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Survey Background

The 2019-2020 Holt-MM&K-Buyouts Private Equity and Venture Capital Compensation Report is a joint effort of three parties. They are compensation consultants Holt private equity consultants and MM&K; and global private equity publisher Buyouts. It is jointly written by Michael Holt and Joseph Weitemeyer.

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Scope and Methodology

PART 2. Sections II - IV: Strategy and Design

PART 2. Sections II - IV are the qualitative or "How" sections of the report. We collected and analyzed data concerning financial and operations information; human capital practices; and the design of compensation plans including salary, bonus/incentive plans, carried interest plans, co-investment plans, general partner commitment and employee benefits. Although this is 2019 information, we believe it can be helpful in planning for 2020.

PART 2. Sections II - IV Firm Classifications:

We classify firms by type and by committed capital to all active funds. Altogether we created 17 sample groups to complement our discussion of firm-wide compensation issues (Sections II-IV of report). The smaller samples (ie. Large VC or small/mid-size VC) correspond to your peer groups; the larger samples (ie. All Firms) showcase broader industry trends.

- LBO/VC/Mezz: Combines LBO / Growth Equity / VC, and Mezzanine firms into one "Catch-All" category with a standard 20% carried interest
 - > Large: firms with \$1.9 billion plus in committed capital (all active funds)
 - >Small/Mid-Size: firms with less than \$1.9 billion in committed capital (all active funds)
 - >All Firms
- LBO / Growth Equity – same as LBO/VC/Mezz:
- Venture Capital – same as LBO/VC/Mezz:
- Institutional – same as LBO/VC/Mezz
- Mezzanine - All Firms
- Fund of Funds/Real Estate - All firms
- Co-Invest/Secondary/Corp Vent – All firms
- Infrastructure/Debt - All firms)
- All Firms (includes all investment types as described above)

Sample Characteristics

The table below shows you the number of firms populating each of the 17 sample groups used in Sections II-IV of this report covering firm-wide compensation practices. You can also see the make-up of each sample in terms of assets under management (committed capital, all active funds).

Table 11: Firm Size Statistics

Firm Classification	Committed Capital (\$Millions)				
	All Active Funds				
	# Firms	Avg.	25th	50th	75th
LBO/VC/Mezz (Large)	35	4,592.40	2,155.50	2,855.00	6,303.50
LBO/VC/Mezz (Small/Mid-Size)	46	773.75	354.41	767.58	1,197.94
LBO/VC/Mezz (All)	81	2,423.78	600.00	1,400.00	2,633.86
LBO / Growth Equity (Large)	18	5,325.35	2,454.71	2,951.00	6,154.75
LBO / Growth Equity (Small/Mid-Size)	21	803.86	309.00	805.00	1,250.00
LBO / Growth Equity (All)	39	2,890.70	735.00	1,660.44	2,832.50
Venture Capital (Large)	13	4,501.86	2,200.00	4,000.00	6,700.00
Venture Capital (Small/Mid-Size)	22	785.03	401.97	767.58	996.35
Venture Capital (All)	35	2,165.57	563.65	1,062.00	2,355.00
Mezzanine (All)	7	1,257.84	824.22	1,550.00	1,793.10
Fund of Funds (All)	19	3,311.38	1,225.50	2,100.00	4,852.42
Sec/Co-Investment/Corp Venture (All)	15	2,053.71	777.50	1,930.00	2,150.00
Infrastructure/Debt (All)	10	3,103.74	492.50	863.50	3,639.68

Scope and Methodology

PART 3. Sections V - VII: Compensation Data

PART 3. Sections V – VII are the quantitative or "How Much" sections of the report. We collected and analyzed data for various positions on salaries, bonuses, and carried interest distributions. It also covers carried interest as a percent of the fund and as “dollars at work” from both “most recent fund” and “all active funds.”

The table below is an example of the exhibits we provide to summarize data collected on Part 3 of the survey report.

Sample Tables: PE 02. Senior Partner / Senior Managing Director (s) – All Private LBO, VC and Mezzanine combined (Details in full report)

Job Title	# Firms	Base Salary (\$000)				Salary + Bonus (\$000)				Carry Distribution (\$000)				
		Avg.	25th	50th	75th	Avg.	25th	50th	75th	#Firms	Avg.	25th	50th	75th
LBO/VC/Mezz (Large)	60	890.0	452.0	600.0	885.4	1,343.6	739.6	1,139.1	1,596.3	32	-	-	-	-
LBO/VC/Mezz (Mid-Size)	33	639.3	300.0	525.0	800.0	881.1	525.0	679.0	1,056.0	14	1,147.9	201.2	678.7	903.4
LBO/VC/Mezz (Small)	4	377.0	350.0	375.0	402.0	545.8	493.8	537.5	589.5	1	-	-	-	-
LBO/VC/Mezz (All)	92	701.0	366.0	590.0	800.0	1,088.9	600.0	882.1	1,500.0	46	-	-	-	-

Job Title	# Firms	Carried Interest											
		% of Most Recent Fund				Dollars At Work Most Recent Fund (Millions)				Dollars At Work All Active Funds (Millions)			
		Avg.	25th	50th	75th	Avg.	25th	50th	75th	Avg.	25th	50th	75th
LBO/VC/Mezz (Large)	37	1.9%	1.3%	1.8%	2.5%	17.6	12.0	15.5	24.5	45.0	36.3	44.5	61.2
LBO/VC/Mezz (Mid-Size)	20	2.5%	1.9%	2.7%	3.5%	12.5	4.8	11.6	17.1	29.5	13.9	26.8	46.1
LBO/VC/Mezz (Small)	3	2.4%	1.8%	2.5%	3.1%	5.0	-	5.0	-	7.9	-	7.9	-
LBO/VC/Mezz (All)	60	2.1%	1.3%	2.2%	2.8%	15.2	7.7	13.8	22.5	37.7	19.3	39.2	55.8

Scope and Methodology

PART 3. Section V - VII : Compensation Data

Levels Of Compensation:

For each sample statistic we typically show average, 25th percentile, median and 75th percentile. Always bear in mind that the average could be influenced by particularly high or low data points in the sample, especially if the sample size is small. Most firms that use compensation surveys set compensation targets between the median and the 75th percentile.

Firm-Weighted Data versus Incumbent-Weighted Data:

Compensation reports based on employee surveys may show data on either an incumbent-weighted or a firm-weighted basis. Incumbent-weighted samples simply include all employees in the sample, even if a significant percentage of them all work for the same firm; the results may therefore be unduly influenced by one or more firms and won't be representative of the overall marketplace. We can correct for this potential flaw by calculating the data on a firm-weighted basis. For example, assume there are 10 firms in a survey and nine firms have one incumbent on a position and one firm has 10 incumbents. The firm with 10 incumbents would affect over 50% of the data. However, if we average the 10 incumbents in the one firm and treat them as one, we eliminate this issue. (When we combine all sizes of data, we modify between the employee and firm data by weighting small firm data once; mid-size data twice; and large size data three times.)

Mix of Compensation Types:

In our employee compensation tables we show salaries; salaries plus bonuses; and carried interest distributions. However, firms in our samples may view the mix of these compensation components in different ways, and give more emphasis to one or the other. Venture firms tend to pay high salaries and low bonuses, while buyout firms, with their roots in investment banking, tend to pay lower salaries and larger bonuses. Most firms see carried interest as the most important compensation component – at least for higher level employees – as it rewards long-term positive performance on behalf of the firm and its investors. In light of this, well-established firms whose partners already have a high net worth may well pay relatively low salaries and/or bonuses. This of course can vary based on the amount of management and other fees that are received as revenues.

Carry Distributions

Historically, we have added carried interest distributions to salary plus bonus. There is a “flaw” in this approach because many firms do not report the distributions. They may consider the data confidential or simply do not wish to take the time to report them. Thus, if 10 firms report salary plus bonus, but only five of them report distribution we previously were dividing by ten to obtain salary plus bonus plus distributions. Starting in 2014, we do not add the distributions to salary plus bonus. We show the distributions separately but only for those that reported a distribution. (From our above example, we divide by five rather than ten). Firms can decide for themselves how to use this data.

Carried Interest Plan Allocation:

Where applicable, we show three carried interest allocations. The first is the **percent of the most recent fund** allocated to each employee as carried interest, also referred to as **carried interest points**. Employees typically share the 20 points of carry allocated to the GP, although a portion may be allocated to a parent company, or held in reserve for future hires and promotions. We also show the **carried interest “dollars at work”** for the most recent fund, which is the carried interest points assigned an employee multiplied by the size of the fund. For example, a partner with 1 point of carry on a \$100 million fund has \$1 million at work in that fund—in other words, the dollars at work that can result in realized investment gains. We also show the most important feature of carried interest - the dollars at work for all active funds.

Scope and Methodology

PART 3. Sections V - VII : Compensation Data

PART 3. Sections V - VII. Firm Classification: For our analysis of employee compensation starting in Section V of this report we created 22 samples, described below. Institutional firms (groups sponsored by banks or other large parents) are included in these samples unless otherwise noted.

- LBO/VC/Mezz: Combines LBO / Growth Equity, Venture Capital, and Mezzanine firms.
 - Large: \$1.9 billion or more
 - Mid Size: \$600 million – \$1.9 million
 - Small: Less than \$600 million
 - All Firms
- LBO / Growth Equity – same as LBO/VC/Mezz
- Venture Capital – same as LBO/VC/Mezz
- Institutional – same as LBO/VC/Mezz
- Mezzanine - All Firms
- Fund of Funds - All Firms
- Secondary/Co-Invest - All Firms
- Corp Ven/Real Estate/Debt – All firms
- Canada – All Firms
- Asia Pacific - All Firms

Studied Positions:

Job descriptions for all the position listed below (32 positions) are included in Section VI of this report.

Investment Professionals

- Managing General Partner(s) / CEO
- Senior Partner / Senior Managing Director(s)
- Partner / Managing Director(s) / Portfolio Manager
- Principal / Vice President / Director(s)
- Senior Associate(s)
- Associate(s)
- Senior Analyst(s)
- Analyst(s)
- Venture Partner/Operations Partner

Administrative/Support

- Chief Operating Officer (COO)
- Administrative/ Office Manager
- Executive Assistant
- Secretary/ Administrator
- Receptionist

Finance

- Chief Financial Officer (CFO)
- Controller
- Assistant Controller
- Senior Accountant
- Junior Accountant
- Fund Accountant
- Junior Fund Accountant

Marketing and Investor Relations

- Chief Marketing Officer/ Head of Marketing
- Marketing Manager
- Investor Relations Director/ Head of Investor Relations
- Investor Relations Manager

Legal, Human Resources and Information Technology

- Chief Legal Counsel
- Compliance & Risk Officer
- Chief Human Resources/ Talent Officer
- Human Resources Manager
- Human Resources Assistant/Officer
- Chief Technology Officer
- Information Technology Manager

Scope & Methodology

Partial Participant List (Certain firms have requested anonymity)

VENTURE CAPITAL

Adams Street Partners
Amadeus
Ascension Ventures
Asset Management Ventures
August Capital
B Capital Group
Business Development Bank of Canada
Bessemer Venture Partners
Charles River
Emergence Capital
ePlanet Capital
EQT AB
Forgepoint Cybersecurity
F-Prime Capital Partners
Frazier Healthcare Partners
Grotech Ventures
Google Ventures
Icon Ventures
Institutional Venture Partners
Longitude Capital Management
New Leaf Venture Partners
Norwest Venture Partners
Omega Funds
OMERS
Pappas Capital, LLC (Pappas Ventures)
Portfolio Advisors, LLC
RiverVest Venture Partners
Robert W. Baird
Silicon Valley Bank
SV Health Investors, LLC
Third Rock
Vertex Management Inc
Vivo Capital, LLC

LBO/GROWTH EQUITY

Allstate Investments
Adams Street Partners
Ampersand Capital Partners
Ascension Ventures
Business Development Bank of Canada
Bregal Investments, Inc.
Google Capital (CapitalG)
Clairvest
EQT AB
EW Healthcare Partners
Frazier Healthcare Partners
Fremont Group
Great Hill Partners LP
Guardian Capital Partners
HGGC, LLC
Institutional Growth Partners
Incline Equity Partners
Inovia Capital
Linden Capital Partners
Lovell Minnick Partners
Norwest Equity Partners
Norwest Venture Partners
OMERS
PNC Capital Finance
Proterra Investment Partners LP
Robert W. Baird
Sunstone Partners
Tecum Capital
Traub Capital
TVV Capital
Vivo Capital, LLC
Waterstreet Healthcare Partners
Westview Capital Partners

FUND OF FUNDS/REAL ESTATE

Abbott Capital Management, LLC
Adams Street Partners
Allstate Investments
Business Development Bank of Canada
BlackRock Private Equity Partners
Bregal Investments, Inc.
C.M. Capital Corporation
EQT AB
Fremont Goup
Glouston Capital Partners
PNC Capital Finance
Portfolio Advisors, LLC
Renaissance Venture Capital
Silicon Valley Bank
True Bridge Capital Partners
Twin Bridge Capital Partners

INSTITUTIONAL

Allstate Investments
Ascension Ventures
BlackRock Private Equity Partners
Bregal Investments, Inc.
Business Development Bank of Canada
Google Capital (CapitalG)
First West Credit Union
F-Prime Capital Partners
Guardian Capital Partners
Google Ventures
Norwest Equity Partners
Norwest Mezzanine Partners
Norwest Venture Partners
OMERS
PNC Capital Finance
Robert W. Baird
Silicon Valley Bank

INFRASTRUCTURE/DEBT/DIISTRESSED

Adams Street Partners
Allstate Investments
Bregal Investments, Inc.
EQT AB
First West Credit Union
Intermediate Capital
Klamath Technology Credit Partners
Portfolio Advisors, LLC
Proterra Investment Partners LP

SECONDARY/CO-INVESTMENT/CORPORATE VENTURE

Abbott Capital Management, LLC
Adams Street Partners
Allstate Investments
Ascension Ventures
BlackRock Private Equity Partners
Business Development Bank of Canada
Glouston Capital Partners
Intermediate Capital
PNC Capital Finance
Portfolio Advisors, LLC
StepStone
Twin Bridge Capital Partners
Whitehorse Liquidity Partners Inc.

MEZZANINE

First West Credit Union
Intermediate Capital
Norwest Mezzanine Partners
PNC Capital Finance
Portfolio Advisors, LLC
Tecum Capital
Yukon Capital Partners

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Holt private equity Consultants specializes in assisting clients with private equity/venture capital organizational and human resources issues, which includes compensation and performance management. The Holt firm has designed numerous carried interest and co-investment plans, as well as annual incentive plans. It also has consulted with various real estate and investment/funds management organizations.

He has been an “expert witness” on numerous occasions.

Prior to founding Holt private equity Consultants in 2001, Mike Holt was a consultant with William M. Mercer, KPMG, and Hay Management Consultants, where among other things he conducted private equity/venture capital compensation surveys. Previously, he was head of compensation and employee benefits at Norwest (now Wells Fargo) and for Pillsbury (consumer products).

Mike received his undergraduate degree at the University of Notre Dame and a Masters Degree in Business Administration from Roosevelt University. He also served as a Lieutenant in the U.S. Army.



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MM & K is a leading independent remuneration consultancy specializing in the planning, design and implementation of pay and reward strategies.

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We put into place strategies that ensure client remuneration programs are integrated with business goals. Experience shows us that when a business achieves this integration, the overall competitiveness and value of the business increases substantially.

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