

HEIDRICK & STRUGGLES

2014

Operating
Executive
Compensation
Report

Survey Analysis

Introduction

Heidrick & Struggles is pleased to present our 2014 North American Operating Executive Compensation Report.

We were fortunate to be able to draw upon the resources and network of both PE Open and PEI, making this report the most comprehensive compensation report of its type. We received 165 valid surveys. All of the answers are self-reported.

In addition to questions on compensation, we asked respondents to inform us about their backgrounds, the scope of their roles and how they are employed.

With respect to compensation, we looked at the level of cash and non-cash compensation (carry, equity, etc.) according to title, as well as both current fund size and total AUM. We also explored the source of respondents pay (GP, portfolio fees, etc.) and how their compensation has changed over the past year.

Some interesting data points of note:

- The vast majority of operating executives reported no change in cash compensation from 2012 to 2013.
- The majority (60%) of operating partners are employed by the GP but 40% are either self- employed or employed in a 3rd party legal entity.
- Less than half (43%) of operating partners receive their cash compensation exclusively from the GP management fee. The remaining 57% receive their cash compensation by charging portfolio companies or a combination of management fees and portfolio company fees.
- Only 11% of the respondents had a prior working relationship with the GPs. This is a clear indication of the explosive growth in the operating executive role given that in the past, most GPs hired executives from successfully exited portfolio companies.
- Pages 4 and 5 provide a graphic representation of respondents' average base salary, bonus and carry by both current fund size and total AUM. We have also provided charts on pages 12-15, which illustrate the full range of responses received. It is worth noting that the carry number in the charts that focus on current fund size *include only fund carry, not deal by deal carry or any equity participation in individual companies*. The carry numbers in the charts that focus on AUM include *all fund carry, deal by deal carry and equity participation*. As such, we regard the carry figures for the charts that have been sorted by AUM as a more accurate representation of total non-cash compensation.

We look forward to discussing our findings with you.

Jonathan Goldstein
Partner

William Bruce
Associate Principal

Jennifer Wiggins
Associate

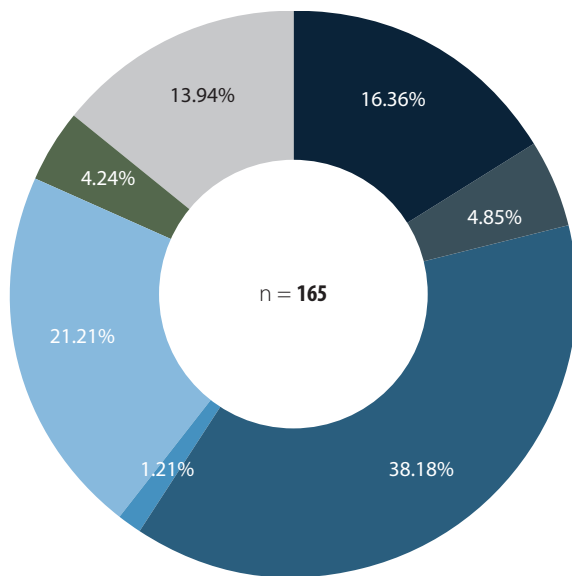
Mohd Arsalan
Senior Research Analyst

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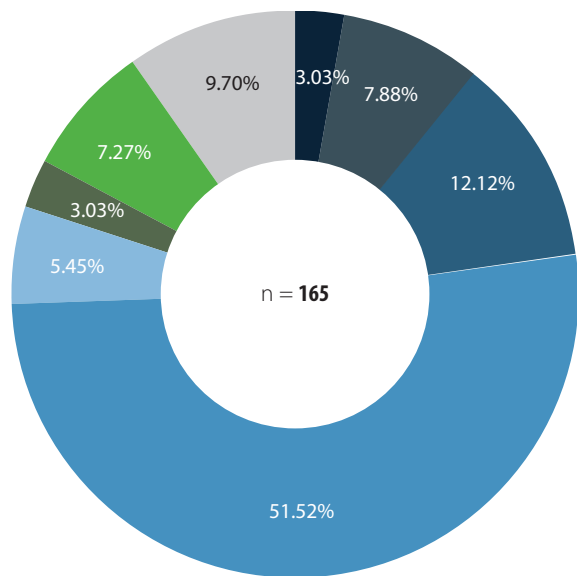
Profile of Respondents

Respondents' Industry Focus



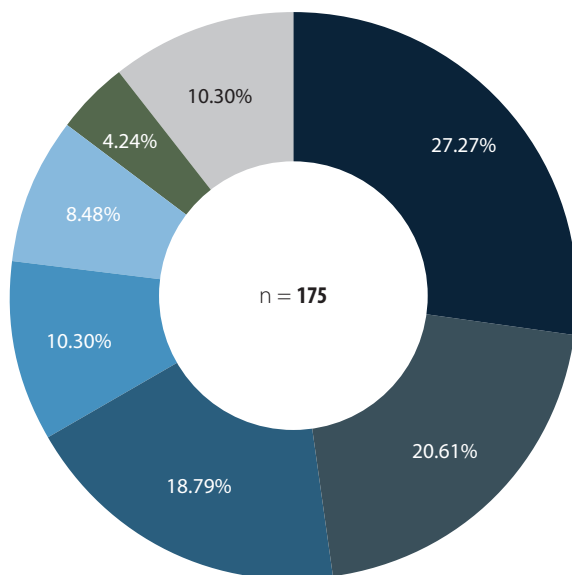
- Consumer Markets
- Financial Services
- Generalist
- GTS
- Industrial
- Life Sciences
- Other

Respondents' Functional Expertise



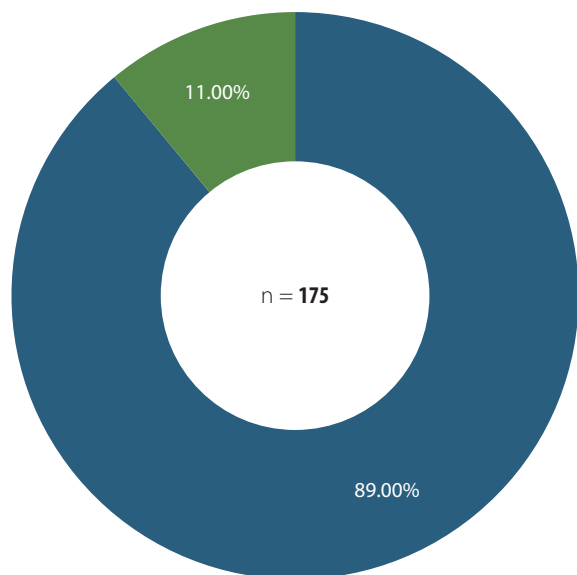
- HR
- Lean / SCM / Operations
- Finance
- Generalist
- Purchasing
- Sales Force Effectiveness
- Technology
- Other

Role Prior to Current Role



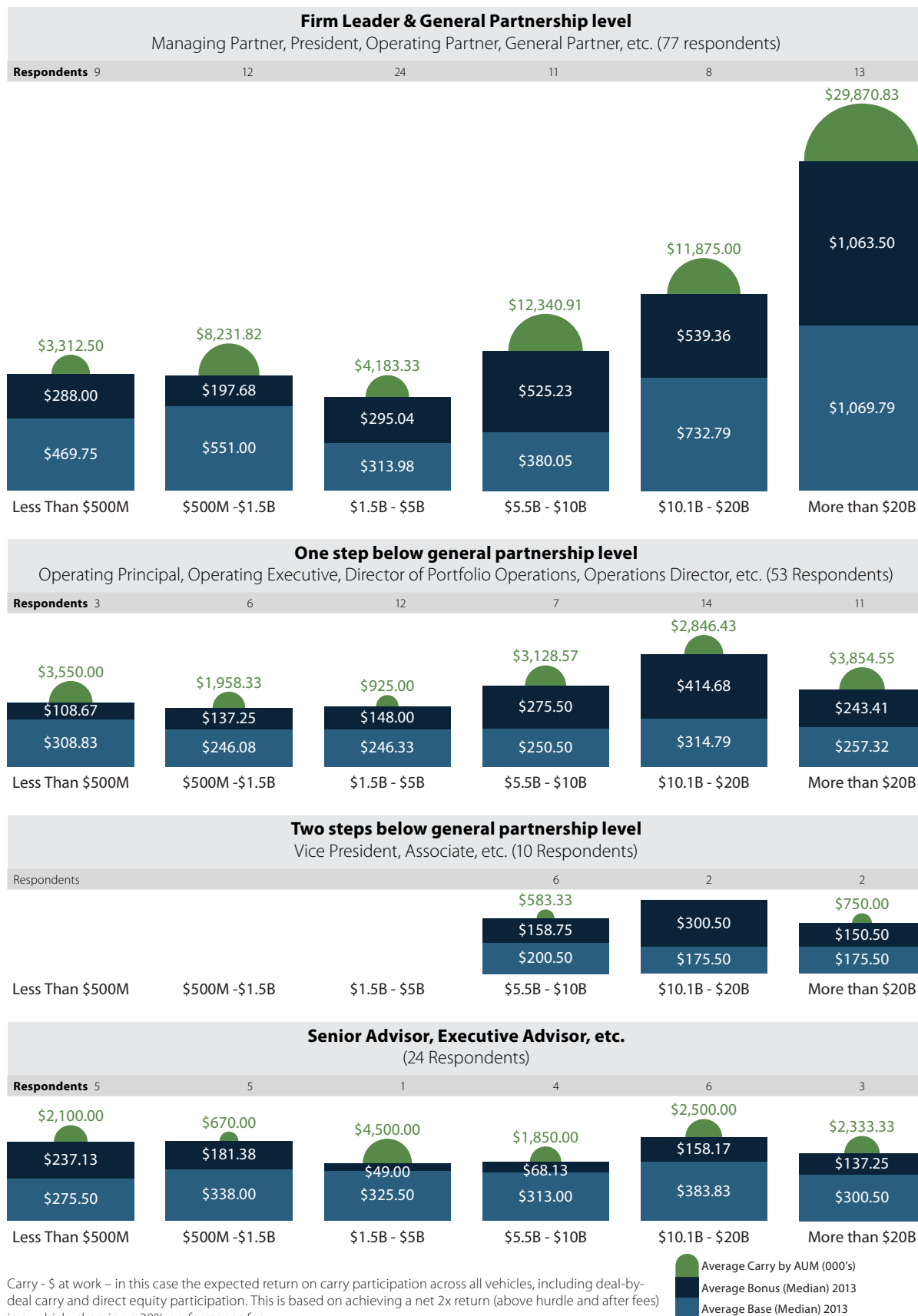
- CEO
- Management Consultant
- Operating Executive
- Divisional CEO
- CFO
- COO
- Other

Previously Employed by Current GP

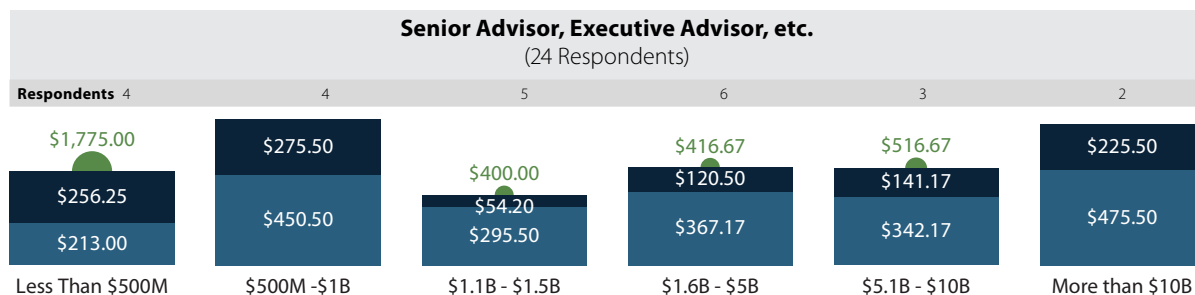
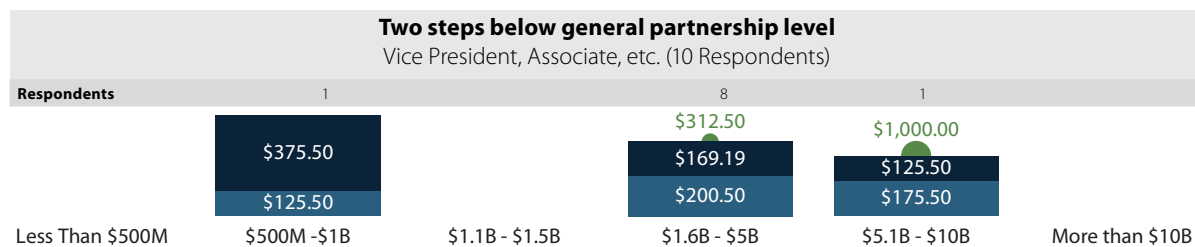
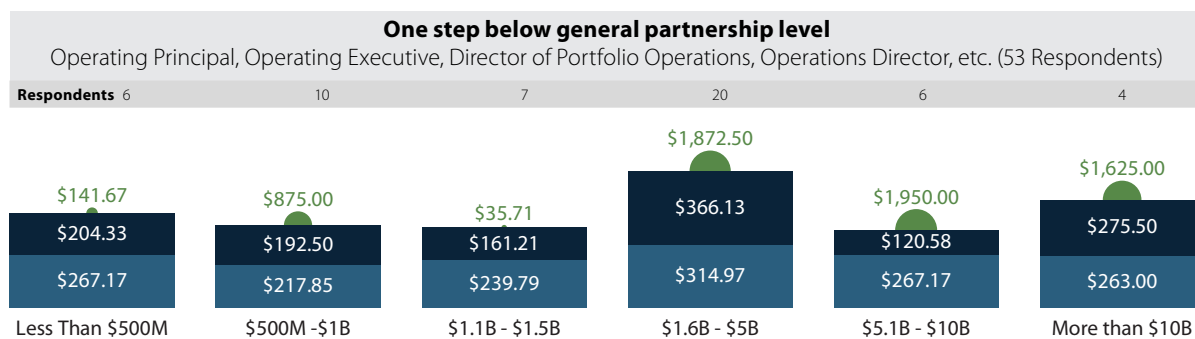
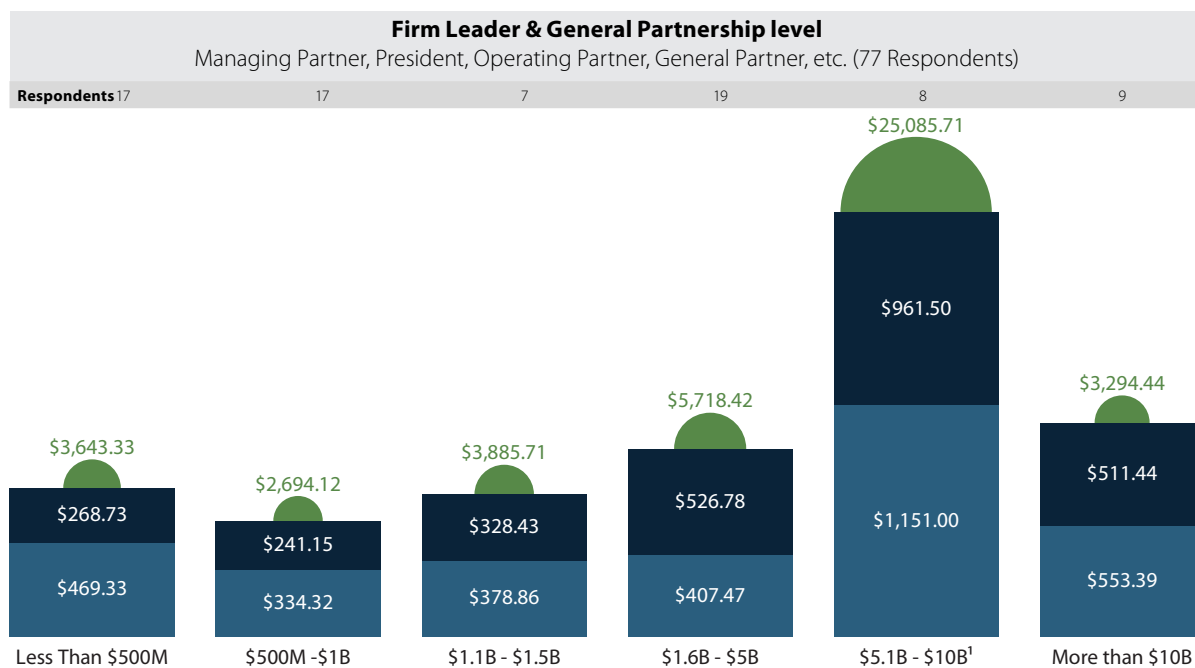





- No
- Yes

Average Base, Bonus & Carry by AUM ('000s)



Average Base, Bonus & Carry by Most Recent Fund Size ('000s)

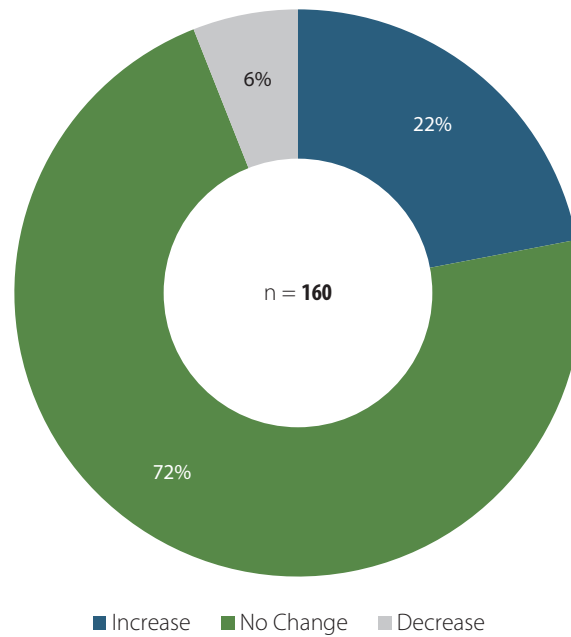


 Average Carry Most Recent Fund (000's)
 Average Bonus (Median) 2013
 Average Base (Median) 2013

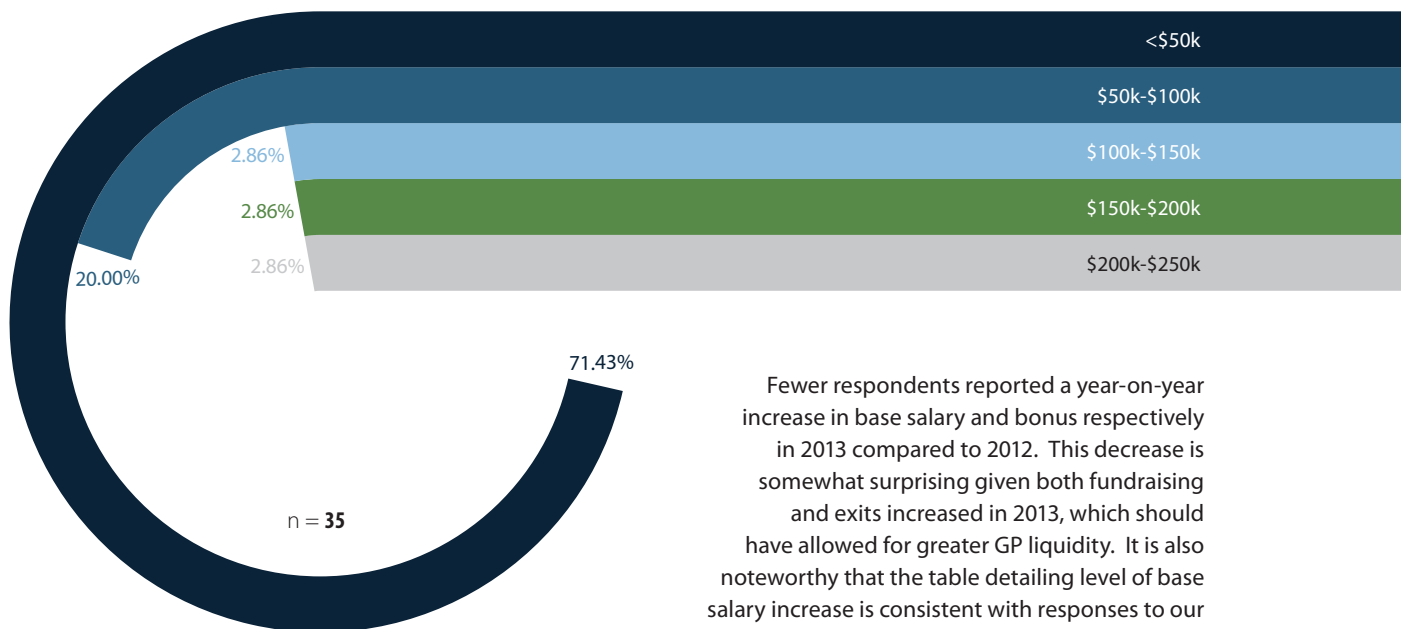
1. This outsized result was caused by one respondent. Carry - \$ at work - in this case the expected return on carry participation in the respondents' current fund. This is based on achieving a net 2x return (above hurdle and after fees) in a vehicle charging a 20% performance fee.

General Observations on Compensation Trends

Base Salary: 2013 vs. 2012



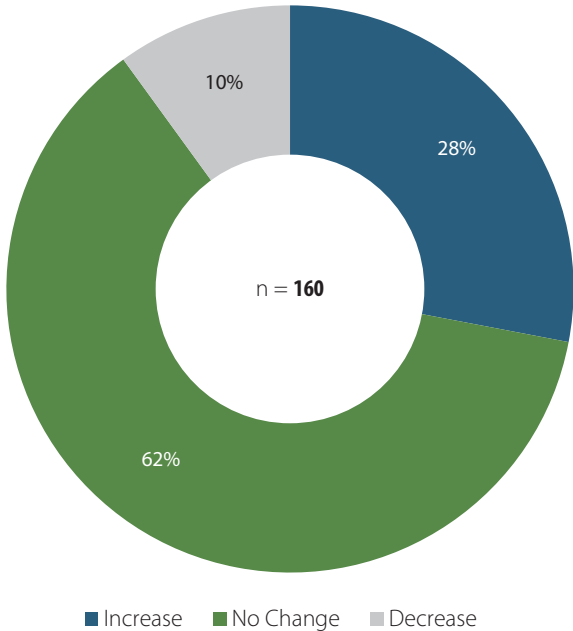
Amount of Base Salary Increase Reported by Respondents



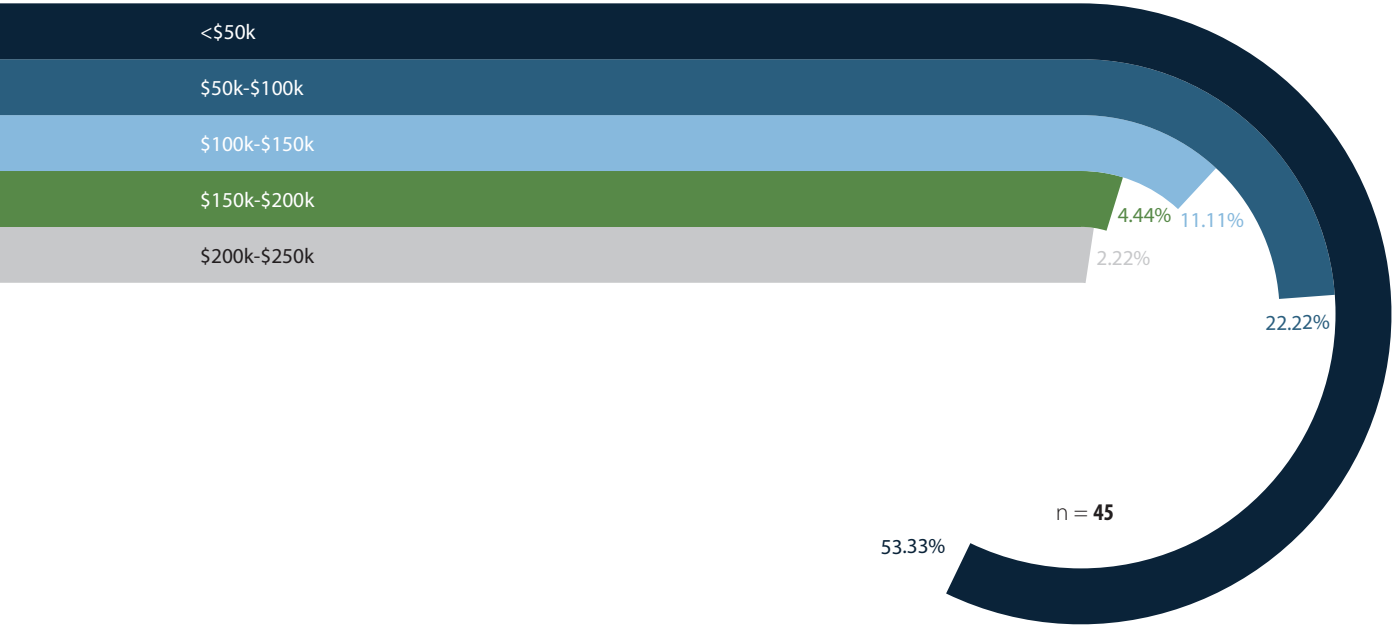
Fewer respondents reported a year-on-year increase in base salary and bonus respectively in 2013 compared to 2012. This decrease is somewhat surprising given both fundraising and exits increased in 2013, which should have allowed for greater GP liquidity. It is also noteworthy that the table detailing level of base salary increase is consistent with responses to our Investment Professional survey.

General Observations on Compensation Trends

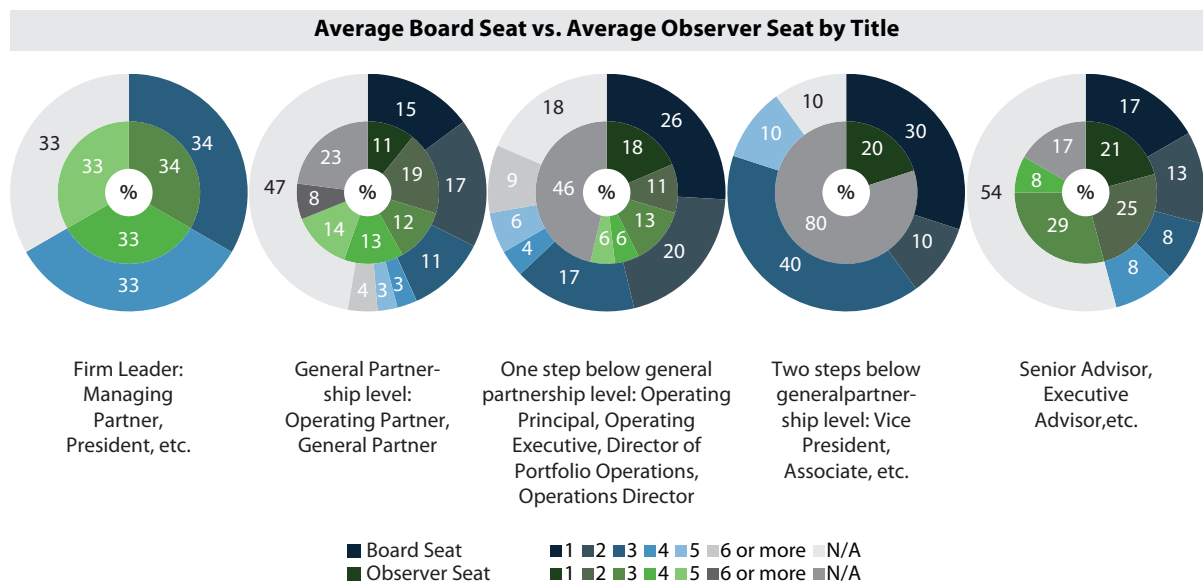
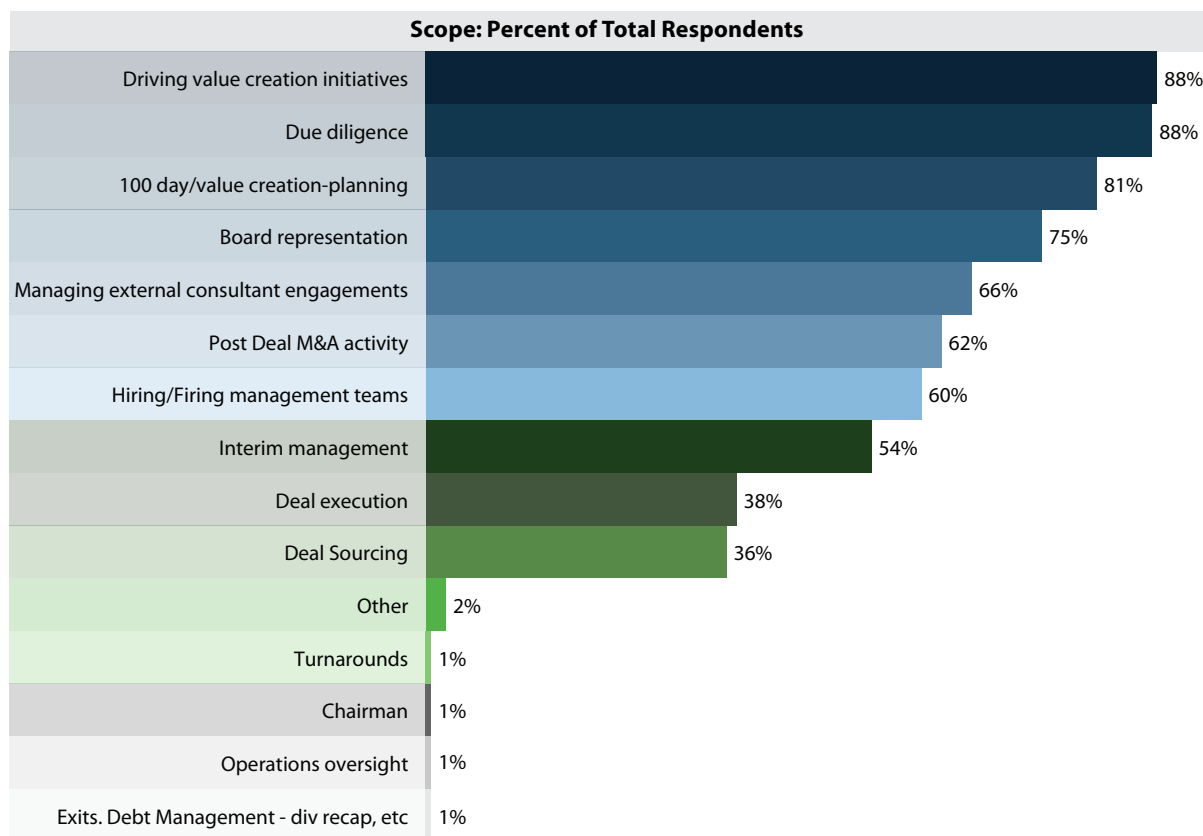
Bonus: 2013 vs. 2012



Amount of Bonus Increase Reported by Respondents

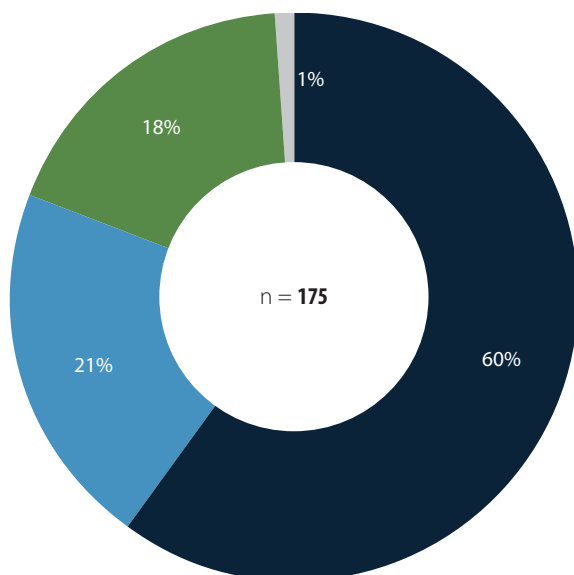


Scope of Role



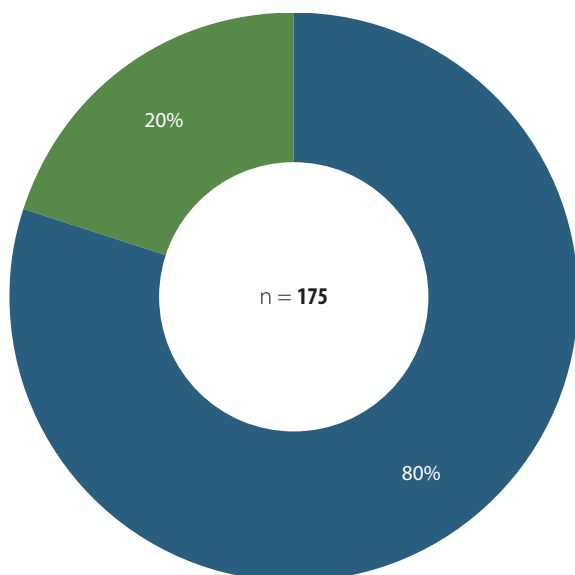
Economics of Current Role and Career Prospects

Respondents employed by



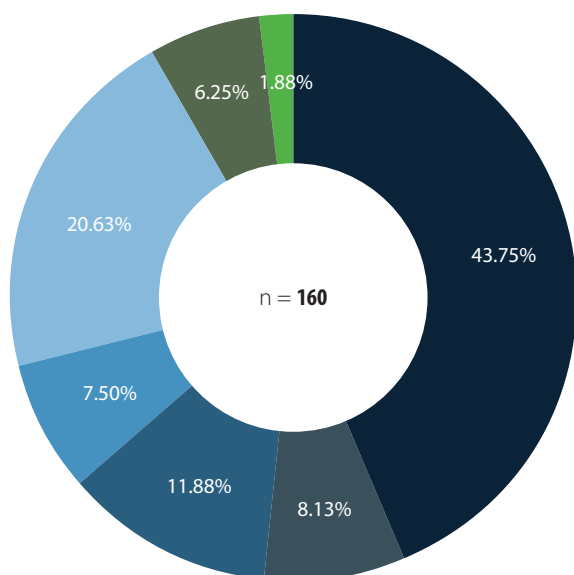
- General Partner
- Self employed
- Separate legal entity / operating company
- Other

Number of full time vs. part time respondents



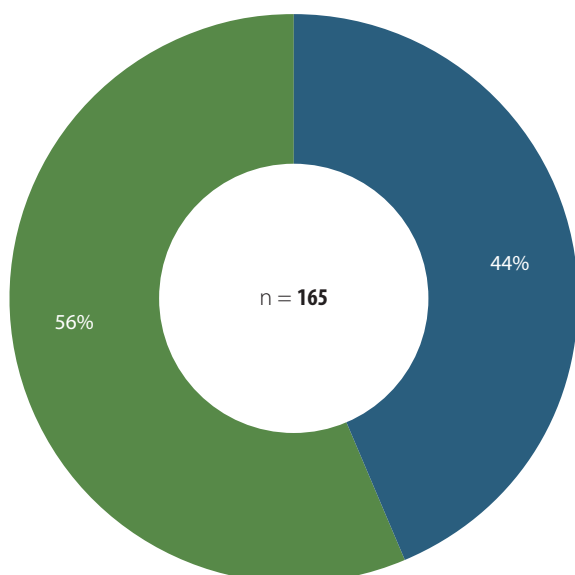
- Full Time
- Part Time

How Respondents' Cash Compensation is Funded



- Fund management fee only
- Portfolio company oversight fees only
- Time billed directly to portfolio companies only
- All three
- Fund management fee & Portfolio company oversight fees
- Fund management fee & Time billed directly to portfolio co's
- Portfolio company oversight fees & Time billed directly to portfolio companies

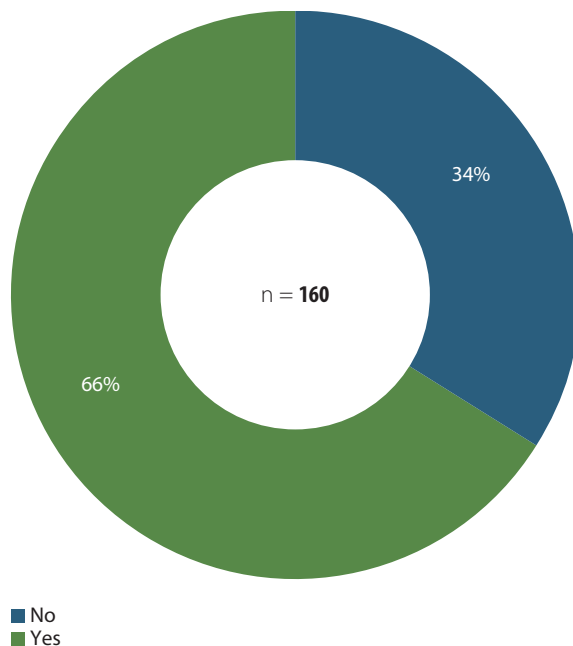
Path to become Partner or Managing Director



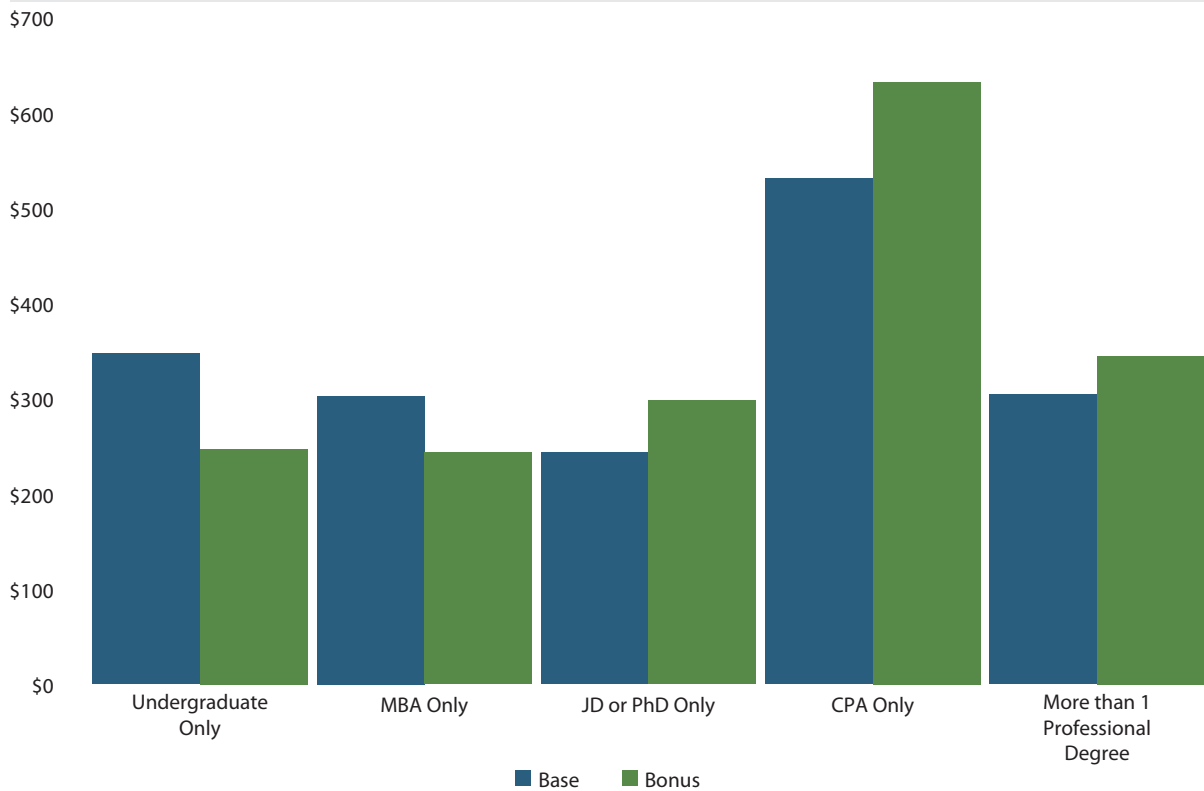
- No
- Yes

Fund performance & Education vs. Compensation

Has fund returned carry?



Level of Education vs. Average Base & Bonus



Appendix



Base, Bonus & Carry - Range ('000s)

Carry by Total Firm AUM

Less than \$500M

	2011			2012			2013		
	Low	Ave	High	Low	Ave	High	Low	Ave	High
Base									
Firm Leader	\$49	\$49	\$49	\$49	\$49	\$49	\$176	\$176	\$176
General Partnership level	\$176	\$251	\$376	\$226	\$251	\$426	\$226	\$251	\$426
One step below general partnership level	\$326	\$376	\$426	\$301	\$326	\$426	\$251	\$276	\$426
Senior Advisor / Executive Advisor	\$188	\$251	\$376	\$188	\$276	\$376	\$263	\$326	\$376
Bonus									
Firm Leader	\$49	\$49	\$49	\$49	\$49	\$49	\$126	\$126	\$126
General Partnership level	\$75	\$151	\$776	\$69	\$100	\$826	\$69	\$100	\$476
One step below general partnership level	\$100	\$126	\$176	\$151	\$176	\$176	\$100	\$126	\$126
Senior Advisor / Executive Advisor	\$49	\$62	\$426	\$49	\$62	\$526	\$49	\$62	\$776
Carry Most Recent Fund									
	Low			Ave			High		
General Partnership level	\$1,900			\$2,500			\$4,000		
Senior Advisor / Executive Advisor	\$2,750			\$3,500			\$5,000		

\$500M - \$1B

	2011			2012			2013		
	Low	Ave	High	Low	Ave	High	Low	Ave	High
Base									
Firm Leader	\$176	\$176	\$176	\$226	\$226	\$226	\$226	\$226	\$226
General Partnership level	\$176	\$226	\$726	\$201	\$326	\$726	\$201	\$326	\$726
One step below general partnership level	\$226	\$226	\$326	\$226	\$251	\$326	\$238	\$276	\$326
Senior Advisor / Executive Advisor	\$276	\$376	\$526	\$276	\$376	\$726	\$113	\$251	\$776
Bonus									
Firm Leader	\$75	\$75	\$75	\$126	\$126	\$126	\$126	\$126	\$126
General Partnership level	\$49	\$49	\$176	\$49	\$49	\$176	\$49	\$49	\$176
One step below general partnership level	\$49	\$49	\$326	\$49	\$62	\$426	\$49	\$87	\$426
Senior Advisor / Executive Advisor	\$49	\$112	\$426	\$49	\$112	\$426	\$106	\$176	\$326
Carry Most Recent Fund									
	Low			Ave			High		
Firm Leader	\$4,000			\$4,000			\$4,000		
General Partnership level	\$1,438			\$3,175			\$6,000		
One step below general partnership level	\$963			\$1,700			\$3,350		
Senior Advisor / Executive Advisor	\$100			\$100			\$100		

\$1.1B - \$1.5B

	2011			2012			2013		
	Low	Ave	High	Low	Ave	High	Low	Ave	High
Base									
General Partnership level	\$226	\$326	\$526	\$226	\$326	\$526	\$213	\$326	\$526
One step below general partnership level	\$176	\$226	\$326	\$226	\$226	\$376	\$226	\$251	\$376
Senior Advisor / Executive Advisor	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326	\$326
Bonus									
General Partnership level	\$75	\$201	\$576	\$113	\$226	\$576	\$113	\$251	\$976
One step below general partnership level	\$69	\$126	\$226	\$113	\$151	\$226	\$69	\$126	\$276
Senior Advisor / Executive Advisor	\$49	\$49	\$49	\$49	\$49	\$49	\$49	\$49	\$49
Carry Most Recent Fund									
	Low			Ave			High		
General Partnership level	\$1,613			\$3,000			\$14,000		
One step below general partnership level	\$400			\$1,000			\$2,000		

Base, Bonus & Carry - Range ('000s)

Carry by Total Firm AUM

\$5.5B - \$10B

	2011			2012			2013		
	Low	Ave	High	Low	Ave	High	Low	Ave	High
Base									
General Partnership level	\$276	\$326	\$776	\$226	\$276	\$826	\$226	\$276	\$926
One step below general partnership level	\$188	\$251	\$376	\$188	\$226	\$426	\$188	\$251	\$476
Two steps below general partnership level	\$176	\$176	\$326	\$176	\$176	\$326	\$176	\$176	\$326
Senior Advisor / Executive Advisor	\$263	\$276	\$376	\$263	\$276	\$376	\$263	\$326	\$376
Bonus									
General Partnership level	\$201	\$326	\$1,276	\$176	\$426	\$1,476	\$201	\$426	\$1,476
One step below general partnership level	\$113	\$251	\$876	\$163	\$301	\$776	\$188	\$276	\$426
Two steps below general partnership level	\$126	\$151	\$176	\$138	\$176	\$176	\$176	\$176	\$176
Senior Advisor / Executive Advisor	\$49	\$87	\$226	\$49	\$87	\$126	\$49	\$49	\$126
Carry Most Recent Fund									
	Low			Ave			High		
General Partnership level	\$4,500			\$9,000			\$19,500		
One step below general partnership level	\$1,675			\$2,550			\$5,100		
Two steps below general partnership level	\$1,125			\$1,250			\$1,500		
Senior Advisor / Executive Advisor	\$888			\$1,425			\$2,500		

\$10.1B - \$20B

	2011			2012			2013		
	Low	Ave	High	Low	Ave	High	Low	Ave	High
Base									
General Partnership level	\$401	\$676	\$1,001	\$501	\$826	\$1,001	\$501	\$826	\$1,001
One step below general partnership level	\$238	\$276	\$476	\$276	\$276	\$476	\$276	\$276	\$476
Two steps below general partnership level	\$138	\$151	\$176	\$151	\$176	\$226	\$151	\$176	\$226
Senior Advisor / Executive Advisor	\$238	\$326	\$476	\$238	\$376	\$526	\$238	\$376	\$576
Bonus									
General Partnership level	\$112	\$276	\$1,276	\$112	\$176	\$1,276	\$112	\$176	\$1,276
One step below general partnership level	\$126	\$126	\$2,251	\$126	\$176	\$2,251	\$126	\$176	\$2,751
Two steps below general partnership level	\$176	\$226	\$326	\$226	\$276	\$376	\$263	\$301	\$376
Senior Advisor / Executive Advisor	\$49	\$62	\$376	\$49	\$62	\$376	\$56	\$75	\$376
Carry Most Recent Fund									
	Low			Ave			High		
General Partnership level	\$4,263			\$11,000			\$15,000		
One step below general partnership level	\$2,625			\$4,000			\$6,250		
Senior Advisor / Executive Advisor	\$1,200			\$1,200			\$1,200		

More than \$20B

	2011			2012			2013		
	Low	Ave	High	Low	Ave	High	Low	Ave	High
Base									
Firm Leader	\$526	\$526	\$526	\$476	\$476	\$476	\$576	\$576	\$576
General Partnership level	\$313	\$426	\$726	\$351	\$451	\$776	\$363	\$476	\$1,001
One step below general partnership level	\$176	\$226	\$426	\$176	\$226	\$426	\$213	\$226	\$476
Two steps below general partnership level	\$138	\$151	\$176	\$176	\$176	\$176	\$176	\$176	\$176
Senior Advisor / Executive Advisor	\$213	\$301	\$476	\$213	\$301	\$476	\$213	\$301	\$476
Bonus									
Firm Leader	\$476	\$476	\$476	\$476	\$476	\$476	\$426	\$426	\$426
General Partnership level	\$351	\$526	\$826	\$413	\$526	\$976	\$501	\$576	\$1,126
One step below general partnership level	\$113	\$176	\$526	\$113	\$176	\$526	\$126	\$201	\$526
Two steps below general partnership level	\$126	\$126	\$126	\$138	\$151	\$176	\$138	\$151	\$176
Senior Advisor / Executive Advisor	\$93	\$137	\$226	\$93	\$137	\$226	\$93	\$137	\$226
Carry Most Recent Fund									
	Low			Ave			High		
Firm Leader	\$17,800			\$17,800			\$17,800		
General Partnership level	\$2,000			\$4,125			\$12,000		
One step below general partnership level	\$750			\$900			\$50,000		
Two steps below general partnership level	\$1,000			\$1,000			\$1,000		
Senior Advisor / Executive Advisor	\$2,000			\$2,000			\$2,000		

Base, Bonus & Carry - Range ('000s)

Carry by Most Recent Fund Size

Less than \$500M

	2011			2012			2013		
	Low	Ave	High	Low	Ave	High	Low	Ave	High
Base									
Firm Leader	\$81	\$112	\$176	\$93	\$137	\$226	\$188	\$201	\$226
General Partnership level	\$176	\$276	\$376	\$226	\$276	\$426	\$226	\$226	\$426
One step below general partnership level	\$226	\$276	\$426	\$238	\$301	\$426	\$238	\$276	\$426
Senior Advisor / Executive Advisor	\$113	\$176	\$376	\$113	\$176	\$376	\$76	\$201	\$376
Bonus									
Firm Leader	\$56	\$62	\$75	\$68	\$87	\$126	\$126	\$126	\$126
General Partnership level	\$62	\$176	\$776	\$49	\$126	\$826	\$49	\$75	\$476
One step below general partnership level	\$88	\$126	\$326	\$138	\$201	\$426	\$88	\$126	\$426
Senior Advisor / Executive Advisor	\$49	\$62	\$426	\$49	\$62	\$526	\$69	\$100	\$776
Carry Most Recent Fund									
	Low			Ave			High		
Firm Leader	\$4,000			\$4,000			\$4,000		
General Partnership level	\$1,138			\$1,900			\$4,000		
One step below general partnership level	\$850			\$850			\$850		
Senior Advisor / Executive Advisor	\$1,050			\$2,000			\$5,000		

\$500M - \$1B

	2011			2012			2013		
	Low	Ave	High	Low	Ave	High	Low	Ave	High
Base									
General Partnership level	\$226	\$276	\$726	\$226	\$326	\$726	\$226	\$326	\$726
One step below general partnership level	\$176	\$201	\$326	\$176	\$226	\$326	\$176	\$226	\$326
Two steps below general partnership level	\$126	\$126	\$126	\$126	\$126	\$126	\$126	\$126	\$126
Senior Advisor / Executive Advisor	\$451	\$476	\$526	\$501	\$576	\$726	\$288	\$451	\$776
Bonus									
General Partnership level	\$49	\$126	\$576	\$49	\$126	\$576	\$49	\$126	\$976
One step below general partnership level	\$49	\$100	\$526	\$49	\$100	\$526	\$56	\$126	\$526
Two steps below general partnership level	\$326	\$326	\$326	\$376	\$376	\$376	\$376	\$376	\$376
Senior Advisor / Executive Advisor	\$238	\$301	\$426	\$238	\$301	\$426	\$251	\$276	\$326
Carry Most Recent Fund									
	Low			Ave			High		
General Partnership level	\$2,038			\$3,175			\$14,000		
One step below general partnership level	\$1,000			\$1,500			\$3,350		

\$1.1B - \$1.5B

	2011			2012			2013		
	Low	Ave	High	Low	Ave	High	Low	Ave	High
Base									
General Partnership level	\$376	\$426	\$526	\$376	\$426	\$526	\$326	\$426	\$526
One step below general partnership level	\$276	\$276	\$326	\$251	\$276	\$276	\$251	\$276	\$276
Senior Advisor / Executive Advisor	\$276	\$276	\$326	\$276	\$276	\$326	\$276	\$326	\$376
Bonus									
General Partnership level	\$112	\$226	\$826	\$112	\$226	\$876	\$49	\$176	\$1,126
One step below general partnership level	\$126	\$126	\$876	\$126	\$126	\$776	\$126	\$126	\$276
Senior Advisor / Executive Advisor	\$49	\$49	\$75	\$49	\$49	\$75	\$49	\$49	\$75
Firm Leader									
	Low			Ave			High		
General Partnership level	\$2,250			\$3,500			\$12,000		
One step below general partnership level	\$250			\$250			\$250		
Senior Advisor / Executive Advisor	\$2,000			\$2,000			\$2,000		

Base, Bonus & Carry - Range ('000s)

Carry by Most Recent Fund Size

\$1.6B - \$5B

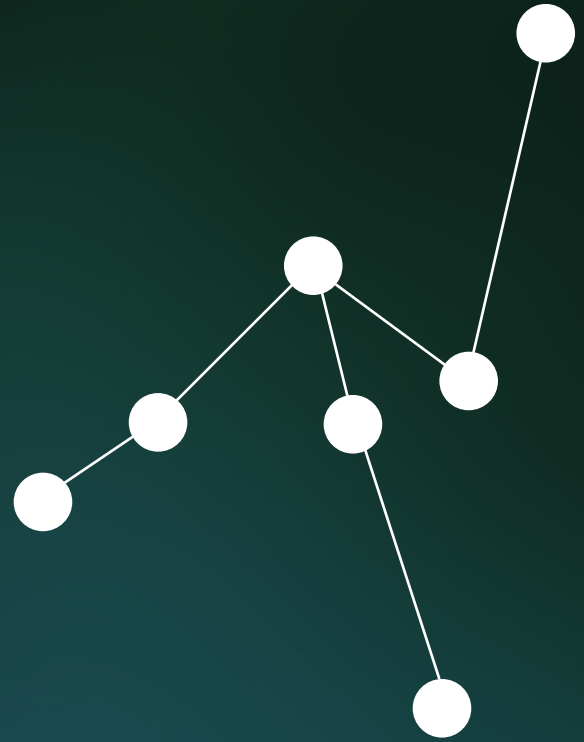
	2011			2012			2013		
	Low	Ave	High	Low	Ave	High	Low	Ave	High
Base									
General Partnership level	\$226	\$326	\$1,001	\$226	\$326	\$1,001	\$226	\$326	\$1,001
One step below general partnership level	\$226	\$276	\$476	\$226	\$276	\$476	\$226	\$276	\$476
Two steps below general partnership level	\$176	\$176	\$326	\$176	\$176	\$326	\$176	\$176	\$326
Senior Advisor / Executive Advisor	\$288	\$351	\$476	\$288	\$351	\$526	\$288	\$351	\$526
Bonus									
General Partnership level	\$88	\$251	\$1,276	\$176	\$326	\$1,476	\$176	\$401	\$1,476
One step below general partnership level	\$100	\$126	\$2,251	\$126	\$176	\$2,251	\$126	\$226	\$2,751
Two steps below general partnership level	\$126	\$126	\$176	\$126	\$176	\$176	\$176	\$176	\$226
Senior Advisor / Executive Advisor	\$49	\$49	\$376	\$49	\$49	\$376	\$49	\$62	\$376
Carry Most Recent Fund									
	Low			Ave			High		
General Partnership level	\$3,000			\$5,000			\$19,500		
One step below general partnership level	\$1,075			\$2,300			\$8,500		
Two steps below general partnership level	\$1,125			\$1,250			\$1,500		
Senior Advisor / Executive Advisor	\$2,500			\$2,500			\$2,500		

\$5.1B - \$10B

	2011			2012			2013		
	Low	Ave	High	Low	Ave	High	Low	Ave	High
Base									
Firm Leader	\$526	\$526	\$526	\$476	\$476	\$476	\$576	\$576	\$576
General Partnership level	\$351	\$526	\$976	\$401	\$526	\$976	\$401	\$526	\$976
One step below general partnership level	\$176	\$201	\$476	\$176	\$226	\$476	\$188	\$251	\$426
Two steps below general partnership level	\$126	\$126	\$126	\$176	\$176	\$176	\$176	\$176	\$176
Senior Advisor / Executive Advisor	\$226	\$226	\$376	\$226	\$226	\$476	\$226	\$226	\$576
Bonus									
Firm Leader	\$476	\$476	\$476	\$476	\$476	\$476	\$426	\$426	\$426
General Partnership level	\$201	\$376	\$1,026	\$276	\$426	\$1,026	\$351	\$526	\$1,026
One step below general partnership level	\$49	\$62	\$176	\$49	\$62	\$226	\$49	\$87	\$276
Two steps below general partnership level	\$126	\$126	\$126	\$176	\$176	\$176	\$126	\$126	\$126
Senior Advisor / Executive Advisor	\$137	\$226	\$226	\$87	\$126	\$326	\$49	\$49	\$326
Carry Most Recent Fund									
	Low			Ave			High		
Firm Leader	\$17,800			\$17,800			\$17,800		
General Partnership level	\$3,050			\$6,000			\$15,000		
One step below general partnership level	\$750			\$800			\$6,250		
Two steps below general partnership level	\$1,000			\$1,000			\$1,000		
Senior Advisor / Executive Advisor	\$563			\$775			\$1,200		

More than \$10B

	2011			2012			2013		
	Low	Ave	High	Low	Ave	High	Low	Ave	High
Base									
General Partnership level	\$276	\$426	\$726	\$276	\$476	\$1,001	\$326	\$476	\$1,001
One step below general partnership level	\$226	\$226	\$326	\$226	\$226	\$326	\$226	\$276	\$326
Senior Advisor / Executive Advisor	\$476	\$476	\$476	\$476	\$476	\$476	\$476	\$476	\$476
Bonus									
General Partnership level	\$276	\$476	\$726	\$376	\$526	\$976	\$376	\$526	\$826
One step below general partnership level	\$226	\$226	\$326	\$226	\$326	\$376	\$226	\$326	\$526
Senior Advisor / Executive Advisor	\$226	\$226	\$226	\$226	\$226	\$226	\$226	\$226	\$226
Carry Most Recent Fund									
	Low			Ave			High		
General Partnership level	\$2,000			\$4,150			\$12,000		
One step below general partnership level	\$1,000			\$2,000			\$50,000		



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