

# LORAL

Corporation

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Bernard L. Schwartz  
Chairman  
Chief Executive Officer

April 11, 1996

Dear Loral Employee:

I expect the Lockheed Martin/Loral transaction to close shortly. I am certain that you share the mixed emotions that I am feeling about this event.

For 24 years, Loral has been a most extraordinary odyssey --- filled with challenge, reward, frustration and satisfaction. Together we have created new opportunities for individual growth. We created new products, invested in new technologies, found new businesses, achieved almost unparalleled financial performance --- and throughout maintained our corporate culture.

We were not always able to resist the ravages of the defense industry decline, but Loral has been among the most stable work environments in the industry and I truly believe we have kept faith with our employees, our customers, our communities, and our shareholders. We not only did the right things, we did things right.

The Lockheed Martin/Loral transaction was structured to provide maximum future opportunities for the employees of both companies. The merger is truly a strategic combination of people and resources which allows a strengthened Lockheed Martin to pursue its markets, and Loral Space and Communications to focus on a bright and emerging future. As a result, I am convinced we have mitigated whatever risks we might have faced in the continuing industry downsizing. In fact, this transaction provides a more certain course than any I could have contemplated. It is only through your achievements that Loral was positioned to enter into an arrangement in which each of you has renewed and strengthened opportunities.

Both Loral and Lockheed Martin have strong cultures which are the foundations of two enviable records of outstanding performance. Proud of our people, proud of our competence, proud of our reputations, both companies are innovative and dynamic.

I am confident that you will carry over our heritage of excellence and commitment to your new assignments. I am confident that Loral Space and Communications and Lockheed Martin will each forge new paths of excellence, and that you will be a part of it.

Even as we should be proud of our past accomplishments we should look forward to new successes. The odyssey is not over, but we have come to a turn in the road.



## Memorandum

TO: All Salaried Exempt and Nonexempt Employees

FROM: Jeanne Loughran, CHR Manager

DATE: September, 1996

SUBJECT: Transition To Common Increase Date-Salaried Employees

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Beginning this fall, Lockheed Martin Advanced Recorders, together with most heritage Loral locations, is implementing a new merit increase process for all eligible salaried employees. Under this new plan, merit increases will occur once annually in early fall, rather than in April as in past years at LMAR. This process is similar to one already in use in most Lockheed Martin business units.

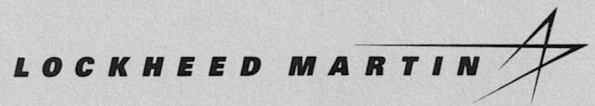
As part of this continuing consolidation process after the merger of Lockheed Martin and Loral, compensation policies are being reviewed and modified with common practices being created where practical. Both companies have historically considered employees' performance and position against market-based salary indicators when determining merit increases. In addition unique skills and pay relative to peers have also been determining factors in both organizations' salary planning. By implementing a standard practice across applicable business units, Lockheed Martin continues to enhance the common culture of the corporation.

Several benefits are realized by this common process. By considering all employees at one time, relative performance is more easily compared. Employees will continue to be recognized for their performance, and market comparisons will continue to help provide competitive reference within our industry.

As part of the transition to a Lockheed Martin common effective date, most salaried employees will receive a one-time special adjustment up to 2%. This 2% represents the April, 1996 4% increase annualized. (New hires and those employees at or above the top of their pay range are not eligible for this special adjustment.) This action is a one-time adjustment to accommodate the new common effective date and should not be viewed as an "across the board" increase. These special adjustments will be effective September 30, 1996 and will appear in paychecks on October 4 for exempts and October 11 for nonexempts. The next merit review date will be the last payroll in September, 1997. (All employees currently on a 15-month salary review cycle will also be moved to the annual September cycle.) Performance appraisals will continue to be done on an anniversary date basis.

Questions regarding this process, or any other issues relating to compensation, should be directed to me.

Lockheed Martin Advanced Recorders  
P.O. Box 3041 Sarasota, FL 34230  
Telephone 941-371-0811



Week of  
November 19, 1996  
Editor: Jeanne Loughran

## BULLETIN

### SPECIAL EDITION

Norm Augustine, Vice Chairman and CEO of Lockheed Martin, announced yesterday the final phase of the consolidation intended to further enhance our competitive position and our ability to provide cost-effective products and services to our customers.

Attached is a copy of the press release, along with information on the JSF contract. Mr. Augustine anticipates no further facility consolidations or plant closings other than actions necessitated by future program cancellations or other unanticipated events of the type which do occur from time to time in the dynamic markets in which Lockheed Martin participates. The administrative support function consolidations mentioned for the Products Group are not expected to impact LMAR.

# Management Memorandum

\*\*\* SPECIAL EDITION \*\*\*

To: Lockheed Martin Executives

Date: November 18, 1996

From: Norm Augustine

Due to the extraordinary number of key events which occurred this past week, and which will occur this week, I thought it would be worthwhile to provide you with this "special edition" of our management newsletter. We will then return to our biweekly schedule beginning on Monday, December 2.

## Joint Strike Fighter Contract A Decisive Victory

Defense Secretary William Perry's announcement Saturday of Lockheed Martin's selection for one of two Joint Strike Fighter (JSF) concept demonstration contracts is a major strategic win for the Corporation. I extend my sincere congratulations to Aeronautics Sector President Micky Blackwell, Program Vice President Dave Wheaton, and the hundreds of men and women at Tactical Aircraft Systems, the Skunk Works, and Aeronautical Systems who contributed directly to our selection for the next phase of the JSF program which, as currently structured, will become the largest defense procurement ever. Well done!

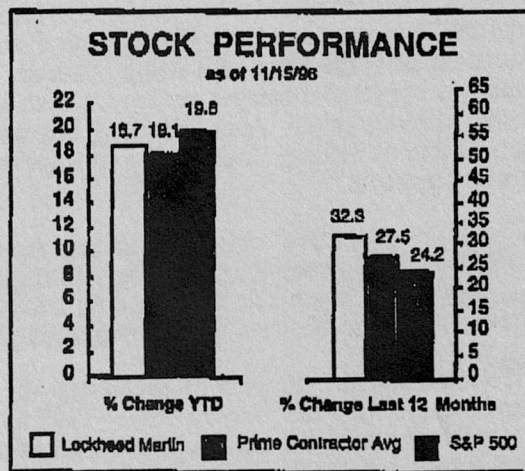
Having prevailed in the initial downselect, we now must focus our energy over the next 51 months on transforming a superior JSF concept into two superlative full-scale demonstrator aircraft that will compete head-to-head against the Boeing design for production of an estimated 3,000 airplanes. Equally important as developing a technically advanced yet affordable fighter will be devising innovative management and business practices that will support affordable unit fly-away costs and reduced life-cycle costs for future production aircraft. This is a demanding task that ultimately will draw upon the talents and skills of thousands of individuals on our team. Based on past performance--particularly when faced with tough competition and the demands of new technologies--I am confident we are up to the challenge and eagerly look forward to the flight activity.

There already is abundant speculation about the effects of this award on the unsuccessful bidder, McDonnell Douglas and teammates Northrop Grumman and British Aerospace. We should, of course, avoid contributing to such conjecture--and should expect McDonnell Douglas to remain a formidable competitor, particularly in international markets where our F-16 competes against the McDonnell Douglas F-15 and F-18.

For the moment, let's offer a hearty round of applause to our Aeronautics Sector colleagues for their victory in a competition many outside observers had predicted for over a year that we would lose. Let us also extend the full cooperation and support of the entire Corporation to the Lockheed Martin JSF team as it moves into the next phase of this vital program.

## JSF Win The Latest In A Series That Will Shape Our Collective Destiny

Saturday's JSF contract award, critical in itself, is of even greater strategic importance to Lockheed Martin when viewed in the context of other competitive wins this year.



Since November 8, the Space & Strategic Missiles Sector has won the Air Force Space-Based Infrared System (SBIRS) competition and the Airborne Laser (ABL) program, for which we are teamed with Boeing and TRW. Added to these are other strategically important wins earlier in the year, including Aeronautics' VentureStar™ reusable launch vehicle for NASA; the Electronics Sector's Joint Air-to-Surface Standoff Missile (JASSM) for the Air Force and Navy; and the C/I & Systems Integration Sector's command, control, communications and intelligence systems for the Navy's new attack submarine (NSSN) program. These programs--combined with other wins and ongoing programs such as F-22--will profoundly influence the Corporation's destiny by positioning Lockheed Martin as the premier supplier of critical undersea, airborne, and space-based platforms, electronic systems, and weapon systems well into the next century. Still another critical competition, the Evolved Expendable Launch Vehicle (EELV), is scheduled for decision in mid-December, and the UAE selection between the F-16 and the French Rafale is yet to be determined.

The critical 1996 competitive victories demonstrate the benefits of the Lockheed-Martin Marietta merger and the strategic combination with Loral since it is evident that the individual heritage companies could not have won many of these programs on their own. I am convinced that we were victorious in competitions such as JASSM, VentureStar™, and SBIRS primarily because of the technical synergies and cross-Sector cooperation we were able to realize as Lockheed Martin. While shareholders and employees certainly will benefit from these wins, the ultimate beneficiaries are our customers, who will receive advanced technical solutions that might not have been available to them had our heritage companies not come together as part of the necessary industry consolidation. The strategic benefits of the combination of Lockheed, Martin Marietta, and Loral also are evident to outside observers. An article on the JSF win in yesterday's *Washington Post* included this observation: "For Bethesda-based Lockheed Martin, the announcement is the latest in a string of recent victories that demonstrates its technological clout. It also validates the company's aggressive merger strategy, which established the company as the world's largest defense company, industry officials said." And, following last week's ABL win, the *Baltimore Sun* quoted Merrill Lynch Analyst Byron Callan as saying, "I think it's an important validation that a company of Lockheed's size can still be nimble and win contracts."

This year's competitive wins also validate the decision to identify strategically important "focus programs" for special Corporate attention, particularly through the pre-proposal and proposal development stages. Our 1996 "focus programs" were selected not only because of their magnitude, future sales potential or importance to customers, but also because they would strengthen Lockheed Martin's strategic position in core markets.

If 1996 is considered the year of *competing*--in which we pursued, and won, major new programs that will contribute to our business base for years to come--1997 must be viewed as the year of *performing*--in which we DELIVER to those customers who have placed their trust in us the quality, technology, and value they expect, and which are critical to mission success.

### **New Consolidation Plan Will Save Additional \$300M Annually**

The Corporation is announcing today the final phase of a previously planned consolidation intended to further enhance our competitive position and our ability to provide cost-effective products and services to our customers. Reflecting the realities of reduced defense spending, the consolidation is intended to rationalize our operations following the strategic combination with Loral's electronics, services, information, and systems integration businesses.

The attached news release details specific actions that will eliminate excess capacity; achieve critical mass by combining certain work and program responsibilities; apply resources more efficiently; and better leverage Lockheed Martin's considerable technical and program management strengths across all of our businesses. The actions announced today are expected to produce annual, steady-state savings of \$300M by 1999 and increase to \$2.6B the continuing annual savings anticipated from all of our consolidation activities. While the latest consolidation initiatives very regrettably will result in the net loss of 1,600 jobs, we can expect that enhanced competitiveness will help create many more jobs over time. Even now, as a result of recent wins such as VentureStar™, SBIRS, and JSF, individual business units are projecting employment growth in excess of the number of positions being eliminated.

Please share the attached information with others in your organization and use it to respond to questions you may receive from employees. It also is worth restating a key point from the last Management Memorandum: Beyond the actions announced today, we anticipate no further facility consolidations or plant closings other than actions necessitated by future program cancellations or other unanticipated events of the type which do occur from time to time in the dynamic markets in which we participate.

**EXECUTIVE MOVES:** Bob Trice joined the Corporation as Vice President-International Business Development on Friday, succeeding Mike Smith who will replace Steve Pavlosky as President of Ocean Radar & Sensor Systems on January 1; Steve previously announced his intention to retire next year.... J. Raymond Roquemore has been named Vice President and General Manager of Lockheed Martin Aerostructures (formerly Aero & Naval Systems) in Baltimore, MD, succeeding Bob Coutts who, as previously announced, will become President of Government Electronic Systems in Moorestown, NJ, on January 1.... Marc Hansen, Executive Vice President of Management & Data Systems, has been appointed to the additional post of Vice President and Assistant General Manager of Lockheed Martin Special Programs.... Raymond S. Colladay will become President of Astronautics on February 1, 1997, following the retirement of James W. McAnally after a distinguished 37-year career.

Norman R. Augustine  
Vice Chairman and Chief Executive Officer

Management Memorandum is published periodically for executives of Lockheed Martin Corporation. Please forward your comments on this Memo or suggestions for topics you would like to see addressed in future memos to Pete Harrigan, Vice President of Management Communications, at Corporate Headquarters (telephone -- 301-897-6171; fax -- 301-897-6252; e-mail -- Pete.Harrigan@lmco.com).

## LOCKHEED MARTIN CORPORATION NEWS RELEASE

### **LOCKHEED MARTIN CONSOLIDATION TO SAVE ADDITIONAL \$300 MILLION ANNUALLY**

BETHESDA, Maryland, November 18 -- Lockheed Martin (NYSE:LMT) today announced additional consolidation actions to further enhance the Corporation's competitiveness and produce additional savings to customers against the background of significantly reduced defense spending. When implemented, these actions will complete the consolidation of Lockheed Martin businesses with the defense electronics and systems integration businesses of Loral, which were acquired earlier this year.

As a result of today's action, eight facilities will close, eliminating 2.5 million square feet of excess capacity with a net reduction of 1,600 positions. This reduction will be offset by unrelated employment growth at other Lockheed Martin locations in excess of the positions eliminated. Lockheed Martin expects to complete the consolidation in 1998 with savings building up to an annual steady-state level of \$300 million by 1999. There will be no material charge to 1996 earnings as a result of this plan. No further site closures associated with the Loral or earlier combinations are contemplated at this time, although actions could be taken to reflect future changes in the marketplace.

"Based on our experiences from the Lockheed Martin merger and previous merger and acquisition actions, we are confident this consolidation will meet our goals to increase competitiveness, reduce costs to our customers, expand opportunities for our employees and enhance shareholder value," said Norman R. Augustine, vice chairman and chief executive officer of Lockheed Martin.

"Cumulatively, this consolidation, added to previous actions taken by Lockheed Martin, will drive continuing annual savings to \$2.6 billion by 1999. Costs of implementing previous actions are proving somewhat lower than expected, and savings are likely to exceed original targets," he said.

"In addition to eliminating excess capacity, combining work and responsibility for certain programs takes advantage of critical mass, concentrates our resources and leverages our considerable technical and program management strengths -- which already have proven valuable in winning new business," Augustine added.

The following new initiatives complete this phase of consolidation:

- Effective January 1, 1997, the C<sup>3</sup>I & Systems Integration Sector headquarters will be relocated from New York City and employees transferred to Lockheed Martin's Bethesda headquarters. The New York headquarters will be closed;
- The previously autonomous internal information systems operations in the heritage Loral businesses will be integrated into Lockheed Martin Enterprise Information Systems, providing significant economies of scale;

- Radar, surface ship and submarine work currently performed at Great Neck, New York, and Bloomfield, Connecticut, will be redistributed to Lockheed Martin facilities in Syracuse, New York; Moorestown, New Jersey; and a new Long Island facility. The Tactical Defense Systems facilities in Great Neck and Bloomfield will be closed;
- Federal Systems in Manassas is designated the Electronics Sector's lead company for combat and navigation systems for submarines and will be responsible for coordinating all new business activity in this area;
- Weapon and combat control systems and detection systems work at Librascope, a unit of Lockheed Martin Federal Systems, will be moved to Federal Systems' Manassas, Virginia, site. Librascope's facilities in Glendale, California, will close;
- Tactical Defense Systems operations in Manassas, Virginia, which perform work on mine-hunting subsystems, will remain in place but report to Lockheed Martin Ocean, Radar & Sensor Systems in Syracuse, New York;
- Lockheed Martin Aeronutronic in Rancho Santa Margarita, California, will be closed and its tactical missile and electro-optical fire-control programs moved to Lockheed Martin Electronics & Missiles facilities in Orlando and Ocala, Florida, and Troy, Alabama. Aeronutronic's Trident valve operation will remain in Irvine, California, but report to Lockheed Martin Federal Systems in Manassas, Virginia;
- Lockheed Martin Vought Systems in Grand Prairie, Texas, is designated as the Electronics Sector's lead for air defense systems and will have oversight and coordination for all current programs and new pursuits in air defense systems;
- As part of the corporate-wide initiative to centralize procurement, a former Loral procurement operation in Yonkers, New York, has been combined with Lockheed Martin's central procurement to further leverage commodity costs;
- Electronic Defense Systems will close its facility in the Bronx, New York, and transition operations to Lockheed Martin's existing facility at Syosset, New York. The combined entity will be known as Lockheed Martin Fairchild Defense Systems;
- Lockheed Martin Space & Range Systems in Sunnyvale, California, will be integrated administratively and report to the Corporation's Western Development Laboratories in San Jose, California;
- Air traffic control business units, Air Traffic Management and Air Traffic Management International, both located in Rockville, Maryland, will be combined into a single unit, and a Paoli, Pennsylvania, site will be closed;
- The Quintron business unit will remain based in Chantilly, Virginia, but will be integrated into and managed by Lockheed Martin Information Systems in Orlando, Florida;
- The infrared imaging business unit, Santa Barbara Focal Plane, will be integrated into Lockheed Martin IR Imaging Systems in Lexington, Massachusetts, and its Santa Barbara, California, facility retained;
- Administrative support functions in a number of companies in the Information & Services Sector's Products Group will be consolidated and an electronics assembly operation in Goodyear, Arizona, will be phased out;
- An organizational reassignment of seven technical services units into one Services Group has been completed;
- Consolidation of operations in Canada into a single organization with facilities in Ottawa, Ontario, and Montreal, Quebec, retained and management headquartered in Montreal, and;
- The heritage Loral's international operations have been integrated with Lockheed Martin's international organization and all its domestic and international field offices have been consolidated.

In steps unrelated to the Loral combination, the Corporation also announced it would combine several operating companies in its aircraft maintenance, modification and logistics lines of business, along with its aerostructures business, into a group called Lockheed Martin Aircraft and Logistics Centers. The group will be headquartered at Lockheed Martin's Greenville, South Carolina, site. Also in South Carolina, Lockheed Martin will close an aircraft components production plant in Charleston and reassign its work to facilities in Marietta, Georgia, and Baltimore, Maryland, which has been renamed Lockheed Martin Aerostructures.

In instances where employees are affected by layoffs, Lockheed Martin will provide a package of benefits, as well as outplacement assistance to help employees find new jobs, including opportunities elsewhere at Lockheed Martin. The package provides to eligible employees severance pay, continuation of medical and certain other benefits, and other services.

Lockheed Martin is a diversified enterprise principally engaged in the research, design, manufacture and integration of advanced-technology products and services. The Corporation conducts its business through six major sectors: Aeronautics, C<sup>3</sup>I & Systems Integration, Electronics, Energy & Environment, Information & Services and Space & Strategic Missiles. The Corporation, headquartered in Bethesda, Maryland, employs approximately 190,000 people worldwide and has annualized sales of nearly \$30 billion.

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