	133	•	•	•	•	•	•	•	•	•	•
Chief Operating Officer	60	•	•	•	•	•	•	•	•	•	•
Chief Financial Officer	147	•	•	•	•	•	•	•	•	•	•
Top Sales & Marketing	25	•	•	•	•	•	•	•	•	•	•
Top Sales	29	•	•	•	•	•	•	•	•	•	•
Top Marketing	14	•	•	•	•	•	•	•	•	•	•
Top Business Development	29	•	•	•	•	•	•	•	•	•	•
Top Legal	34	•	•	•	•	•	•	•	•	•	•
Chief Technology Officer	31	•	•	•	•	•	•	•	•	•	•
Chief Information Officer	13	•	•	•	•	•	•	•	•	•	•
Top Research & Development	16	•	•	•	•	•	•	•	•	•	•
Top Engineering	13	•	•	•	•	•	•	•	•	•	•
Chief Scientific Officer	11	•	•	•	•	•	•	•	•	•	•
Chief Medical Officer	9	•	•	•	•	•	•	•	•	•	•
Vice President	647	•	•	•	•	•	•	•	•	•	•

The table below presents the position data available in the survey by industry cut.

Position Title	Biotech	Business & Financial Services	Communications	Consumer Services	Medical Supplies & Devices	Technology
Chief Executive Officer - All	•	•	•	•	•	•
Chief Executive Officer - Founder	•	•	•	•	•	•
Chief Executive Officer - Non-Founder	•	•	•	•	•	•
Chief Operating Officer	•	•	•	•	•	•
Chief Financial Officer	•	•	•	•	•	•
Top Sales & Marketing	•	•	•	•	•	•
Top Sales	•	•	•	•	•	•
Top Marketing	•	•	•	•	•	•
Top Business Development	•	•	•	•	•	•
Top Legal	•	•	•	•	•	•
Chief Technology Officer	•	•	•	•	•	•
Chief Information Officer	•	•	•	•	•	•
Top Research & Development	•	•	•	•	•	•
Top Engineering	•	•	•	•	•	•
Chief Scientific Officer	•	•	•	•	•	•
Chief Medical Officer	•	•	•	•	•	•
Vice President	•	•	•	•	•	•



## EXECUTIVE COMPENSATION

Included in the IPO Executive Compensation Survey are over 200 competitive market data points that have been categorized by position, industry and company financial metrics.

Investors, Boards of Directors and company management can use this information to help determine competitive compensation and ownership levels, including typical:

- Equity Holdings by Position and Industry at IPO
- Base Salary Compensation
- Incentive Compensation

The table below presents an example of the data presentation in the survey for a Chief Executive Officer – Non-Founder in the technology industry.

Chief Executive Officer - Non-Founder

DATA CUT:  
Technology

### JOB DESCRIPTION

The most senior executive responsible for all corporate functions at the approval of the Board of Directors. The position defines the current and long-range plans and objectives and directs the organization to ensure these objectives including the attainment of revenue, profit goals, and return on capital are met. Represents the company to major accounts/customers and the financial markets.

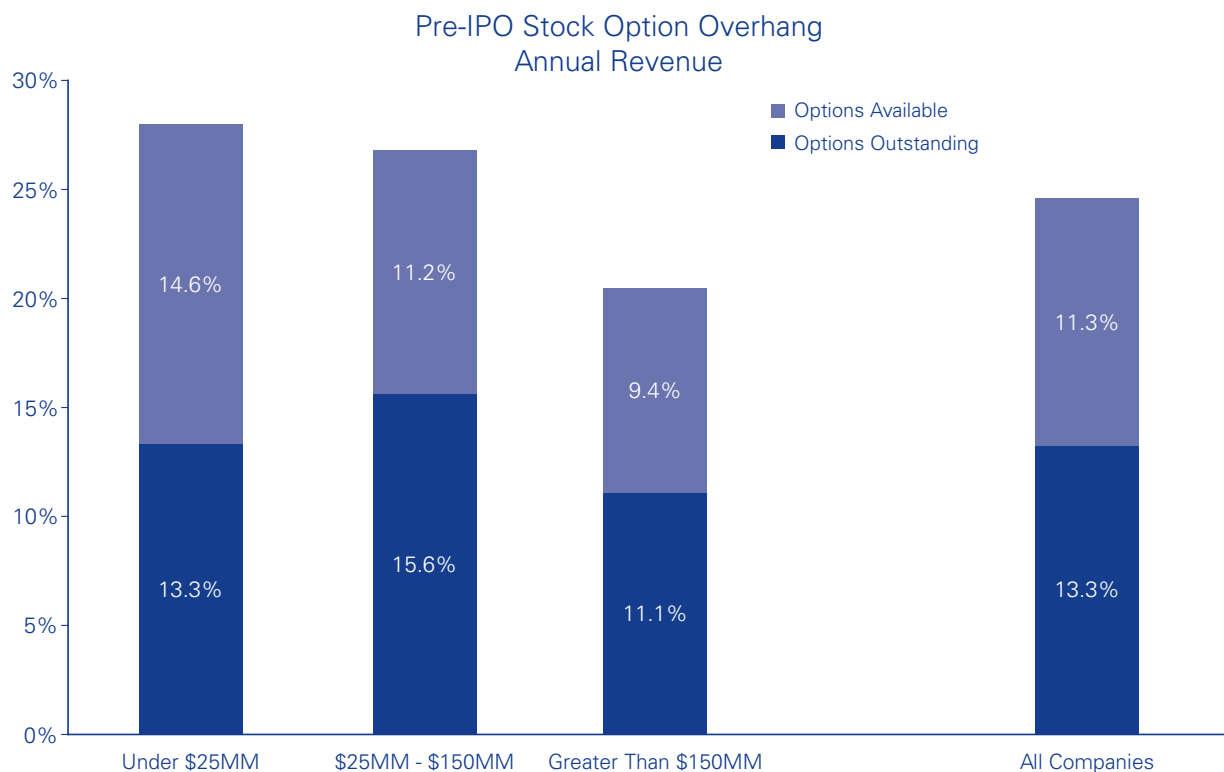
	Total Companies Reporting	N	25th Percentile	50th Percentile	60th Percentile	75th Percentile	Average
<b>COMPANY DATA</b>							
<b>Reporting Company Data</b>							
Fiscal Year End Revenue (\$Millions)	24	–	\$42.0	\$69.8	\$109.7	\$171.2	\$524.5
Employees at Fiscal Year End	24	–	268	492	617	841	2,720
Market Capitalization At IPO (\$Millions)	24	–	\$254.8	\$412.6	\$514.2	\$830.4	\$767.9
<b>CASH COMPENSATION</b>							
<b>Base Salary</b>							
Annual Base Salary (\$000s)		24	\$260.0	\$320.0	\$354.0	\$411.4	\$350.8
<b>Annual Cash Incentives</b>							
Annual Cash Incentive - Receiving (\$000s)		21	\$125.0	\$225.0	\$285.0	\$375.0	\$314.8
Annual Cash Incentive (% of Annual Salary)		21	48%	67%	75%	110%	80%
<b>Total Cash Compensation</b>							
Total Cash Compensation - Receiving Annual Incentive (\$000s)		21	\$387.9	\$559.1	\$602.6	110%	\$677.0
Total Cash Compensation - All (\$000s)		24	\$347.8	\$513.0	\$591.6	\$745.5	\$626.3
<b>EQUITY COMPENSATION</b>							
<b>Equity Grant In Period Preceding IPO</b>							
Stock Option Grant Face Value - Receiving (\$000s)		14	\$428.6	\$1,272.2	\$1,641.9	\$2,106.8	\$1,812.7
Percent of Total Shares Outstanding At Time Of Offering			0.33%	0.57%	0.81%	1.54%	0.93%
Stock Option Gain Value At IPO Price (\$000s)		14	\$567.5	\$2,444.0	\$3,122.2	\$4,237.9	\$3,314.3
Restricted Stock Grant Value - Receiving (\$000s)		4	\$258.7	\$361.1	\$384.4	\$1,330.3	\$1,227.8
<b>PERCENT OF TOTAL SHARES OUTSTANDING AT TIME OF OFFERING</b>							
<b>Equity Holdings At IPO</b>							
Company Shares Owned		20	0.52%	1.37%	1.77%	2.88%	2.25%
Company Shares Subject to Options (Vested And Unvested)		19	0.97%	1.69%	2.11%	2.94%	2.43%
Total Equity at Offering		24	1.78%	3.18%	3.56%	4.54%	3.80%



## EQUITY COMPENSATION

Our comprehensive IPO Executive Compensation Survey also analyzes equity grant practices and equity plan metrics. For each of the Employee and Annual Revenue data cuts, we present the following information:

- Stock Option Run-rate (period just prior to IPO and three-year average)
- Stock Option Overhang (before and after IPO)
- Evergreen Plan Statistics





## SURVEY COMPANIES

A4S Security, Inc.  
ACA Capital Holdings, Inc.  
Accentia Biopharmaceuticals, Inc.  
Achillion Pharmaceuticals, Inc.  
Acme Packet, Inc.  
Acorda Therapeutics Inc.  
Adams Respiratory Therapeutics Inc.  
Advanced Analogic Technologies, Inc.  
Advanced Life Sciences Holdings, Inc.  
Affymax, Inc.  
Alexza Pharmaceuticals, Inc.  
Allion Healthcare, Inc.  
Alphatec Holdings, Inc.  
Altra Holdings, Inc.  
Altus Pharmaceuticals Inc.  
American Commercial Lines Inc.  
American Railcar Industries, Inc.  
American Reprographics Co.  
Artes Medical, Inc.  
AtriCure, Inc.  
Avalon Pharmaceuticals, Inc.  
BabyUniverse, Inc.  
Bare Escentuals, Inc.  
BioMimetic Therapeutics, Inc.  
Brookdale Senior Living Inc.  
Builders FirstSource, Inc.  
Burger King Holdings, Inc.  
Cadence Pharmaceuticals, Inc.  
Capella Education Company  
Cardica, Inc.  
Caribou Coffee Company, Inc.  
Carrols Restaurant Group, Inc.  
CBeyond Communications, Inc.  
CBOT Holdings Inc.  
Chipotle Mexican Grill, Inc.  
CitiTrends, Inc.  
Clayton Holdings, Inc.  
Clear Channel Outdoor Holdings Inc.  
Cleveland BioLabs, Inc.  
Coffee Holding Co., Inc.  
Coley Pharmaceutical Group, Inc.  
CombinatoRx, Incorporated  
CommVault Systems, Inc.  
Consolidated Communications Holdings Inc.  
Corel Corp.  
Cowen Group, Inc.  
CPI International, Inc.  
Crocs, Inc.  
CryoCor, Inc.  
Cynosure, Inc.  
DealerTrack Holdings, Inc.  
DexCom, Inc.  
Diamond Foods, Inc.  
Digital Music Group, Inc.  
Directed Electronics, Inc.  
DivX, Inc.  
Dolby Laboratories, Inc.  
Dollar Financial Corp.  
Double-Take Software, Inc.  
Dover Saddlery, Inc.  
DSW Inc.  
DynCorp International Inc.  
Eagle Test Systems, Inc.  
eHealth, Inc.  
Electro-Optical Sciences, Inc.  
Emageon, Inc.  
Emergent BioSolutions Inc.  
Eschelon Telecom, Inc.  
ev3 Inc.  
Evercore Partners Inc.  
ExlService Holdings, Inc.  
Fairpoint Communications, Inc.  
Favrille, Inc.  
First Solar, Inc.  
FortuNet, Inc.  
FTD Group, Inc.  
Fusion Telecommunications Int'l, Inc.  
GateHouse Media, Inc.  
Genco Shipping & Trading Limited  
Genomic Health, Inc.  
Global Cash Access Holdings, Inc.  
Golf Galaxy, Inc.  
Golfsmith International Holdings, Inc.  
Guidance Software, Inc.  
Hansen Medical, Inc.  
HealthSpring, Inc.  
Heartland Payment Systems, Inc.  
Hemosense, Inc.  
Hertz Global Holdings, Inc.  
Hittite Microwave Corporation  
Home Diagnostics, Inc.  
Horizon Lines, Inc.  
Houston Wire & Cable Company  
Icagen, Inc.  
IHS Inc.  
Ikanos Communications  
InnerWorkings, Inc.  
iRobot Corporation  
Isilon Systems, Inc.  
Ivivi Technologies, Inc.  
J. Crew Group, Inc.  
Kenexa Corporation  
Kona Grill, Inc.  
LeMaitre Vascular, Inc.  
LHC Group, Inc.  
Lincoln Educational Services Corp  
Liquidity Services, Inc.  
LoopNet, Inc.  
Maidenform Brands, Inc.  
MasterCard Incorporated  
MathStar Inc.  
Metabolix, Inc.  
Micrus Endovascular Corporation  
Morgans Hotel Group Co.  
Morningstar, Inc.  
Morton's Restaurant Group, Inc.  
MWI Veterinary Supply, Inc.  
NCI, INC.  
Netlist, Inc.  
Neustar, Inc.  
NewStar Financial, Inc.  
Nextest Systems Corporation  
NightHawk Radiology Holdings, Inc.  
Northstar Neuroscience, Inc.  
Novacea, Inc.  
NxStage Medical, Inc.  
Obagi Medical Products, Inc.  
Odimo Incorporated  
Omniture, Inc.  
Omrix Biopharmaceuticals, Inc.  
Optium Corporation  
Orchids Paper Products Company  
Osiris Therapeutics, Inc.  
Penson Worldwide, Inc.  
Pike Electric Corporation  
Pokertek, Inc.  
Premium Standard Farms, Inc.  
Prestige Brands Holdings, Inc.  
Rackable Systems, Inc.  
Reddy Ice Holdings, Inc.  
Replidyne, Inc.  
Restore Medical, Inc.  
Riverbed Technology, Inc.  
Ruths Chris Steak House, Inc.  
SAIC, Inc.  
Shutterfly, Inc.  
SMART Modular Technologies (WWH), Inc.  
Somaxon Pharmaceuticals, Inc.  
Spancion Inc.  
Stanley, Inc.  
Sunesis Pharmaceuticals, Inc.  
SunPower Corporation  
Synchronoss Technologies, Inc.  
Syniverse Holdings, Inc.  
TAL International Group, Inc.  
Taleo Corporation  
Targacept, Inc.  
Techwell, Inc.  
Thermage, Inc.  
Thomas Weisel Partners Group, Inc.  
Threshold Pharmaceuticals, Inc.  
Traffic.com, Inc.  
Tri-S Security Corporation  
Tubion Pharmaceuticals, Inc.  
TRX Inc.  
Under Armour, Inc.  
Unica Corporation  
Universal Truckload Services, Inc.  
Valera Pharmaceuticals, Inc.  
Valor Communications Group, Inc.  
Vanda Pharmaceuticals Inc.  
VeriFone Holdings, Inc.  
Viacell, Inc.  
Visicu, Inc.  
Vocus, Inc.  
Volcano Corporation  
Volcom, Inc.  
Vonage Holdings Corp.  
Warner Music Group Corp.  
WebMD Health Corp.  
Website Pros, Inc.  
Willdan Group, Inc.  
Wireless Ronin Technologies, Inc.  
Worldspace, Inc.  
Wright Express Corporation  
XenoPort, Inc.  
Zumiez Inc.



## ABOUT PRESIDIO PAY ADVISORS

Presidio Pay Advisors provides companies with thoughtful, independent, strategic advice and support on a wide range of compensation issues. Our collective expertise is comprehensive, encompassing the diverse array of human resources, finance, accounting, regulatory, and shareholder perspectives.

We assist with the competitive assessment, design, implementation and communication of:

- Total Compensation Strategy
- Annual Cash Incentives
- Long-Term Equity and Cash Incentives
- Employee Agreements
- Severance and Change-In-Control Arrangements

If you have questions regarding our surveys or would like to speak with a consultant, please call us at (415) 438-3400.

Please visit our website at [www.presidiopay.com](http://www.presidiopay.com) where our industry compensation surveys and our annual IPO survey are available for purchase.

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