

February 3, 2009



IN THE NEWS

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Lockheed Increases CEO's Target Bonus

Wall Street Journal, February 3, 2009

By August Cole

At a time when captains of the auto industry and Wall Street are seeing their compensation wiped out, defense contractor Lockheed Martin Corp. has raised its chief executive's target bonus and is doling out special stock awards to a handful of other senior executives.

At his request, Lockheed Chairman and CEO Robert Stevens will receive no salary increase this year from 2008. But the company is raising his target bonus, essentially, his added cash if the company meets performance expectations, to 150% of his base salary instead of 125%. The actual bonus can be much larger or smaller, depending on the company's performance.

Lockheed said recent survey data of CEO compensation indicated that the bonus for its chief, Robert Stevens, was below market. The annual target bonus of Ronald Sugar, chairman and CEO of rival Northrop Grumman Corp., is 130%.

According to Lockheed's most recent proxy filing, Mr. Stevens's salary for 2007 was \$1.63 million plus a bonus of \$3.9 million. But Lockheed's total compensation cost reached \$30.9 million, a figure that includes such items as salary, pension gains and accounting expenses associated with stock grants. Details of his compensation for last year are expected to be filed this spring, a Lockheed spokesman said.

"Recent survey information for CEO positions revealed that the existing target-award percentage for Mr. Stevens was below market," Lockheed wrote in a Securities and Exchange Committee filing Wednesday.

Lockheed capped a record year in 2008 when it reported \$42.73 billion in sales and \$3.22 billion in net income, reflecting growth during the Bush administration's ramp-up of military and government contracting. Lockheed's profit and sales are expected to rise further this year.

Lockheed, Bethesda, Md., which leads the Pentagon's \$300 billion F-35 Joint Strike Fighter program and is the U.S. government's biggest defense contractor, also is handing out special restricted stock awards to five executive vice presidents that the company wants to make sure won't be wooed away. The awards vest over three years and are forfeited if the executive leaves before then.

The executives include the heads of Lockheed's business units and Chief Financial Officer Bruce Tanner. The largest award, 40,300 restricted-stock units, went to Chris Kubasik, a former Lockheed finance chief who now runs the company's electronic-systems business.

The target bonuses for these executives remains at 75% of their salary.
