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Sunday, July 9, 2006

How we calculated compensation figures

Chief executives get more than just a simple paycheck, and sometimes it's tricky figuring out what they earn.

In addition to salaries and bonuses, CEOs often get miscellaneous payments such as car allowances. Some get incentive payments or stock awards, and in the Northwest many get stock options.

More on CEO pay

- Rank CEO pay packages by multiple criteria
- Profiles of Northwest CEOs

NW100 Top 1

1. PW Eagle
2. Oregon Ste
3. Barrett Bus
4. InfoSpace
5. Pope Reso
6. F5 Network
7. Ambassad
8. RealNetwo
9. Greenbrier
10. American

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Companies are required to disclose their CEO's compensation in proxy reports annually sent to shareholders and filed with the Securities and Exchange Commission. For consistency, The Seattle Times' 2005 CEO pay report estimates the value of options using the widely accepted Black-Scholes approach. The Times hired Equilar, a San Mateo, Calif., compensation-analysis and consulting firm, to gather the data and calculate the option-grant values.

Black-Scholes is a mathematical formula that relies on several key assumptions. Equilar incorporated the following data: a three-year daily volatility, the full term of the option, the U.S. government-bond yield that corresponds with the full term of the option and the cumulative dividends for the 12 months before the option grant.

A few big-name companies from the 2004 survey are not on this year's list. Atlanta-based Cingular acquired AT&T Wireless Services in late 2004. Louisiana-Pacific moved its headquarters to Nashville, Tenn., from Portland in July 2004.

At least one will be gone next year: Advanced Power Technology of Bend, Ore., in April was acquired by Microsemi, which is based in Irvine, Calif.

We included Boeing Commercial Airplanes in our analysis, since the division and its CEO, Alan Mulally, are based here.

There are now 160 companies based in the Northwest with shares traded on the New York, American and Nasdaq stock exchanges.

All figures and ages are as of the dates of the companies' proxies.

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