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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**  
Pursuant to Section 13 OR 15(d)  
of The Securities Exchange Act of 1934

**Date of Report (Date of earliest event reported): January 28, 2016**

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**LOCKHEED MARTIN CORPORATION**

(Exact name of registrant as specified in its charter)

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**Maryland**  
(State or other jurisdiction  
of incorporation)

**1-11437**  
(Commission  
File Number)

**52-1893632**  
(IRS Employer  
Identification No.)

**6801 Rockledge Drive**  
**Bethesda, Maryland**  
(Address of principal executive offices)

**20817**  
(Zip Code)

**(301) 897-6000**  
(Registrant's telephone number, including area code)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On January 28, 2016, the Board of Directors (the “Board”) of Lockheed Martin Corporation (the “Corporation”), acting upon the recommendation of the Management Development and Compensation Committee (the “Committee”), approved the annual and long-term incentive packages for the named executive officers identified in the Corporation’s proxy statement (the “NEOs”) and other executives for 2016.

The annual incentive awards approved for the NEOs for 2016 were made under the Lockheed Martin Corporation 2006 Management Incentive Compensation Plan (Performance Based) (the “Incentive Compensation Plan”) and incorporated the changes to the Incentive Compensation Plan approved in September 2015 and described in the Corporation’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 24, 2015. A copy of the Incentive Compensation Plan, as amended and restated on January 21, 2016 to make certain administrative modifications, is filed as Exhibit 10.1 to this Form 8-K and incorporated herein by reference.

The components of the long-term incentive (“LTI”) grants for 2016 are unchanged from 2015 and continue to consist of restricted stock units (“RSUs”), performance stock units (“PSUs”) and long-term incentive performance (“LTIP”) awards. In light of the Corporation’s announcement on January 26, 2016 that it has entered into a definitive agreement to separate and combine its realigned Information Systems & Global Solutions (IS&GS) business segment with Leidos Holdings, Inc. in a Reverse Morris Trust transaction, on January 28, 2016, the Board, acting upon the recommendation of the Committee, approved changes to the RSU, PSU and LTIP award agreements as well as changes to the LTI grant allocation for Sondra Barbour, Executive Vice President, IS&GS. Ms. Barbour’s 2016 LTI grant will consist 100% of RSUs. No changes were made to the allocation for the other NEOs, which continue to consist of 30% RSUs, 50% PSUs and 20% LTIP awards.

The following changes were made to the RSU, PSU and LTIP award agreements:

- The form of RSU award agreement was revised to provide that: (1) RSU grants will vest on a pro-rata basis in the event of termination of employment due to a divestiture, unless the other party to the divestiture assumes and continues them on the same terms; and (2) awards will continue to vest if the executive is identified as an employee of a business unit subject to divestiture and laid off within six months of the grant date;
- The form of PSU award agreement was revised to provide that: (1) awards will be payable on a pro-rata basis if the executive is identified as an employee of a business unit subject to divestiture and laid off within six months of the grant date; and (2) the calculation of the performance cash and return on invested capital (ROIC) performance metrics will be adjusted to exclude the impact of an acquisition or divestiture with a value greater than \$1 billion; and
- The form of LTIP award agreement was revised to provide that: (1) awards will be payable on a pro-rata basis if the executive is identified as an employee of a business unit subject to divestiture and laid off within six months of the grant date; (2) the calculation

of the performance cash and ROIC performance metrics will be adjusted to exclude the impact of an acquisition or divestiture with a value greater than \$1 billion; and (3) similar to the provision in the 2015 PSU award agreement, six months of service will be required to receive a pro-rated payout for retirement or layoff (other than a divestiture).

In addition, a provision was added to the RSU, PSU and LTIP award agreements that provides that awards will be forfeited if the executive is terminated for misconduct.

The foregoing summary description of the changes to the form of RSU, PSU and LTIP award agreements is not intended to be complete and is qualified in its entirety by reference to the complete text of the form of RSU award agreement, form of PSU award agreement, and form of LTIP award agreement attached as Exhibits 10.2, 10.3, and 10.4, respectively, to this Form 8-K and incorporated herein by reference.

#### **Item 9.01. Financial Statements and Exhibits.**

<u>Exhibit No.</u>	<u>Description</u>
10.1	Lockheed Martin Corporation Amended and Restated 2006 Management Incentive Compensation Plan (Performance-Based), amended and restated effective January 1, 2016
10.2	Form of Restricted Stock Unit Award Agreement (2016 to 2018 Performance Period)
10.3	Form of Performance Stock Unit Award Agreement (2016 to 2018 Performance Period)
10.4	Form of Long-Term Incentive Performance Award Agreement (2016 to 2018 Performance Period)

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Lockheed Martin Corporation

Date: February 2, 2016

by: /s/ Stephen M. Piper

Stephen M. Piper

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Vice President and Associate General Counsel

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**EXHIBIT INDEX**

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**LOCKHEED MARTIN CORPORATION**  
**AMENDED AND RESTATED**  
**2006 MANAGEMENT INCENTIVE COMPENSATION PLAN**  
**(Performance-Based)**

Amended and Restated Effective January 1, 2016

**Article I. PURPOSE OF THE PLAN**

This Plan is established to provide a further incentive to selected Employees to promote the success of Lockheed Martin Corporation by providing an opportunity to receive additional compensation for performance measured against established goals. The Plan is intended to achieve the following:

- 1) Link pay of executive Employees to business performance.
- 2) Incentivize Employees to work individually and as teams to meet objectives and goals consistent with enhancing shareholder value.
- 3) Facilitate the Company's ability to retain qualified Employees and to attract top executive talent.
- 4) Establish performance goals within the meaning of Section 162(m) of the Internal Revenue Code.

**Article II. DEFINITIONS**

Section 2.01 BOARD OF DIRECTORS – The Board of Directors of Lockheed Martin Corporation.

Section 2.02 CASH FLOW – For purposes of Article IV, net cash flow from operations as determined by the Subcommittee at the end of the Plan Year in accordance with generally accepted accounting principles in the United States. Cash Flow shall be determined by the Subcommittee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Subcommittee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows. The Subcommittee shall have the right to specify any other adjustment that should be applied in determining Cash Flow that it deems necessary or appropriate to take into account any event recognized under any accounting policy or practice affecting the Corporation, provided the Subcommittee specifies the adjustment at or prior to the time the organizational performance goals for the Corporation are reviewed with the Subcommittee, but in no event later than March 30 of the Plan Year.

Section 2.03 CODE – The Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

Section 2.04 COMMITTEE – The Management Development & Compensation Committee of the Board of Directors as from time to time appointed or constituted by the Board of Directors.

Section 2.05 COMPANY – Lockheed Martin Corporation and those subsidiaries of which it owns directly or indirectly 50% or more of the voting stock or other equity.

Section 2.06 ELECTED OFFICER – An Employee who has been elected as an officer by the Board of Directors.

Section 2.07 EMPLOYEE – Any person who is employed by the Company and who is paid a salary as distinguished from an hourly wage. The term “Employee” includes only those individuals that the Company classifies on its payroll records as Employees and does not include consultants, independent contractors, leased employees, co-op students, interns, temporary or casual employees, individuals paid by a third party or other individuals not classified as an Employee by the Company. Notwithstanding the foregoing, the term “Employee” shall not include any employee who, during any part of such year, was represented by a collective bargaining agent.

Section 2.08 INCENTIVE COMPENSATION – An amount of compensation paid pursuant to this Plan.

Section 2.09 PARTICIPANT – Any Employee selected to participate in the Plan in accordance with Article III.

Section 2.10 PLAN – This Lockheed Martin Corporation Amended and Restated 2006 Management Incentive Compensation Plan (Performance-Based), as amended from time to time.

Section 2.11 PLAN YEAR – A calendar year.

Section 2.12 SUBCOMMITTEE – A subcommittee of the Committee, composed solely of two or more outside directors of the Company (within the meaning of Code Section 162(m) (4) (C)) or the entire Committee if all members of the Committee are outside directors.

### **Article III. ELIGIBILITY AND PARTICIPATION**

The Elected Officers of the Company are eligible to participate in the Plan. An Elected Officer’s participation in the Plan for a Plan Year is subject to the approval of the Committee. Employees who are considered by the Chief Executive Officer to be key Employees of the Company also are eligible to participate in the Plan, subject to the Employee’s selection of and approval by the Chief Executive Officer for participation in a Plan Year. No member of the Committee shall be eligible for participation in the Plan.

### **Article IV. LIMITATIONS ON INCENTIVE COMPENSATION**

Section 4.01 Notwithstanding any other provisions of the Plan that may be to the contrary, Incentive Compensation awards made to Participants who are Elected Officers on the last day of the Plan Year are subject to this Article IV. The limitations on Incentive Compensation set forth in Section 2.02 and this Article IV were approved by the stockholders of Lockheed Martin Corporation at its 2006 Annual Meeting.

Section 4.02 Incentive Compensation payable under the Plan to (i) the Elected Officer who is the Chief Executive Officer shall not exceed 0.3% of Cash Flow for the Plan Year; and (ii) each of the Participants who are Elected Officers on the last day of the Plan Year, other than the Chief Executive Officer, shall not exceed 0.2% of Cash Flow for the Plan Year. The Subcommittee shall have discretion to determine the conditions, restrictions, or other limitations, in accordance with and subject to the terms of this Plan and Code Section 162(m), on the payment of Incentive Compensation to the Elected Officers. The Subcommittee may reserve the right to reduce the amount payable under this Section 4.02 in accordance with any standards contained in the Plan or on any other basis (including the Subcommittee's discretion). Neither the Subcommittee or the Committee, nor the Board of Directors shall have the authority under this Plan to increase the amount payable under this Section 4.02.

Section 4.03 Before authorizing any Incentive Compensation payment under this Plan to a Participant who is an Elected Officer, the Subcommittee must certify in writing (by resolution or otherwise) that the payments are consistent with Section 4.02 of the Plan and that any other material terms under this Plan for payment of Incentive Compensation were satisfied.

Section 4.04 The provisions of Section 2.02 and Article IV shall be interpreted and administered by the Subcommittee in a manner consistent with the requirements for "performance-based compensation" under Code Section 162(m).

#### **Article V. INCENTIVE COMPENSATION PAYMENTS**

Section 5.01 Subject to Section 2.02, Article IV and any performance goals (including organizational or enterprise performance goals) established by the Committee or its delegate for the Plan Year (such goals to be established on or before March 30 of the Plan Year), the Committee (or the Committee's delegate in the case of Participants who are not Elected Officers) shall determine the proposed amount of Incentive Compensation to be paid to each Participant with respect to a Plan Year. Notwithstanding the preceding sentence, in determining the proposed amount of each Participant's Incentive Compensation award for a Plan Year, the Committee (or the Board of Directors in the case of Participants who are Elected Officers or the Committee's delegate in the case of Participants who are not Elected Officers) may make an upward (subject to Section 2.02 and Article IV) or downward (including to zero) adjustment of the proposed amount of Incentive Compensation award otherwise payable to the Participant for the Plan Year on the basis of such factors as it deems relevant.

Section 5.02 With respect to a Plan Year, the Committee shall recommend to the Board of Directors the proposed aggregate amount of Incentive Compensation payments to be distributed by the Company to Participants and the proposed amount of Incentive Compensation award to each Participant who is an Elected Officer. The Board of Directors shall review and approve the recommendations of the Committee, or make adjustments to the proposed amounts of Incentive Compensation payable for a Plan Year (on an aggregate level or with respect to a Participant who is an Elected Officer, or both), on the basis of such factors as it deems relevant.

Section 5.03 The Incentive Compensation amount determined for each Participant with respect to each Plan Year shall be paid to such Participant in cash not later than March 15 following the Plan Year or deferred at the direction of the Committee, but only to the extent permitted under Code Section 409A, until the Participant's termination of employment. Notwithstanding the foregoing, Participants may also elect to defer payments in accordance with the terms of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan.

Section 5.04 Before the end of each Plan Year, the Board of Directors may set a minimum aggregate bonus amount that must be used to pay Incentive Compensation awards under this Plan attributable to service during the Plan Year to any combination of Participants who are not Elected Officers of the Company.

Section 5.05 All applicable U.S. Federal, state and local taxes will be withheld from all Incentive Compensation payments made under this Plan.

#### **Article VI. COST OF PLAN**

The cost for this Plan is intended to be an allowable expense.

#### **Article VII. RIGHTS OF PARTICIPANTS**

Section 7.01 All payments are subject to the discretion of the Board of Directors. No Participant shall have any right to require the Board of Directors to make any appropriation to the Plan for any Plan Year, nor shall any Participant have any vested interest or property right in any share in any amounts which may be appropriated to the Plan.

Section 7.02 This Plan does not constitute an employment agreement of any kind, or a promise of employment for a specific term (including the Plan Year) and does not alter the at will nature of a Participant's employment with the Company, which may be terminated by the Company or a Participant for any or no reason and without advance notice.

#### **Article VIII. AUTHORITY TO RECOVER PAYMENTS**

The Board of Directors retains the authority to make retroactive adjustments to an Incentive Compensation payment made under the Plan on or after January 1, 2008 in accordance with the provisions regarding Recovery of Payments (Claw Back) in Exhibit A.

#### **Article IX. PLAN ADMINISTRATION**

The Plan shall be administered under the direction of the Committee. The Committee shall have the right to construe the Plan, to interpret any provision thereof, to make rules and regulations relating to the Plan, and to determine any factual question arising in connection with the Plan's operation after such investigation or hearing as the Committee may deem appropriate. Any decision made by the Committee under the provisions of this Article shall be conclusive and binding on all parties concerned. The Committee may delegate to the officers or Employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose. The rights and obligations of the Committee under this Article IX shall be assumed by the Subcommittee in the case of Participants subject to Article IV.

#### **Article X. AMENDMENT OR TERMINATION OF PLAN**

The Board of Directors or its delegate shall have the right to terminate or amend this Plan at any time and to discontinue further payments hereunder.

**Article XI. EFFECTIVE DATE**

The Plan was first effective with respect to the operations of the Company for the Plan Year beginning January 1, 2006. The Company has further amended and restated the Plan as of the date indicated below, effective January 1, 2016.

LOCKHEED MARTIN CORPORATION:

/s/ Patricia L. Lewis

By: Patricia L. Lewis  
Senior Vice President, Human Resources

Date: January 21, 2016

## Exhibit A

### Administrative Provisions

#### Article I. STANDARD OF CONDUCT AND PERFORMANCE EXPECTATION

It is a prerequisite that before any payment under the Plan can be considered that a Participant will have acted in accordance with the Lockheed Martin Corporation Code of Ethics and Business Conduct and fostered an atmosphere to encourage all employees acting under the Participant's supervision to perform their duties in accordance with the highest ethical standards. Ethical behavior is imperative. It is also a prerequisite before a payment under a Plan can be considered that a Participant be in good standing with the Company. Thus, in evaluating performance against commitments, a Participant's adherence to the Company's ethical standards will be considered paramount in determining awards under the Plan.

Participants whose individual performance is determined to be unacceptable are not eligible to receive Incentive Compensation awards.

#### Article II. DEFINITIONS

With respect to a Participant, unless otherwise defined in this Article II of Exhibit A, capitalized terms used in this Document have the meanings set forth in the Plan.

Section 2.01 DISABILITY – Termination of employment as a result of becoming totally disabled as evidenced by commencement of benefits under the Company's long-term disability plan in which the Participant is enrolled (or, if not a Participant in a Company-sponsored long-term disability plan, under circumstances which would result in the Participant becoming eligible for benefits using the standards set forth in the Company's long-term disability plan).

Section 2.02 ESP – The Lockheed Martin Corporation Executive Severance Plan, as amended from time to time.

Section 2.03 RETIREMENT – Retirement under the terms of a Company-sponsored pension plan or for Employees who do not participate in a pension plan, termination from employment with the Company following the attainment of age 55 and five years of service or attainment of age 65.

#### Article III. ELIGIBILITY FOR INCENTIVE COMPENSATION AWARDS

Section 3.01 In general, a Participant must be an Employee on active status or on paid leave of absence on January 1 through December 31 of the Plan Year to be eligible for a full Incentive Compensation award for that Plan Year.

Section 3.02 Partial, pro-rated Incentive Compensation awards for Participants may be made as provided in this Section 3.02. All pro-rated awards will be calculated to the day, i.e., the number of days an Employee is a Participant in the Plan divided by 365.

- (a) Hire during a Plan Year:
  - (i) Participant hired before October 1: Participant is eligible for a pro-rated payment if on active status on December 31 of the Plan Year.
  - (ii) Employee hired on or after October 1: Employee is not eligible for an award under the Plan for the Plan Year.
- (b) Promotion during a Plan Year:
  - (i) Employee promoted before October 1: Employee is eligible for a pro-rated payment if selected to be a Participant and on active status on December 31 of the Plan Year.
  - (ii) Employee promoted on or after October 1: Employee is not eligible for an award under the Plan for the Plan Year.
- (c) Downlevel during a Plan Year:
  - (i) Participant downleveled before October 1: Participant is eligible for a pro-rated award if on active status on December 31 of the Plan Year.
  - (ii) Participant downleveled on or after October 1: Participant is eligible for a full award if he or she was a Participant on January 1 of the Plan Year and continues to be an Employee on active status on December 31 of the Plan Year.
- (d) Voluntary termination during the Plan Year: A Participant is not eligible for an award if he or she voluntarily terminates employment, other than on account of Retirement, during the Plan Year.
- (e) Lay Off during a Plan Year:
  - (i) Non-ESP-Eligible Participants: A Participant who does not receive a payment under the ESP may be considered for a pro-rated award in the Company's discretion if the Participant has a minimum of six (6) months as an active Employee during the Plan Year. The pro-rated award will be based on a payment made "At Target."
  - (ii) ESP-Eligible Participants: A Participant who receives any payment under the ESP, regardless of whether the Participant receives a supplemental payment under the ESP, is not eligible to receive an award under the Plan with respect to the Plan Year in which the layoff occurs (even if the layoff occurs on the last day of the Plan Year).
- (f) Retirement during a Plan Year: A Participant who terminates employment with the Company on account of Retirement during a Plan Year may be considered for a pro-rated award in the Company's discretion if the Participant has a minimum of six (6) full months as an active Employee during the Plan Year. The pro-rated award will be based on year-end performance results.

- (g) Disability or death during a Plan Year: A Participant who terminates employment with the Company on account of Disability or death during a Plan Year may be considered for a pro-rated award in the Company's discretion if the Participant has a minimum of three (3) full months as an active Employee during the Plan Year. The pro-rated award will be based on a payment made "At Target."
- (h) Unpaid leave of absence during a Plan Year: A Participant who is on unpaid leave of absence for more than three (3) months during a Plan Year may be considered for a pro-rated award in the Company's discretion if the Participant has a minimum of three (3) full months as an active Employee during the Plan Year.
- (i) Termination for cause during a Plan Year: A Participant who is terminated for cause during the Plan Year is not eligible for an award under the Plan.

Section 3.03 An Incentive Compensation award for a Participant whose target level and/or award formula changes during the Plan Year will be pro-rated to the day, i.e., the number of days during which the original level and/or formula applied to the Participant divided by the number of days in the plan year, and the number of days during which the new level and/or formula applied to the Participant divided by the number of days in the plan year.

#### **Article IV. RECOVERY OF PAYMENTS (CLAW BACK)**

Section 4.01 The Board of Directors retains the authority to make retroactive adjustments to a payment made under the Plan on or after January 1, 2008 under the following circumstances and such other circumstances as may be specified by final regulation issued by the Securities and Exchange Commission entitling the Company to recapture or claw back amounts paid pursuant to the Plan:

- (a) If the Board of Directors determines, after consideration of all the facts and circumstances that the Board of Directors in its sole discretion considers relevant, that either (i) the intentional misconduct or gross negligence of an Elected Officer, or (ii) the failure of an Elected Officer to report another person's intentional misconduct or gross negligence of which the Elected Officer had knowledge, contributed to the Company having to restate all or a portion of its financial statements filed with the Securities and Exchange Commission, then the Board of Directors may require the Elected Officer to repay to the Company the value of any payment under the Plan as determined by the Board of Directors.
- (b) If the Board of Directors determines, after consideration of all the facts and circumstances that the Board of Directors in its sole discretion considers relevant, that an Elected Officer either (i) engaged in fraud, bribery or other illegal act, or (ii) the Elected Officer's intentional misconduct or gross negligence (including the failure by the Elected Officer to report the acts of another person of which the Elected Officer had knowledge) contributed to another person's fraud, bribery or other illegal act, which in either case adversely impacted the Company's financial position or reputation, the Board of Directors may require the Elected Officer to repay to the Company the value of any payment under the Plan as determined by the Board of Directors.

To the extent permissible under applicable law, the Board of Directors may delegate its authority to make determinations under this Article IV to the Committee.

Award Date: January 28, 2016



**THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING  
SECURITIES THAT HAVE BEEN REGISTERED UNDER THE  
SECURITIES ACT OF 1933**

Dear Awardee:

On behalf of the Management Development and Compensation Committee ("Committee") of the Board of Directors, I am pleased to tell you that the Committee has awarded you Restricted Stock Units ("RSUs"). Each RSU entitles you, upon satisfaction of the continuous employment and other requirements set forth in this letter and the Plan, to receive from Lockheed Martin Corporation ("Corporation"): (i) one (1) share of the Corporation's common stock, par value \$1.00 per share, ("Stock"); and (ii) a cash payment equal to the sum of any cash dividends paid to stockholders of the Corporation during the Restricted Period (as defined below), each in accordance with the terms of this letter, the Lockheed Martin Corporation 2011 Incentive Performance Award Plan ("Plan"), as amended, and any rules and procedures adopted by the Committee.

This letter constitutes the Award Agreement for your RSUs and sets forth some of the terms and conditions of your Award under the Plan, as determined by the Committee. Additional terms and conditions, including tax information, are contained in the Plan and in the Prospectus relating to the Plan of which the Plan and this Award Agreement are a part. In the event of a conflict between this letter and the Plan, the Plan document will control. The number of RSUs awarded to you and the Prospectus are available at <http://www.stockplanconnect.com>.

The term Restricted Stock Unit or RSU as used in this Award Agreement refers only to the Restricted Stock Units awarded to you under this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its Subsidiaries.

Your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Performance Management as instructed below as soon as possible but in no event later than May 31, 2016. **If you do not properly acknowledge your acceptance of this Award Agreement on or before May 31, 2016, this Award will be forfeited.**

Assuming prompt and proper acknowledgement of your acceptance of this Award Agreement as described above, this Award will be effective as of the Award Date. Acceptance of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award and your agreement to be bound by the restrictions contained in Section 15, and Exhibit A ("Post-Employment Conduct Agreement") and Exhibit B ("Stock Ownership Requirements"), as amended from time to time.

## **1. CONSIDERATION FOR AWARD**

The consideration for the RSUs is your continued service to the Corporation as an Employee during the Restricted Period set forth below. If you do not continue to perform services for the Corporation as an Employee during the entire Restricted Period as set forth below under "RESTRICTED PERIOD, FORFEITURE," your Award will be forfeited in whole or in part.

## **2. RIGHTS OF OWNERSHIP, RESTRICTIONS ON TRANSFER**

During the Restricted Period, your RSUs will be subject to forfeiture. Until the Restricted Period ends with respect to a particular RSU and a share of Stock is delivered to you, you generally will not have the rights and privileges of a stockholder. In particular, you will not have the right to vote your RSUs on any matter put to the stockholders of the Corporation; you may not sell, transfer, assign, pledge, use as collateral or otherwise dispose of or encumber RSUs; and you will not have the right to receive any dividends paid to stockholders or dividend equivalents on the RSUs.

Upon expiration or termination of the Restricted Period with respect to your RSUs, and subject to the forfeiture provisions set forth below, each RSU for which the restrictions have lapsed will be exchanged for a certificate (either in paper or book entry form) evidencing one (1) share of Stock issued in your name (or the name of your designated Beneficiary in the event of your death) and an amount equal to the cash dividends that would have been paid to you had you owned such share from the Award Date until the expiration or termination of the Restricted Period ("Deferred Dividend Equivalents" or "DDEs"). Your shares and the cash payment for the DDEs will be delivered to you as soon as practicable, but not later than sixty (60) days after the expiration or termination of the Restricted Period.

The certificates delivered to you may contain any legend the Corporation determines is appropriate under the securities laws.

You are responsible for payment of all Taxes imposed on you as a result of the Award. The Corporation will comply with all applicable U.S. Tax withholding requirements applicable to the RSUs, the DDEs, and associated Stock. Please see the prospectus for the Plan for a discussion of certain material U.S. Tax consequences of the Award. Any withholding Tax on shares of Stock (and associated DDEs) deliverable to you may be satisfied by means of the Corporation's reducing the number of shares of Stock (and associated DDEs) deliverable to you in respect of a vested Award, based upon the minimum rate of withholding prescribed by law.

If any Tax withholding is required with respect to any Award (including with respect to associated DDEs) during the Restricted Period, the Corporation generally shall accelerate vesting on a number of shares of Stock and/or DDEs with a value equal to the Tax withholding obligation and the vested shares of Stock and/or vested DDEs will be used to satisfy the Tax withholding obligation. Your Award will be reduced by the number of shares of Stock and/or DDEs that are accelerated pursuant to the prior sentence.

The Corporation shall also have the right to (i) offset any other obligation of the Corporation to you (including, but not limited to withholding from your salary) by an amount sufficient to satisfy the Tax withholding obligation, or (ii) require you (or your Beneficiary) to pay the Corporation an amount equal to the Tax withholding obligation.

If you are a taxpayer in a country other than the U.S., you agree to make appropriate arrangements with the Corporation or its subsidiaries for the satisfaction of all income and employment tax withholding requirements, as well as social insurance contributions applicable to the RSUs, the DDEs, and associated Stock. Please see the tax summary for your country at <http://www.stockplanconnect.com>. If you are a taxpayer in a country other than the U.S., you represent that you will consult with your own tax advisors in connection with this Award and that you are not relying on the Corporation for any tax advice.

If a payment under this Award constitutes nonqualified deferred compensation under Section 409A of the Code, no payment due upon termination of employment shall be made unless the termination of employment is a "separation from service" as defined in Section 409A of the Code and accompanying regulations. In the event Code section 409A(a)(2)(B)(i) applies because you are a specified employee receiving a distribution on account of a termination of employment, delivery of Stock and the DDEs may be delayed for six months from such date. Similarly, if you are an Insider subject to the reporting provisions of Section 16(a) of the Securities Exchange Act of 1934 ("Exchange Act"), delivery of Stock following the expiration of the Restricted Period for any reason may be delayed for six months. For example, if the delivery of the Stock would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, delivery will be delayed until the earliest date upon which the delivery either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

After the Stock is delivered to you, you will enjoy all of the rights and privileges associated with ownership of the shares, including the right to vote on any matter put to stockholder vote, to receive dividends, and to encumber, sell or otherwise transfer the shares. You should note, however, that, while the shares would thus be free of the restrictions imposed during the Restricted Period, your ability to sell or pledge the shares may be limited under the federal securities laws or corporate policy.

You have the right to designate a Beneficiary to receive your shares in exchange for your RSUs and cash in respect of the DDEs in the event of your death during the Restricted Period by completing a Beneficiary designation form available at <http://www.stockplanconnect.com> and returning it to the Vice President of Compensation and Performance Management at the address below.

If, at your death, a completed Beneficiary designation form is not on file with the office of the Vice President of Compensation and Performance Management (or if your Beneficiary predeceases you), the Stock and cash payment for the DDEs in respect of your RSUs will be transferred to your estate.

### **3. RESTRICTED PERIOD, FORFEITURE**

Except as otherwise provided in Section 4 below or as required to satisfy a Tax withholding obligation as provided in Section 2 above, the vesting of the RSUs awarded under this Award Agreement along with the DDEs is subject to the following:

(a) **Restricted Period.** All of your RSUs will be forfeited and all of your rights to the RSUs and to receive Stock for your RSUs and to receive cash payment for the DDEs will cease without further obligation on the part of the Corporation unless (i) you personally accept this Award Agreement as provided below by May 31, 2016, and (ii) you provide services to the Corporation as an Employee of the Corporation throughout the entire Restricted Period. The Restricted Period begins on the Award Date and terminates on January 28, 2019, subject only to the specific exceptions provided below.

(b) **RSU Performance Goal.** If you are an Elected Officer of the Corporation as of the Award Date, you will forfeit a number of whole RSUs to the extent that your "RSU Award Value" exceeds your "RSU Performance Goal" as follows:

- (i) At its first meeting after the Corporation finalizes the financial results for the year ending December 31, 2016, the Committee will multiply the number of RSUs awarded to an Elected Officer under this Award Agreement by the Fair Market Value of Stock on the Award Date (\$\_\_\_\_\_) ("RSU Award Value"). The Committee will then compare the RSU Award Value to the product of the Designated Percentage (as defined herein) and the Corporation's Cash Flow for the year ending December 31, 2016, (with the product being referred to as the "RSU Performance Goal"). If your RSU Award Value exceeds your RSU Performance Goal (with the amount of that excess referred to as the "Performance Shortfall") then you will forfeit the number of whole RSUs that are equal to the Performance Shortfall divided by the Fair Market Value of Stock on the Award Date (\$\_\_\_\_\_). For the Chief Executive Officer and President, the Designated Percentage shall be 0.20%. For all other elected officers, the Designated Percentage shall be 0.10%.
- (ii) For purposes of this Award Agreement, Cash Flow for any period means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2016 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the period and the actual amounts contributed by the Corporation during the period; and (ii) any tax payments or tax benefits during the period associated with the divestiture of business units, other than tax payments or tax benefits that were included in the Corporation's 2016 Long Range Plan. Cash Flow shall be determined by the Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Committee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows, in either case as modified by this paragraph.

If any applicable requirement is not satisfied, you may forfeit all or part of your RSUs. Upon forfeiture, you will no longer have the right to receive Stock for forfeited RSUs or to receive cash payments for the DDEs associated with the forfeited RSUs. If you are awarded more than one RSU Award within the same calendar year, such Awards will be aggregated for the purpose of applying your RSU Performance Goal, and your Performance Shortfall will be applied pro rata to each of your Awards.

#### **4. DEATH, DISABILITY, LAYOFF, RETIREMENT**

(a) Death and Disability

Your RSUs and the DDEs will immediately vest and no longer be subject to the continuing employment requirement or the potential forfeiture to the extent of a Performance Shortfall if:

- (i) you die while still employed by the Corporation; or
- (ii) you terminate employment as a result of your total disability. Your employment will be treated as terminating because of a total disability on the date you commence receiving a benefit under the Corporation's long-term disability plan in which you participate (or, if you are not enrolled in the Corporation's long-term disability plan, on the date on which long-term disability benefits would have commenced under the plan under which you would have been covered, had you enrolled, using the standards set forth in that plan).

The vested RSUs will be exchanged for shares of Stock, and the DDEs will be paid in cash as soon as practicable, but no later than sixty (60) days after the date of your termination of employment on account of death or total disability, and in no event later than the March 15 next following the year in which such termination occurs.

In the event that you die and have not properly acknowledged acceptance of the Award prior to your death (or by May 31, 2016, whichever comes first), you will forfeit all of your RSUs granted hereunder and all of your rights to the RSUs and to receive Stock for your RSUs and the DDEs will cease without further obligation on the part of the Corporation.

(b) Retirement or Layoff

If you retire or are laid off by the Corporation (including through a voluntary separation program that constitutes a window program under Code section 409A) and the effective date of your retirement or layoff is after July 28, 2016, but before January 28, 2019, you will continue to vest in your RSUs and the DDEs as if you had remained employed by the Corporation until January 28, 2019. The effective date of your retirement is the first day of the month following the date you terminate services with the Corporation. Notwithstanding the foregoing, (i) if you are an Elected Officer, your RSUs will not be considered vested until such time as the Committee makes its certification with respect to the RSU Performance Goal, if any, and the amount vested will be reduced by the Performance Shortfall, if any; or (ii) if you are an employee who has been identified by the Corporation as subject to Divestiture (as defined in Section 6 below), and the effective date of your layoff is after the Award Date but before July 28, 2016, you will continue to vest in your RSUs and the DDEs as if you remained employed by the Corporation until January 28, 2019.

The vested RSUs will be exchanged for shares of Stock, and the related DDEs associated with the vested portion of your RSUs will be paid in cash as soon as practicable, but no later than

the earlier of sixty (60) days after the later of (i) January 28, 2019, or (ii) the date the Committee makes its certification with respect to the RSU Performance Goal (for taxpayers in Canada or as otherwise required by local country law, no later than December 31st of the year in which the award is certified).

For purposes of this provision, the term “retirement” means retirement from service following attainment of (i) age 55 and ten years of service (at the time of termination), or (ii) age 65.

If you are employed in Canada, for purposes of the Award Agreement, the date of termination of employment will be the last day of actual and active employment. For the avoidance of doubt, except as may be required by applicable minimum standards legislation, no period of notice or payment in lieu of notice that is given or that ought to have been given under any applicable law or contract in respect of such termination of employment that follows or is in respect of a period after your last day of actual and active employment, if any, will be considered as extending your period of employment for purposes of determining your entitlement under this Award Agreement.

#### **5. RESIGNATION OR TERMINATION BEFORE JANUARY 28, 2019**

Except where prohibited by law, if you resign or your employment otherwise terminates before January 28, 2019, other than on account of death, disability, layoff, or retirement (as described above), or Divestiture or Change in Control (as described below), you will forfeit your RSUs and the related DDEs on the date of your termination.

Except where prohibited by law, if your employment terminates before January 28, 2019 by action of the Corporation due to your misconduct, then you will forfeit your RSUs and the associated DDEs on the date of your termination. If your employment terminates due to your misconduct after July 28, 2016, but before January 28, 2019, then you will not be eligible for continued vesting under Section 4(b) of the Award Agreement, even if at the time of your termination due to misconduct you have attained (i) age 55 and ten years of service, or (ii) age 65. The business area or Enterprise Operations review committee responsible for determinations of misconduct, or the Committee if you are an Elected Officer, will determine if your employment terminates due to misconduct.

#### **6. DIVESTITURE**

In the event of a Divestiture (as defined below) of all or substantially all of a business operation of the Corporation and such Divestiture results in the termination of your employment with the Corporation or its subsidiaries and the transfer of such employment to the other party to the Divestiture or the entity resulting from the Divestiture (or its affiliate), then the Committee may arrange for such other party or entity to assume or continue your RSUs or substitute equivalent restricted securities for your RSUs, with the same terms and conditions that apply to your RSUs pursuant to this Award Agreement, and the remainder of this Section 6 shall not apply.

If (i) such assumption, continuance or substitution of your RSUs does not occur, (ii) the Divestiture results in the termination of your employment with the Corporation or its subsidiaries, and (iii) your employment transfers to the other party to the Divestiture or the entity resulting from the Divestiture (or its affiliate), then the following rules will apply:

(a) Prorata Vesting. Subject to any Performance Shortfall and corresponding reduction to your RSUs, you shall be eligible to receive a fraction of your RSUs and the associated DDEs with respect to such fraction. The numerator of such fraction shall equal the number of days in the Restricted Period before your employment as an Employee terminated due to the Divestiture, and the denominator shall equal the total number of days in the Restricted Period. Fractional shares shall be rounded up to the next whole share.

(b) Special Rule if Retirement Eligible. Notwithstanding Section 6(a) immediately above, if at the time your employment with the Corporation or its subsidiaries terminates due to Divestiture and transfers to the other party to the Divestiture or the resulting entity to the Divestiture (or its affiliate), you are eligible for retirement treatment under Section 4(b) above (without regard to whether your termination occurs after July 28, 2016), then the Corporation will treat you as having retired and apply the vesting provision in Section 4(b) above to your RSUs.

(c) No Further Rights. The Committee shall have complete and absolute discretion to make the determinations called for under this Section 6, and all such determinations shall be binding on you and on any person who claims all or any part of your RSUs and associated DDEs on your behalf as well as on the Corporation. If you terminate employment during the Restricted Period due to Divestiture but are eligible to receive a portion of your RSUs and associated DDEs as a result of this Section 6, payment of such portion of your RSUs and associated DDEs shall be in full satisfaction of all rights you have under this Award Agreement and you will receive shares of Stock in exchange for RSUs and the cash payment for the DDEs as soon as practicable, but no later than the later of sixty (60) days after your termination of employment with the Corporation or the determination by the Committee of any Performance Shortfall.

For the purposes of this Section 6, the term "Divestiture" shall mean a transaction that results in the transfer of control of the business operation divested to any person, corporation, association, partnership, joint venture, limited liability company or other business entity of which less than 50% of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled directly or indirectly by the Corporation, by one or more of the Corporation's subsidiaries or by a combination thereof.

## **7. CHANGE IN CONTROL DURING THE RESTRICTED PERIOD**

In the event of a consummation of a Change in Control during the Restricted Period, the number of RSUs subject to this Award (without regard to any Performance Shortfall) and associated DDEs will become vested (i) on the effective date of the Change in Control if the RSUs are not assumed, continued, or equivalent restricted securities are not substituted for the RSUs by the Corporation or its successor, or (ii) if the RSUs are assumed, continued or substituted by the Corporation or its successor, on the effective date of your involuntary termination by the Corporation or its successor other than for Cause (as defined herein, not including death or Total Disability) or your voluntary termination with Good Reason (as defined herein), in either case, within the 24-month period following the consummation of the Change in Control.

In the event the RSUs and associated DDEs vest in accordance with this Section 7 (whether immediately following the Change in Control or following your termination), the shares of Stock or equivalent substituted securities in which you have become vested and the associated DDEs (less any Tax withholding) shall be delivered to you within 14 days of the date on which you become vested.

(a) "Cause" shall mean either of the following:

- (i) Conviction for an act of fraud, embezzlement, theft or other act constituting a felony (other than traffic-related offenses or as a result of vicarious liability); or
- (ii) Willful misconduct that is materially injurious to the Corporation's financial position, operating results or reputation; provided, however that no act or failure to act shall be considered "willful" unless done, or omitted to be done, by you (a) in bad faith; (b) for the purpose of receiving an actual improper personal benefit in the form of money, property or services; or (c) in circumstances where you had reasonable cause to believe that the act, omission, or failure to act was unlawful.

(b) "Good Reason" shall mean, without your express written consent, the occurrence of any one or more of the following after the Change in Control:

- (i) A material and substantial reduction in the nature or status of your authority or responsibilities;
- (ii) A material reduction in your annualized rate of base salary;
- (iii) A material reduction in the aggregate value of your level of participation in any short or long term incentive cash compensation plan, employee benefit or retirement plan or compensation practices, arrangements, or policies;
- (iv) A material reduction in the aggregate level of participation in equity-based incentive compensation plans; or
- (v) Your principal place of employment is relocated to a location that is greater than 50 miles from your principal place of employment on the date the Change in Control is consummated.

Your continued employment following an event that would constitute a basis for voluntary termination with Good Reason shall not constitute Good Reason if you consent to, or waive your rights with respect to any circumstances constituting Good Reason. In addition, the occurrence of an event described in (i) through (v) shall constitute the basis for voluntary termination for Good Reason only if you provide written notice of your intent to terminate employment within 90 days of the first occurrence of such event and the Corporation has had at least 30 days from the date on which such notice is provided to cure such occurrence. If you do not terminate employment for Good Reason within 180 days after the first occurrence of the applicable grounds, then you will be deemed to have waived your right to terminate for Good Reason with respect to such grounds.

## **8. AMENDMENT AND TERMINATION OF PLAN OR AWARDS**

As provided in Section 9 of the Plan, subject to certain limitations contained within Section 9, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time alter or amend this Award Agreement. Notwithstanding Section 9 of the Plan, no such amendment, suspension or discontinuance of the Plan or alteration or amendment of Award Agreements will, except with your express written consent, adversely affect your rights under this Award Agreement. This Award Agreement shall not be amended or interpreted in a manner that is reasonably believed to result in the imposition of Tax under Code section 409A.

## **9. ACCEPTANCE OF AWARD**

No Award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Performance Management as soon as possible but in no event later than May 31, 2016. Acceptance of this Award Agreement must be made only by you personally or by a person acting pursuant to a power of attorney in the event of your inability to acknowledge your acceptance due to your disability or deployment in the Armed Forces (and not by your estate, your spouse or any other person) and constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award. The Committee has authorized electronic means for the delivery and acceptance of this Award Agreement. If you desire to accept this Award, you must acknowledge your acceptance and receipt of this Award Agreement, either electronically or by signing and returning a copy of this letter on or before May 31, 2016, as follows:

(a) Electronic Acceptance: Go to <http://www.stockplanconnect.com>

(b) By Mail: Nick Lossia, Vice President of Compensation and Performance Management, Lockheed Martin Corporation, Mail Point 126, 6801 Rockledge Drive, Bethesda, MD 20817

Assuming prompt and proper acknowledgment of this Award Agreement as described, this Award will be effective as of the Award Date.

If you do not personally acknowledge your acceptance of this Award Agreement on or before May 31, 2016, this Award will be forfeited as noted above.

## **10. POST-EMPLOYMENT COVENANTS**

Except where prohibited by law, by accepting this Award Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Award Agreement.

## **11. STOCK OWNERSHIP REQUIREMENTS**

Except where prohibited by law, by accepting this Award Agreement through the procedure described above, you acknowledge receipt of the Stock Ownership Requirements ("Ownership Requirements") attached as Exhibit B and agree to comply with such Ownership

Requirements as amended from time to time. If you are not a Vice President (or above) on January 28, 2016, but you are promoted to Vice President (or above) prior to January 28, 2019, the Ownership Requirements as in effect at that time shall become applicable to you on the date of your promotion to Vice President (or above).

## **12. DATA PRIVACY CONSENT FOR EMPLOYEES LOCATED OUTSIDE OF THE UNITED STATES**

To the extent recognized under applicable law, you hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Award Agreement by and among the Corporation for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Corporation holds certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares or directorships held in the Corporation, details of all awards or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Data"). You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Corporation may elect to administer the settlement of any award. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

## **13. EMPLOYEE ACKNOWLEDGEMENT**

You acknowledge and agree as follows:

- (a) the Plan is discretionary in nature and that the Committee may amend, suspend, or terminate it at any time;
- (b) the grant of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of any RSUs, or benefits in lieu of any RSUs even if RSUs have been granted repeatedly in the past;

- (c) all determinations with respect to such future RSUs, if any, including but not limited to the times when RSUs shall be granted or when RSUs shall vest, will be at the sole discretion of the Committee;
- (d) your participation in the Plan is voluntary;
- (e) the value of the RSUs is an extraordinary item of compensation, which is outside the scope of your employment contract (if any), except as may otherwise be explicitly provided in your employment contract;
- (f) the RSUs are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating termination, severance, resignation, redundancy, end of service, or similar payments, or bonuses, long-service awards, pension or retirement benefits;
- (g) the RSUs shall expire upon termination of your employment for any reason except as may otherwise be explicitly provided in the Plan and this Award Agreement;
- (h) the future value of the shares is unknown and cannot be predicted with certainty; and
- (i) no claim or entitlement to compensation or damages arises from the termination of the RSUs or diminution in value of the RSUs or Stock and you irrevocably release the Corporation and your employer from any such claim that may arise.

#### **14. ENGLISH LANGUAGE**

You have received the terms and conditions of this Award Agreement and any other related communications, and you consent to having received these documents in English. If you have received this Award Agreement or any other documents related to the Plan translated into a language other than English, and if the translated version is different from the English version, the English version will control.

Quebec Residents Only: The Parties have agreed that this Award Agreement, the Plan as well as any notice, document or instrument relating to them be drawn up in English only. You acknowledge that, upon your reasonable request, the Corporation will provide a French translation of such documents to you. Les parties aux présentes ont convenu que la présente accord, le "Plan," ainsi que tous autres avis, actes ou documents s'y rattachant soient rédigés en anglais seulement. Vous reconnaissez que, à votre demande raisonnable, "the Corporation" fournit une traduction française de ces documents à vous.

#### **15. ELECTRONIC DELIVERY**

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this Award from this internet site (<http://www.stockplanconnect.com>) as well as to electronic delivery of the Corporation's annual report on Form 10-K, annual proxy statement and quarterly reports on Form 10-Q. This consent can only be withdrawn by written notice to the Vice President of Compensation and Performance Management at the address noted above. The Corporation may, in its sole discretion, decide to deliver any documents related to RSUs awarded

under the Plan or future RSUs that may be awarded under the Plan by electronic means or request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through any on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation.

#### **16. CURRENCY EXCHANGE RISK**

If your functional currency is not the U.S. dollar, you agree and acknowledge that you will bear any and all risk associated with the exchange or fluctuation of currency associated with the RSUs, including without limitation sale of the Shares and payment of DDEs (the "Currency Exchange Risk"). Any cash payments due to you under this Award Agreement will be converted to your functional currency at the rate determined by the Corporation, in its discretion, on the last day of the Restricted Period. You waive and release the Corporation and its subsidiaries from any potential claims arising out of the Currency Exchange Risk.

#### **17. EXCHANGE CONTROL REQUIREMENTS**

You agree and acknowledge that you will comply with any and all exchange control requirements applicable to the RSUs and the sale of Shares and any resulting funds including, without limitation, reporting or repatriation requirements.

#### **18. MISCELLANEOUS**

If you are on leave of absence, for the purposes of the Plan, you will be considered to still be in the employ of the Corporation unless otherwise provided in an agreement between you and the Corporation.

Nothing contained in this Award Agreement shall confer upon you any right of continued employment by the Corporation or guarantee that any future awards will be made to you under the Plan. In addition, nothing in this Award Agreement limits in any way the right of the Corporation to terminate your employment at any time. Neither the value of the RSUs awarded to you nor the DDEs will be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits. Notwithstanding any other provision of this Award Agreement to the contrary, no Stock will be issued to you pursuant to this Award Agreement within six months from the Award Date.

Transactions involving Stock delivered under this Award Agreement are subject to the securities laws and CPS 722 (a copy of which has been made available to you). Among other things, CPS 722 prohibits employees of the Corporation from engaging in transactions that violate securities laws or involve hedging or pledging stock. Insiders are subject to additional restrictions. **The Corporation recommends that Insiders consult with the Senior Vice President, General Counsel and Corporate Secretary or her staff before entering into any transactions involving Stock or RSUs.**

You have no rights as a stockholder to any securities covered by this Award Agreement until the date on which you become the holder of record of such securities. Capitalized terms used, but not defined herein, shall have the meanings ascribed to them in the Plan.

Sincerely,

Patricia L. Lewis  
Senior Vice President, Human Resources

(For written acceptance, please complete, sign and return by mail.)

Acknowledged by:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Employee ID

Exhibit A  
Post Employment Conduct Agreement  
(RSU Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2016 (the "Award Agreement") is entered into in consideration of, among other things, the grant of restricted stock units to me under the Award Agreement (the "RSUs") pursuant to the Lockheed Martin Corporation 2011 Incentive Performance Award Plan, as amended (the "Plan"). References to the "Corporation" shall include Lockheed Martin Corporation and its Subsidiaries. By accepting the RSUs, I agree as follows:

1. Restrictions Following Termination of Employment.

(a) Covenant Not To Compete – Without the express written consent of the "Required Approver" (as defined in Section 6), during the one-year period (or two-year period for Elected Officers) following the date of my termination of employment (the "Termination Date") with the Corporation, I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6), whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case,

- (i) oversees, controls or affects the design, operation, research, manufacture, marketing, sale or distribution of "Competitive Products or Services" (as defined in Section 6) of or by the Restricted Company, or
- (ii) would involve a substantial risk that the "Confidential or Proprietary Information" (as defined in Section 1(c) below) of the Corporation (including but not limited to technical information or intellectual property, strategic plans, information relating to pricing offered to the Corporation by vendors or suppliers or to prices charged or pricing contemplated to be charged by the Corporation, information relating to employee performance, promotions or identification for promotion, or information relating to the Corporation's cost base) could be used to the disadvantage of the Corporation.

Section 1(a)(i) and (ii) shall not apply to residents of California.

To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct (such as the ABA Model Rules of Professional Conduct and state versions thereof), Sections 1(a)(i) and (ii) and Section 1(b) relating to non-solicitation, shall apply to individuals who are employed by the Corporation in an attorney position and whose occupation during the one-year (or two-year, for Elected Officers) period following employment with the Corporation does not include practicing law.

In lieu of Section 1(a)(i) and (ii), as well as Section 1(b) relating to non-solicitation, the following Section 1(a)(iii) shall apply to individuals who are employed by the Corporation in an attorney position, and whose occupation during the one-year (or two-year, for Elected Officers) period following employment with the Corporation includes practicing law.

- (iii) Post-employment Activity As a Lawyer – I acknowledge that as counsel to the Corporation, I owe ethical and fiduciary obligations to the Corporation and that at least some of these obligations will continue even after my Termination Date with the Corporation. I agree that after my Termination Date I will comply fully with all applicable ethical and fiduciary obligations that I owe to the Corporation. To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct, I agree that I will not:
- a. Represent any client in the same or a substantially related matter in which I represented the Corporation where the client's interests are materially adverse to the Corporation; or
  - b. Disclose confidential information relating to my representation of the Corporation, including the disclosure of information that is to the disadvantage of the Corporation, except for information that is or becomes generally known.

The Corporation's Senior Vice President, General Counsel, and Corporate Secretary or the General Tax Counsel, as applicable, will determine in his or her discretion whether an individual is employed by the Corporation in an attorney position.

(b) Non-Solicit – Without the express written consent of the Required Approver, during the one-year period (two-year period for Elected Officers) following the Termination Date, I will not (i) interfere with any contractual relationship between the Corporation and any customer, supplier, distributor or manufacturer of or to the Corporation to the detriment of the Corporation or (ii) induce or attempt to induce any person who is an employee of the Corporation to perform work or services for any entity other than the Corporation.

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President, General Counsel and Corporate Secretary as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CRX-015C (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business,

technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

- (i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, or
- (ii) existing or contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, or production processes.

(d) No Disparagement – Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Corporation or its directors, officers, employees, technology, products or services with respect to any matter whatsoever.

(e) Cooperation in Litigation and Investigations – Following the Termination Date, I will, to the extent reasonably requested, cooperate with the Corporation in any pending or future litigation (including alternative dispute resolution proceedings) or investigations in which the Corporation or any of its subsidiaries or affiliates is a party or is required or requested to provide testimony and regarding which, as a result of my employment with the Corporation, I reasonably could be expected to have knowledge or information relevant to the litigation or investigation. Notwithstanding any other provision of this PECA, nothing in this PECA shall affect my obligation to cooperate with any governmental inquiry or investigation or to give truthful testimony in court.

2. Consideration and Acknowledgement. I acknowledge and agree that the benefits and compensation opportunities being made available to me under the Award Agreement are in addition to the benefits and compensation opportunities that otherwise are or would be available to me in connection with my employment by the Corporation and that the grant of the RSUs is expressly made contingent upon my agreements with the Corporation set forth in this PECA. I acknowledge that the scope and duration of the restrictions in Section 1 are necessary to be effective and are fair and reasonable in light of the value of the benefits and compensation opportunities being made available to me under the Award Agreement. I further acknowledge and agree that as a result of the high level executive and management positions I hold with the Corporation and the access to and extensive knowledge of the Corporation's Confidential or Proprietary Information, employees, suppliers and customers, these restrictions are reasonably required for the protection of the Corporation's legitimate business interests.

3. Remedies For Breach of Section 1; Additional Remedies of Clawback and Recoupment.

(a) If I become (or currently am) an Insider (as defined in the Plan) or receive a Long-Term Incentive Performance Award, I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

- (i) I breach any of the covenants or agreements in Section 1;
- (ii) The Corporation determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Corporation, contributed to the Corporation having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission;
- (iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation; or
- (iv) Under such other circumstances specified by final regulation issued by the Securities and Exchange Commission entitling the Corporation to recapture or clawback "Benefits and Proceeds" (as defined below).

(b) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.

(c) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I own Stock issued in respect of vested RSUs, such Stock; (ii) to the extent I no longer own the shares of Stock of the Corporation issued in respect of the RSUs, cash in an amount equal to the greater of (x) the value of such Stock on the date the associated RSUs vested (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of Stock as finally reported by the New York Stock Exchange on such date), and (y) the proceeds received in connection with the disposition of such Stock; and (iii) to the extent I have not earned the RSUs fully, all of my remaining rights, title or interest in my Award and any accrued dividend equivalents with respect thereto.

4. Injunctive Relief. I acknowledge that the Corporation's remedies at law may be inadequate to protect the Corporation against any actual or threatened breach of the provisions of Section 1 or the conduct described in Section 3(a), and, therefore, without prejudice to any other rights and remedies otherwise available to the Corporation at law or in equity (including but not limited to, an action under Section 3(a), the Corporation shall be entitled to the granting of injunctive relief in its favor and to specific performance without proof of actual damages and without the requirement of the posting of any bond or similar security.

5. **Invalidity; Unenforceability.** It is the desire and intent of the parties that the provisions of this PECA shall be enforced to the fullest extent permissible. Accordingly, if any particular provision of this PECA is adjudicated to be invalid or unenforceable, this PECA shall be deemed amended to delete the portion adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of this provision in the particular jurisdiction in which such adjudication is made.

6. **Definitions.** Capitalized terms not defined in this PECA have the meaning given to them in the Plan, as applicable. For purposes of this PECA, the following terms have the meanings given below:

(a) “Restricted Company” means The Boeing Company, General Dynamics Corporation, Northrop Grumman Corporation, the Raytheon Company, United Technologies Corporation, Honeywell International Inc., BAE Systems Inc., L-3 Communications Corporation, the Harris Corporation, Thales, Airbus Group, Inc., Textron Inc., Finmeccanica SpA and (i) any entity directly or indirectly controlling, controlled by, or under common control with any of the foregoing, and (ii) any successor to all or part of the business of any of the foregoing as a result of a merger, reorganization, consolidation, spin-off, split-up, acquisition, divestiture, or similar transaction.

(b) “Competitive Products or Services” means products or services that compete with, or are an alternative or potential alternative to, products sold or services provided by a subsidiary, business area, division or operating unit or business of the Corporation as of the Termination Date and at any time within the two-year period ending on the Termination Date; provided, that, (i) if I had direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Corporation at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided during that two-year period by the subsidiary, business area, division or operating unit of the Corporation for which I had responsibility, and (ii) if I did not have direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Corporation at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided by a subsidiary, business area, division or operating unit of the Corporation for which I had access (or was required or permitted such access in the performance of my duties or responsibilities with the Corporation) to Confidential or Proprietary Information of the Corporation at any time during the two-year period ending on the Termination Date.

(c) “Required Approver” means:

- (i) with respect to the Chief Executive Officer and President, the Management Development and Compensation Committee of the Corporation’s Board of Directors;
- (ii) with respect to any Elected Officer (other than the Chief Executive Officer and President), the Corporation’s Chief Executive Officer; or
- (iii) with respect to all other employees, the Senior Vice President, Human Resources of the Corporation.

(d) "Elected Officer" means an officer of the Corporation who was elected to his or her position by the Corporation's Board of Directors.

7. Miscellaneous.

(a) The Plan, the Award Agreement (with Exhibit B) and this PECA constitute the entire agreement governing the terms of the award of the RSUs to me.

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law. Any enforcement of, or challenge to, this PECA may only be brought in the Circuit Court of Maryland or the United States District Court for the District of Maryland. Both parties consent to the proper jurisdiction and venue of the Circuit Court of Maryland and the United States District Court for the District of Maryland for the purpose of enforcing or challenging this PECA.

(c) This PECA shall inure to the benefit of the Corporation's successors and assigns and may be assigned by the Corporation without my consent.

(d) This PECA provides for certain obligations on my part following the Termination Date and shall not, by implication or otherwise, affect in any way my obligations to the Corporation during the term of my employment by the Corporation, whether pursuant to written agreements between the Corporation and me, the provisions of applicable Corporate policies that may be adopted from time to time or applicable law or regulation.

**This PECA is effective as of the acceptance by me of the award of RSUs under the Award Agreement and is not contingent on the vesting of my RSUs.**

## Exhibit B

## Stock Ownership Requirements

Lockheed Martin's Stock Ownership Requirements for Key Employees apply to all senior level positions of Vice President and above. This reflects the expectations of our major shareholders that management demonstrate its confidence in Lockheed Martin through a reasonable level of personal share ownership. This practice is consistent with other major U.S. corporations which link some portion of personal financial interests of key employees with those of shareholders.

**Stock Ownership Requirements**

Title	Annual Base Pay Multiple
Chairman, President, and Chief Executive Officer	6 times
Chief Operating Officer	5 times
Chief Financial Officer	4 times
Executive Vice Presidents	3 times
Senior Vice Presidents	2 times
Other Elected Officers	2 times
Other Vice Presidents	1 times

**Satisfaction of Requirements**

Covered employees may satisfy their ownership requirements with common stock in these categories:

- Shares owned directly.
- Shares owned by a spouse or a trust.
- Shares represented by monies invested in 401(k) Company Common Stock Funds or comparable plans.
- Share equivalents as represented by income deferred to the Company Stock Investment Option of the Deferred Management Incentive Compensation Plan (DMICP).
- Unvested Restricted Stock Units.
- Unvested Performance Stock Units granted in 2014 (based on the Target Award).

Key employees will be required to achieve the appropriate ownership level within 5 years and are expected to make continuous progress toward their target. Appointment to a new level will reset the five year requirement. Unexercised options prior to vesting are not counted toward meeting the guidelines.

**Holding Period**

Covered employees must retain net vested Restricted Stock Units and Performance Stock Units and the net shares resulting from any exercise of stock options if the ownership requirements are not yet satisfied.

Covered employees are asked to report annually on their progress toward attainment of their share ownership goals.

PSU (Domestic and International)

Award Date: January 28, 2016



**THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING  
SECURITIES THAT HAVE BEEN REGISTERED UNDER THE  
SECURITIES ACT OF 1933**

Re: Lockheed Martin Corporation 2011 Incentive Performance Award Plan:  
**Performance Stock Unit Award (2016-2018 Performance Period)**

Dear Awardee:

On behalf of the Management Development and Compensation Committee (the "Committee") of the Board of Directors of Lockheed Martin Corporation, I am pleased to tell you that you have been granted a Performance Stock Unit Award ("PSUs") under the Corporation's 2011 Incentive Performance Award Plan, as amended (the "Plan"). The purpose of this letter is to serve as the PSU Award Agreement and to set forth your Target Award as well as the terms and conditions to the payment of your Award. Additional terms and conditions are set forth in the Plan and in the Prospectus relating to the Plan of which the Plan document and this Award Agreement are a part. Your Target Award and the Prospectus are available at <http://www.stockplanconnect.com>. You should retain the Prospectus and the attached copy of the Plan in your records.

Your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Performance Management as instructed below as soon as possible but in no event later than May 31, 2016. **If you do not properly acknowledge your acceptance of this Award Agreement on or before May 31, 2016, this Award will be forfeited.**

Assuming prompt and proper acknowledgement of your acceptance of this Award Agreement as described above, this Award will be effective as of the Award Date. Acceptance of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award and your agreement to be bound by the restrictions contained in Section 18 and in Exhibit A ("Post-Employment Conduct Agreement") and Exhibit B ("Stock Ownership Requirements"), as amended from time to time, except where prohibited by law.

The Corporation will comply with all applicable U.S. Tax withholding requirements applicable to the PSUs, the DDEs, and associated Stock. **Please see the prospectus for the Plan for a discussion of certain material U.S. Tax consequences of the Award.** If you are a taxpayer in a country other than the U.S., you agree to make appropriate arrangements with the Corporation or its subsidiaries for the satisfaction of all income and employment tax withholding requirements, as well as social insurance contributions applicable to the PSUs, the DDEs, and associated

Stock. Please see the tax summary for your country at <http://www.stockplanconnect.com>. If you are a taxpayer in a country other than the U.S., you represent that you will consult with your own tax advisors in connection with this Award and that you are not relying on the Corporation for any tax advice.

Any withholding Tax on your Award will be satisfied by means of the Corporation reducing the number of shares of Stock (and associated DDEs) deliverable to you in respect of a vested Award, based upon the minimum rate of withholding prescribed by law. The Corporation shall also have the right to (i) offset any other obligation of the Corporation to you (including, but not limited to withholding from your salary) by an amount sufficient to satisfy the Tax withholding obligation, or (ii) require you (or your Beneficiary) to pay the Corporation an amount equal to the Tax withholding obligation.

Capitalized terms used in this Award Agreement either shall be defined in this Award Agreement or if not defined in this Award Agreement shall have the meaning given to the term in the Plan. The term "Target Award" as used in this Award Agreement refers only to the Target Award awarded to you under this Award Agreement and the term "Award" refers only to PSUs set forth in this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its Subsidiaries. Appendix A contains an index of all capitalized terms used in this Award Agreement.

**Section 1. Shares Awarded; Performance Period; Vesting Period; Payment of Award.**

**1.1 Shares Awarded.**

(a) Target Award. Your Target Award for the Performance Period under this Award Agreement shall be the number of whole shares of Stock identified as your Performance Stock Unit ("PSU") Target Award in your account at <http://www.stockplanconnect.com>. Your Target Award shall be composed of three pieces:

- (i) Your Target Total Stockholder Return Performance Award (approximately 50% of the number of shares in your Target Award);
- (ii) Your Target ROIC Performance Award (approximately 25% of the number of shares in your Target Award);
- (iii) Your Target Cash Flow Performance Award (approximately 25% of the number of shares in your Target Award).

The Award paid to you shall be calculated in accordance with Section 2.1. The allocation of your Award among your Total Stockholder Return Performance Award, your ROIC Performance Award, and your Cash Flow Performance Award will be made by the Committee based on applicable accounting principles.

(b) Maximum Award. Your Maximum Award for the Performance Period under this Award Agreement shall be the number of shares of Stock equal to 200% of your Target Award, subject to the provisions of Section 2.1 and the caps contained therein.

(c) Deferred Dividend Equivalents (“DDEs”). Your Award shall include a payment equal to the cash dividends that would have been paid to you had you owned the numbers of whole shares of Stock equal to your final Award from the Award Date until the end of the Performance Period.

1.2 Performance Period. The “Performance Period” under this Award Agreement is the three-year performance period that runs from January 1, 2016, until December 31, 2018.

1.3 Vesting Period. The “Vesting Period” under this Award Agreement is the three-year period that runs from January 28, 2016, until the later of (i) January 28, 2019, or (ii) the date on which the Committee certifies in writing (for purposes of Section 162(m) of the Code) that an amount up to your Maximum Award has become an Award for the Performance Period.

1.4 Payment of Award. Your Award will be paid to you in whole shares of Stock (either in book entry or paper form). The final number of whole shares, if any, payable to you under your Award is dependent upon the Corporation’s performance with respect to each of the metrics described in Section 3 and Section 4, the limits described in Section 2 and your continued employment with the Corporation in accordance with Section 5. As a result of these requirements, the number of whole shares of Stock you receive at the end of the Vesting Period will be between 0% and 200% of your Target Award (based on each factor described in Section 2.1 below) and may be smaller than your Maximum Award (or the performance factors could result in no payment in respect of your Award). Any certificates delivered to you may contain any legend the Corporation determines is appropriate under the securities laws. If you are an Insider subject to the reporting provisions of Section 16(a) of the Securities Exchange Act of 1934 (“Exchange Act”), delivery of Stock in payment of your Award for any reason may be delayed for six months. For example, if the delivery of the Stock would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, delivery will be delayed until the earliest date upon which the delivery either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

## **Section 2. Calculation of Award Payments.**

2.1 End of Performance Period Calculation. Following the end of the Performance Period and prior to any shares of Stock being issued,

(a) The Committee will calculate the Total Stockholder Return Performance Factor (as described in Section 3.2) based on the Corporation’s performance during the Performance Period relative to the performance of other corporations which compose the “Peer Performance Group” as defined in Section 3.1. Your Target Total Stockholder Return Performance Award (as defined in Section 1.1(a)(i)) shall be multiplied by the Total Stockholder Return Performance Factor with the resulting number of shares to be known as the Earned Total Stockholder Return Performance Award. Fractional shares shall be rounded up to the next whole share. If the Corporation’s Average TSR for the three-year Performance Period is negative, the maximum Earned Total Stockholder Return Performance Factor shall not exceed 100%. Notwithstanding the foregoing, the number of shares of Stock you receive as your Earned Total Stockholder Return

Performance Award shall be reduced to the extent necessary so that the Fair Market Value of your Earned Total Stockholder Return Performance Award on the last day of the Vesting Period does not exceed the product of (a) the Fair Market Value of a share of Stock on the Award Date, multiplied by (b) 400%, multiplied by (c) the number of shares in your Earned Total Stockholder Return Performance Award.

(b) The Committee will calculate the ROIC Performance Factor (as described in Section 4.1) based on the Corporation's ROIC during the Performance Period as compared to the projected ROIC for the Performance Period as set forth in the January 27, 2016 Committee resolution ("ROIC Target"). Your Target ROIC Performance Award (as described in Section 1.1(a)(ii)) will be multiplied by the ROIC Performance Factor with the resulting number of shares to be known as the Earned ROIC Performance Award. Fractional shares shall be rounded up to the next whole share. Notwithstanding the foregoing, the number of shares of Stock you receive as your Earned ROIC Performance Award shall be reduced to the extent necessary so that the Fair Market Value of your Earned ROIC Performance Award on the last day of the Vesting Period does not exceed the product of (a) the Fair Market Value of a share of Stock on the Award Date, multiplied by (b) 400%, multiplied by (c) the number of shares in your Earned ROIC Performance Award.

(c) The Committee will calculate the Cash Flow Performance Factor (as described in Section 4.2) based on the Corporation's cumulative Cash Flow during the Performance Period as compared to the projected cumulative Cash Flow for the Performance Period as set forth the January 27, 2016 Committee resolution ("Cash Flow Target"). Your Target Cash Flow Performance Award (as described in Section 1.1(a)(iii)) will be multiplied by the Cash Flow Performance Factor with the resulting number of shares to be known as the Earned Cash Flow Performance Award. Fractional shares shall be rounded up to the next whole share. Notwithstanding the foregoing, the number of shares of Stock you receive as your Earned Cash Flow Performance Award shall be reduced to the extent necessary so that the Fair Market Value of your Earned Cash Flow Performance Award on the last day of the Vesting Period does not exceed the product of (a) the Fair Market Value of a share of Stock on the Award Date, multiplied by (b) 400%, multiplied by (c) the number of shares in your Earned Cash Flow Performance Award.

(d) Your Earned Total Stockholder Return Performance Award, your Earned ROIC Performance Award, and your Earned Cash Flow Performance Award shall be added together to determine the total number of shares to be paid to you as your final Award.

You must (except as specified in Section 5) remain employed by the Corporation through the last day of the Vesting Period to receive your Award. No portion of your Award will be payable until it is fully vested in accordance with Sections 5.1 and 5.2.

**2.2 Adjustment of ROIC Target and Cash Flow Target.** The Committee will adjust the ROIC Target and Cash Flow Target established as described in Section 2.1(b) and Section 2.1(c), respectively, to account for the impact of an acquisition or divestiture with a transaction value in excess of \$1 billion at the time the transaction takes effect.

**Section 3. Total Stockholder Return Performance Factor.**

3.1. Peer Performance Group. The Total Stockholder Return Performance Factor will be based upon the relative ranking of the Corporation's Average TSR (as defined in Section 3.2(a)) for the Performance Period to the Average TSR for such Period for each corporation in the "Peer Performance Group." The "Peer Performance Group" shall consist of the corporations which compose the Standard and Poor's Aerospace and Defense Index reported under symbol S5AERO by Bloomberg L.P. The Corporation's Total Stockholder Return will be based on the performance of the Stock. With respect to the corporations that make up the Standard and Poor's Aerospace and Defense Index, the Total Stockholder Return of each corporation that is taken into account in computing the Peer Performance Group Total Stockholder Return will be based on the equity security of the relevant corporation that is used in computing the Standard and Poor's Aerospace and Defense Index.

3.2. Calculation of Total Stockholder Return Performance Factor.

(a) Calculation of Average TSR. During the Performance Period, the Committee shall compute the Total Stockholder Return (as defined in the Plan and assuming the reinvestment of any cash dividends) for the Corporation and for each other corporation in the Peer Performance Group for 36 periods during the Performance Period where each period begins on January 1, 2016 (based on the closing price for the stock on December 31, 2015), and ends on the last day of each successive calendar month in the Performance Period on which the New York Stock Exchange is open for trading. Each such Total Stockholder Return shall be computed from data available to the public. At the end of the Performance Period, the 36 Total Stockholder Return figures for each corporation for the Performance Period will be averaged to determine each corporation's average Total Stockholder Return ("Average TSR") for the Performance Period. Each corporation's Average TSR shall be ranked among the Average TSR for each other corporation in the Peer Performance Group on a percentile basis (using the Excel PERCENTRANK function).

(b) Percentage Level of Target Award. Your Total Stockholder Return Performance Factor, expressed as a percentage, will be determined under this Section 3.2(b) (and Section 3.2(c) to the extent interpolation is necessary) based on the Percentile Ranking (as determined under Section 3.2(a)) of the Corporation's Average TSR for the Performance Period under the following chart:

<u>Band</u>	<u>Percentile Ranking</u>	<u>Total Stockholder Return Performance Factor</u>
One	75th - 100th	200% (Maximum)
Two	60th	150%
Three	50th	100%
Four	40th	50%
Five	35th	25% (Threshold)

(c) **Total Stockholder Return Performance Factor Interpolation.** If the Percentile Ranking as determined under Section 3.2(a) puts the Corporation over the listed Percentile Ranking for the applicable Band (other than Band One) in Section 3.2(b), your Total Stockholder Return Performance Factor under Section 3.2(b) shall be interpolated on a linear basis.

If the Corporation's Average TSR for the three-year Performance Period is negative, the maximum Total Stockholder Return Performance Factor shall not exceed 100%.

#### **Section 4. ROIC Performance Factor and Cash Flow Performance Factor.**

4.1 **ROIC Performance Factor.** The ROIC Performance Factor will be determined by comparing the Corporation's ROIC for the Performance Period to the ROIC Target and then identifying the ROIC Performance Factor based upon the factor associated with the difference on the following table:

<u>ROIC Band</u>	<u>ROIC Performance Factor</u>
Target + <sup>3</sup> 160 basis points	200% (Maximum)
Target + 120 basis points	175%
Target + 80 basis points	150%
Target + 40 basis points	125%
Target	100%
Target – 10 basis points	75%
Target – 20 basis points	50%
Target – 30 basis points	25% (Threshold)

(a) **ROIC Definition.** For purposes of this Award Agreement, "ROIC" means return on invested capital for the Performance Period calculated as (A) average annual (i) net income (excluding any charge or addition to net income resulting solely from adjustment of deferred tax assets and liabilities for the effect of enactment of corporate tax reform and related legislation that adjusts United States federal corporate income tax rates) plus (ii) interest expense times one minus the average of the highest marginal federal corporate income tax rates over the three-year Performance Period ("Return"), divided by (B) the average thirteen quarter-end investment balances (beginning with the quarter-end immediately preceding the beginning of the Performance Period) consisting of (i) debt (including current maturities of long-term debt) plus (ii) stockholders' equity plus the postretirement plans amounts determined quarterly as included in the Corporation's Statement of Stockholders' Equity.

(b) **ROIC Determination.** Each component of ROIC and the calculation of any postretirement plans amounts recorded in the Corporation's Statement of Stockholders' Equity shall be determined by the Committee in accordance with generally accepted accounting principles in the United States and be based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the date or period on which ROIC is being determined, the Committee shall make its determination in a manner consistent with the historical practices used by the Corporation in determining the components of ROIC and postretirement plans

amounts recorded in the Corporation's Statement of Stockholders' Equity for purposes of reporting those items on its audited financial statements, as modified by this paragraph. Notwithstanding the foregoing, ROIC will be adjusted to exclude the impact of any change in accounting standards or adoption of any new accounting standards that is required under generally accepted accounting principles in the United States and that is reported in the Corporation's filings with the Securities and Exchange Commission as having a material effect on the Corporation's consolidated financial statements. ROIC, as included in the 2016 Long Range Plan, and the change in ROIC for purposes of the ROIC Performance Factor will be determined in accordance with this Section 4.1(b).

4.2 Cash Flow Performance Factor. The Cash Flow Performance Factor will be determined by comparing the Corporation's cumulative Cash Flow during the Performance Period to the Cash Flow Target, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the Cash Flow Target on the following table:

<u>Cash Flow Band</u>	<u>Cash Flow Performance Factor</u>
Target + <sup>3</sup> \$2.0B or more	200% (Maximum)
Target + \$1.5B	175%
Target + \$1.0B	150%
Target + \$0.5B	125%
Target	100%
Target – \$0.2B	75%
Target – \$0.5B	50%
Target – \$0.7B	25% (Threshold)

(a) Cash Flow Definition. For purposes of this Award Agreement, "Cash Flow" means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2016 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; or (ii) any tax payments or tax benefits during the Performance Period associated with the divestiture of business units, other than tax payments or tax benefits that were included in the Corporation's 2016 Long Range Plan.

(b) Cash Flow Determination. Cash Flow shall be determined by the Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Committee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows, in either case as modified by this paragraph.

4.3 Interpolation of ROIC and Cash Flow Metrics. If the change in ROIC or Cash Flow falls between two numbers listed in the applicable table in Section 4.1 or 4.2, the appropriate factor will be interpolated on a linear basis. Notwithstanding the foregoing, the ROIC Performance Factor will always be zero if the ROIC for the

Performance Period falls short of the ROIC Target by more than 30 basis points and the Cash Flow Performance Factor will always be zero if the aggregate Cash Flow for the Performance Period falls short of the Cash Flow Target by more than \$0.7 billion.

**Section 5. Payment of Award.**

**5.1. Employment Requirement.**

(a) General Rule. In order to be eligible to receive payment of your Award as determined under Section 2.1(d), you must accept this Award Agreement and remain employed by the Corporation through the last day of the Vesting Period. Except as provided below or where prohibited by law, if your employment as an Employee terminates during the Vesting Period, you shall forfeit your right to receive all or any part of your Award. If you are on Corporation-approved leave of absence at any point during the Vesting Period, for purposes of this Award Agreement, you will be considered to still be in the employ of the Corporation, unless otherwise provided in an agreement between you and the Corporation.

(b) Exceptions. Notwithstanding Section 5.1(a), if the Committee determines

(i) that your employment as an Employee terminated, as a result of your death, Divestiture, Total Disability or Retirement (each as defined in Section 5.1(c)) or

(ii) that the Corporation terminated your employment involuntarily after July 28, 2016 (except that, if you are an employee who has been identified by the Corporation as subject to Divestiture, "after July 28, 2016" does not apply to you), as a result of a layoff, including through a voluntary layoff program that constitutes a window program under Section 409A of the Code,

you shall be eligible to receive a fraction of your Award and the DDEs with respect to such fraction. The numerator of such fraction shall equal the number of days in the Vesting Period before your employment as an Employee terminated, and the denominator shall equal the total number of days in the Vesting Period. The Committee shall have complete and absolute discretion to make the determinations called for under this Section 5.1(b), and all such determinations shall be binding on you and on any person who claims all or any part of your Award on your behalf as well as on the Corporation. If you terminate employment during the Vesting Period but are eligible to receive a portion of your Award as a result of an exception under this Section 5.1(b), payment of such portion of your Award and DDEs shall be in full satisfaction of all rights you have under this Award Agreement.

(c) Special Definitions. For purposes of this Award Agreement:

(i) Your employment as an Employee shall be treated as terminating because of a "Total Disability" on the date you commence receiving a benefit under the Corporation's long-term disability plan in which you participate, or if you are not enrolled in the Corporation's long-term disability plan, the date on which long-term disability benefits would commence under the plan under which you would have been covered, had you enrolled, using the standards set forth in that plan;

(ii) Your employment as an Employee shall be treated as terminating as a result of Divestiture if the Corporation divests all or substantially all of a business operation of the Corporation and such divestiture results in the termination of your employment with the Corporation and a transfer of such employment to the other party in the Divestiture. A "Divestiture" shall mean a transaction that results in the transfer of control of the business operation divested to any person, corporation, association, partnership, joint venture, limited liability company or other business entity of which less than 50% of the voting stock or other equity interests are owned or controlled directly or indirectly by the Corporation, by one or more of the Corporation's Subsidiaries or by any combination thereof; and

(iii) Your employment as an Employee shall be treated as terminating because of "Retirement" if the effective date of your termination of employment is after July 28, 2016, and (1) after you reach age 65, or (2) after you reach age 55 and have (at the time of your termination) completed at least ten years of service with the Corporation. The effective date of your termination is the first of the month following the date you terminate services with the Corporation.

(d) Resignation or Termination before January 28, 2019.

(i) Except where prohibited by law, if you resign or your employment otherwise terminates before January 28, 2019, other than on account of death, Total Disability, layoff, Retirement or Divestiture (as described above) or Change in Control (as described below), you will forfeit your right to receive all or any part of your Award on the date of your termination.

(ii) Except where prohibited by law, if your employment terminates before January 28, 2019 by action of the Corporation due to your misconduct, then you will forfeit your right to receive all or any part of your Award on the date of your termination. If your employment terminates due to your misconduct after July 28, 2016, but before January 28, 2019, then you will not be eligible to receive a fraction of your Award pursuant to Section 5.1(b) of the Award Agreement, even if at the time of your termination due to misconduct you have attained (i) age 55 and ten years of service, or (ii) age 65. The business area or Enterprise Operations review committee responsible for determinations of misconduct, or the Committee if you are an Elected Officer, will determine if your employment terminates due to misconduct.

(e) Rules Applicable to Canadian Employees. If you are employed in Canada, for purposes of the Award Agreement, the date of termination of employment will be the last day of actual and active employment. For the avoidance of doubt, except as may be required by applicable minimum standards legislation, no period of notice or payment in lieu of notice that is given or that ought to have been given under any applicable law or contract in respect of such

termination of employment that follows or is in respect of a period after your last day of actual and active employment, if any, will be considered as extending your period of employment for the purposes of determining your entitlement under this Agreement.

**5.2. Payment Rules.**

(a) Vesting. If you are eligible to receive an Award under Section 5.1(a) or a fraction of an Award under Section 5.1(b), your Award shall vest on the last day of the Vesting Period.

(b) Method of Payment. Your Award shall be paid in whole shares of Stock. DDEs on the shares underlying your Award, if any, shall be paid in cash. In the event of your death, your payment will be made to your estate if you do not have a properly completed Beneficiary designation form on file with the Vice President of Compensation and Performance Management.

(c) Timing of Payment. You shall have the right to receive your Award plus DDEs as soon as administratively practicable following the Vesting Period, but no later than 60 days after the date on which the Committee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become an Award for the Performance Period (for taxpayers in Canada or as otherwise required by local country law, no later than December 31<sup>st</sup> of the year in which your Award is certified).

5.3. Cutback. Any payment called for under Section 5.2 will be reduced to the extent that such payment together with payments attributable to any other Share-Based Awards that are granted during 2016 as Performance-Based Awards exceeds 1,000,000 shares of Stock. Amounts in excess of 1,000,000 shares shall be forfeited. Any DDEs on forfeited shares shall also be forfeited.

**Section 6. No Assignment – General Creditor Status.**

You shall have no right to assign any interest you might have in all or any part of the Target Award or Award which has been granted to you under this Award Agreement and any attempt to do so shall be null and void and shall have no force or effect whatsoever. Furthermore, all payments called for under this Award Agreement shall be made from the Corporation's general assets, and your right to payment from the Corporation's general assets shall be the same as the right of a general and unsecured creditor of the Corporation. Until a share of Stock is delivered to you, you generally will not have the rights and privileges of a stockholder. In particular, you will not have the right to vote your PSUs on any matter put to the stockholders of the Corporation; you may not sell, transfer, assign, pledge, use as collateral or otherwise dispose of or encumber PSUs; and you will not have the right to receive any dividends paid to stockholders or dividend equivalents on the PSUs.

**Section 7. Plan.**

This Award Agreement shall be subject to all of the terms and conditions set forth in the Plan.

**Section 8. Change in Control.**

**8.1. Change in Control during the Performance Period.**

(a) In the event of a consummation of a Change in Control during the Performance Period, your Target Award (and DDEs) will become vested (i) on the effective date of the Change in Control if the PSUs are not assumed, continued, or equivalent restricted securities are not substituted for your PSUs by the Corporation or its successor, or (ii) if the PSUs are assumed, continued or substituted by the Corporation or its successor, on the effective date of your involuntary termination other than for Cause (not including death or Total Disability) or your voluntary termination with Good Reason, in either case, within the 24-month period following the consummation of the Change in Control; provided that any such termination is also a "separation from service" under Code section 409A.

(b) In the event the PSUs vest in accordance with this Section 8.1 (whether immediately following the Change in Control or following your termination), the shares of Stock or equivalent substituted securities in which you have become vested and DDEs shall be delivered to you within 14 days of the date on which you become vested.

**8.2. Change in Control during the Vesting Period.**

(a) In the event of a consummation of a Change in Control after the end of the Performance Period but during the Vesting Period, you will vest in your Target Award (and DDEs) (i) on the effective date of the Change in Control if the PSUs are not assumed or continued or equivalent restricted securities are not substituted for your PSUs by the Corporation or its successor, or (ii) on the earlier of the end of the Vesting Period or the effective date of your termination if the PSUs are assumed, continued or substituted for, upon your involuntary termination other than for Cause (not including death or Total Disability) or your voluntary termination with Good Reason, in either case, prior to the end of the Vesting Period.

(b) In the event the PSUs vest in accordance with this Section 8.2 (whether immediately following the Change in Control or following your termination), the shares of Stock or equivalent substituted securities in which you have become vested and DDEs shall be delivered to you within 14 days of the date on which you become vested.

**8.3 Special Definitions.** For purposes of this Award Agreement:

(a) "Cause" shall mean either of the following:

(i) Conviction for an act of fraud, embezzlement, theft or other act constituting a felony (other than traffic-related offenses or as a result of vicarious liability); or

(ii) Willful misconduct that is materially injurious to the Corporation's financial position, operating results or reputation; provided, however that

no act or failure to act shall be considered “willful” unless done, or omitted to be done, by you (a) in bad faith; (b) for the purpose of receiving an actual improper personal benefit in the form of money, property or services; or (c) in circumstances where you had reasonable cause to believe that the act or failure to act was unlawful.

(b) “Good Reason” shall mean, without your express written consent, the occurrence of any one or more of the following after the Change in Control:

- (i) A material and substantial reduction in the nature or status of your authority or responsibilities;
- (ii) A material reduction in your annualized rate of base salary;
- (iii) A material reduction in the aggregate value of your level of participation in any short or long term incentive cash compensation plan, employee benefit or retirement plan or compensation practices, arrangements, or policies;
- (iv) A material reduction in the aggregate level of participation in equity-based incentive compensation plans; or
- (v) Your principal place of employment is relocated to a location that is greater than 50 miles from your principal place of employment on the date the Change in Control is consummated.

Your continued employment following an event that would constitute a basis for voluntary termination with Good Reason shall not constitute Good Reason if you consent to, or waive your rights with respect to any circumstances constituting Good Reason. In addition, the occurrence of an event described in (i) through (v) shall constitute the basis for voluntary termination for Good Reason only if you provide written notice of your intent to terminate employment within 90 days of the first occurrence of such event and the Corporation has had at least 30 days from the date on which such notice is provided to cure such occurrence. If you do not terminate employment for Good Reason within 180 days after the first occurrence of the applicable grounds, then you will be deemed to have waived your right to terminate for Good Reason with respect to such grounds.

8.4. Special Rule. Notwithstanding Section 8.1 or 8.2, if a payment in accordance with those provisions would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, then the date of distribution to you shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

#### **Section 9. Amendment and Termination.**

As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall amend Sections 1, 2, 3, 4, or 5 in a manner adverse to

you or reduce the amount payable hereunder in a material manner without your written consent. For this purpose, a change in the amount payable hereunder that occurs solely by reason of a change in the date or form of payment due to Section 409A of the Code or Section 16 of the Exchange Act shall in no case be treated as a reduction prohibited by this Section 9. Thus, for example, if an amount payable by reason of Section 8 is delayed by an amendment to this Award Agreement or other action undertaken to comply with Section 409A of the Code and the amount payable is reduced solely by reason of a corresponding delay in the date of valuation of a share of Stock, such a change shall not be treated as a reduction prohibited by this Section 9. This Section 9 shall be construed and applied so as to permit the Committee to amend this Award Agreement at any time in any manner reasonably necessary or appropriate in order to comply with the requirements of Section 16 of the Exchange Act and of Section 409A of the Code, including amendments regarding the timing and form of payments hereunder.

**Section 10. Data Privacy Consent For Employees Located Outside Of The United States.**

To the extent recognized under applicable law, you hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Award Agreement by and among the Corporation for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Corporation holds certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares or directorships held in the Corporation, details of all awards or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Data"). You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Corporation may elect to administer the settlement of any award. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

**Section 11. No Assurance of Employment; No Right to an Award; Value of Award.**

Nothing contained in the Plan or in this Award Agreement shall confer upon you any right to continue in the employ or other service of the Corporation or constitute any contract (of employment or otherwise) or limit in any way the right of the Corporation to change your compensation or other benefits or to terminate your employment with or without cause. You acknowledge and agree as follows:

- (a) the Plan is discretionary in nature and that the Board of Directors may amend, suspend, or terminate it at any time;
- (b) the grant of the PSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of any PSUs, or benefits in lieu of any PSUs even if PSUs have been granted repeatedly in the past;
- (c) all determinations with respect to such future PSUs, if any, including but not limited to the times when PSUs shall be granted or when PSUs shall vest, will be at the sole discretion of the Committee;
- (d) your participation in the Plan is voluntary;
- (e) the value of the PSUs is an extraordinary item of compensation, which is outside the scope of your employment contract (if any), except as may otherwise be explicitly provided in your employment contract;
- (f) the PSUs are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating termination, severance, resignation, redundancy, end of service, or similar payments, or bonuses, long-service awards, pension or retirement benefits;
- (g) the PSUs shall expire upon termination of your employment for any reason except as may otherwise be explicitly provided in the Plan and this Award Agreement;
- (h) the future value of the shares is unknown and cannot be predicted with certainty; and
- (i) no claim or entitlement to compensation or damages arises from the termination of the PSUs or diminution in value of the PSUs or Stock and you irrevocably release the Corporation from any such claim that may arise.

**Section 12. Conflict.**

In the event of a conflict between this Award Agreement and the Plan, the Plan document shall control.

**Section 13. Compliance with Section 409A of the Code.**

It is the intent of the Company that your Award not be subject to taxation under Section 409A(a)(1) of the Code. Nevertheless, in the event that your Award is or could

be subject to Section 409A of the Code, as determined by the Senior Vice President, Human Resources, in consultation with the General Tax Counsel or his or her delegate, the following rules apply: (i) the Award will be interpreted and administered to meet the requirements of Sections 409A(a)(2), (3) and (4) of the Code and thus to be exempt from taxation under Section 409A(a)(1) of the Code; (ii) no Award payment will be made on account of your termination of employment unless the termination of employment constitutes a "separation from service" under Code section 409A(a)(2)(a)(i); and (iii) if you are a "specified employee" within the meaning of Code section 409A, any payment in respect of this Award made on account of a termination of employment will be delayed for six (6) months following such termination of employment, and then made at the earliest date permitted by Section 409A of the Code.

**Section 14. Post-Employment Covenants & Stock Ownership Requirements.**

Except where prohibited by law, by accepting this Award Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Award Agreement and you acknowledge receipt of the Stock Ownership Requirements ("Ownership Requirements") attached as Exhibit B to this Award Agreement and agree to comply with such Ownership Requirements as amended from time to time. If you are not a Vice President (or above) on January 28, 2016, but you are promoted to Vice President (or above) prior to January 28, 2019, the Ownership Requirements as in effect at that time shall become applicable to you on the date of your promotion to Vice President (or above).

**Section 15. English Language.**

You have received the terms and conditions of this Award Agreement and any other related communications, and you consent to having received these documents, in English. If you have received this Award Agreement or any other documents related to the Plan translated into a language other than English, and if the translated version is different from the English version, the English version will control.

Quebec Residents Only: The Parties have agreed that this Award Agreement, the Plan as well as any notice, document or instrument relating to them be drawn up in English only. You acknowledge that, upon your reasonable request, the Corporation will provide a French translation of such documents to you. Les parties aux présentes ont convenu que la présente accord, le "Plan," ainsi que tous autres avis, actes ou documents s'y rattachant soient rédigés en anglais seulement. Vous reconnaissez que, à votre demande raisonnable, "the Corporation" fournit une traduction française de ces documents à vous.

**Section 16. Currency Exchange Risk.**

If your functional currency is not the U.S. dollar, you agree and acknowledge that you will bear any and all risk associated with the exchange or fluctuation of currency associated with the Award (the "Currency Exchange Risk"). You waive and release the Corporation and its subsidiaries from any potential claims arising out of the Currency Exchange Risk.

**Section 17. Exchange Control Requirements.**

You agree and acknowledge that you will comply with any and all exchange control requirements applicable to the Award and any resulting funds including, without limitation, reporting or repatriation requirements.

**Section 18. Execution; Electronic Delivery.**

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this Award from this internet site (<http://www.stockplanconnect.com>) as well as to electronic delivery of the Corporation's annual report on Form 10-K, annual proxy statement and quarterly reports on Form 10-Q. This consent can only be withdrawn by written notice to the Vice President of Compensation and Performance Management at the address noted below. The Corporation may, in its sole discretion, decide to deliver any documents related to the Award under the Plan or future Awards that may be awarded under the Plan by electronic means or request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through any on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation.

**No Award is enforceable until you properly acknowledge your acceptance** by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Performance Management as soon as possible but in no event later than May 31, 2016. Acceptance of this Award Agreement must be made only by you personally or by a person acting pursuant to a power of attorney in the event of your inability to acknowledge your acceptance due to your disability or deployment in the Armed Forces (and not by your estate, your spouse or any other person) and constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award. The Committee has authorized electronic means for the delivery and acceptance of this Award Agreement. If you desire to accept this Award, you must acknowledge your acceptance and receipt of this Award Agreement, either electronically or by signing and returning a copy of this letter on or before May 31, 2016, as follows:

- Electronic Acceptance: Go to <http://www.stockplanconnect.com>
- By Mail: Nick Lossia, Vice President of Compensation and Performance Management, Lockheed Martin Corporation, Mail Point 126, 6801 Rockledge Drive, Bethesda, MD 20817

Assuming prompt and proper acknowledgment of this Award Agreement as described, this Award will be effective as of the Award Date.

Sincerely,

Patricia L. Lewis  
Senior Vice President, Human Resources

(For written acceptance, please complete, sign and return by mail.)

Acknowledged by:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Employee ID

Appendix A  
Capitalized Terms

Average TSR	§ 3.2(a)
Award	6th ¶
Award Date	Header
Cash Flow	§ 4.2(a)
Cash Flow Performance Factor	§ 4.2
Cash Flow Target	§ 2.1(c)
Cause	§ 8.3(a)
Change in Control	Plan
Code	Plan
Committee	1st ¶
Corporation	6th ¶
DDE	§ 1.1(c)
Divestiture	§ 5.1(c)(ii)
Earned Cash Flow Performance Award	§ 2.1(c)
Earned ROIC Performance Award	§ 2.1(b)
Earned Total Stockholder Return Performance Award	§ 2.1(a)
Employee	Plan
Exchange Act	Plan
Fair Market Value	Plan
Good Reason	§ 8.3(b)
Insider	Plan
Maximum Award	§ 1.1(b)
Peer Performance Group	§ 3.1
Performance-Based Award	Plan
Performance Period	§ 1.2
Plan	1st ¶
PSU	§ 1.1(a)
Retirement	§ 5.1(c)(3)
Return	§ 4.1(a)
ROIC	§ 4.1(a)
ROIC Performance Factor	§ 4.1
ROIC Target	§ 2.1(b)
Share-Based Awards	Plan
Stock	Plan
Target Award	6th ¶ § 1.1(a)
Target Cash Flow Performance Award	§ 1.1(a)(iii)
Target ROIC Performance Award	§ 1.1(a)(ii)
Target Total Stockholder Return Performance Award	§ 1.1(a)(i)
Total Disability	§ 5.1(c)(1)
Total Stockholder Return	Plan; § 3.2(a)
Total Stockholder Return Performance Factor	§ 3.1; § 3.2
Vesting Period	§ 1.3

Exhibit A  
Post Employment Conduct Agreement  
(PSU Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2016 (the "Award Agreement") is entered into in consideration of, among other things, the grant of performance restricted stock units to me under the Award Agreement (the "PSUs") pursuant to the Lockheed Martin Corporation 2011 Incentive Performance Award Plan, as amended (the "Plan"). References to the "Corporation" shall include Lockheed Martin Corporation and its Subsidiaries. By accepting the PSUs, I agree as follows:

1. Restrictions Following Termination of Employment.

(a) Covenant Not To Compete – Without the express written consent of the "Required Approver" (as defined in Section 6), during the one-year period (or two-year period for Elected Officers) following the date of my termination of employment (the "Termination Date") with the Corporation, I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6), whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case,

(i) oversees, controls or affects the design, operation, research, manufacture, marketing, sale or distribution of "Competitive Products or Services" (as defined in Section 6) of or by the Restricted Company, or

(ii) would involve a substantial risk that the "Confidential or Proprietary Information" (as defined in Section 1(c)) of the Corporation (including but not limited to technical information or intellectual property, strategic plans, information relating to pricing offered to the Corporation by vendors or suppliers or to prices charged or pricing contemplated to be charged by the Corporation, information relating to employee performance, promotions or identification for promotion, or information relating to the Corporation's cost base) could be used to the disadvantage of the Corporation.

Section 1(a)(i) and (ii) shall not apply to residents of California.

To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct (such as the ABA Model Rules of Professional Conduct and state versions thereof), Sections 1(a)(i) and (ii) and Section 1(b) relating to non-solicitation, shall apply to individuals who are employed by the Corporation in an attorney position and whose occupation during the one-year (or two-year, for Elected Officers) period following employment with the Corporation does not include practicing law.

In lieu of Section 1(a)(i) and (ii), as well as Section 1(b) relating to non-solicitation, the following Section 1(a)(iii) shall apply to individuals who are employed by the Corporation in an attorney position, and whose occupation during the one-year (or two-year, for Elected Officers) period following employment with the Corporation includes practicing law.

(iii) Post-employment Activity As a Lawyer – I acknowledge that as counsel to the Corporation, I owe ethical and fiduciary obligations to the Corporation and that at least some of these obligations will continue even after my Termination Date with the Corporation. I agree that after my Termination Date I will comply fully with all applicable ethical and fiduciary obligations that I owe to the Corporation. To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct, I agree that I will not:

(a) Represent any client in the same or a substantially related matter in which I represented the Corporation where the client's interests are materially adverse to the Corporation; or

(b) Disclose confidential information relating to my representation of the Corporation, including the disclosure of information that is to the disadvantage of the Corporation, except for information that is or becomes generally known.

The Corporation's Senior Vice President, General Counsel, and Corporate Secretary or the General Tax Counsel, as applicable, will determine in his or her discretion whether an individual is employed by the Corporation in an attorney position.

(b) Non-Solicit – Without the express written consent of the Required Approver, during the one-year period (two-year period for Elected Officers) following the Termination Date, I will not (i) interfere with any contractual relationship between the Corporation and any customer, supplier, distributor or manufacturer of or to the Corporation to the detriment of the Corporation or (ii) induce or attempt to induce any person who is an employee of the Corporation to perform work or services for any entity other than the Corporation.

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President, General Counsel and

Corporate Secretary as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CRX-015C (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

- (i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, or
- (ii) existing or contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, or production processes.

(d) No Disparagement – Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Corporation or its directors, officers, employees, technology, products or services with respect to any matter whatsoever.

(e) Cooperation in Litigation and Investigations – Following the Termination Date, I will, to the extent reasonably requested, cooperate with the Corporation in any pending or future litigation (including alternative dispute resolution proceedings) or investigations in which the Corporation or any of its subsidiaries or affiliates is a party or is required or requested to provide testimony and regarding which, as a result of my employment with the Corporation, I reasonably could be expected to have knowledge or information relevant to the litigation or investigation. Notwithstanding any other provision of this PECA, nothing in this PECA shall affect my obligation to cooperate with any governmental inquiry or investigation or to give truthful testimony in court.

2. Consideration and Acknowledgement. I acknowledge and agree that the benefits and compensation opportunities being made available to me under the Award Agreement are in addition to the benefits and compensation opportunities that otherwise are or would be available to me in connection with my employment by the Corporation and that the grant of the PSUs is expressly made contingent upon my agreements with the Corporation set forth in this PECA. I acknowledge that the scope and duration of the

restrictions in Section 1 are necessary to be effective and are fair and reasonable in light of the value of the benefits and compensation opportunities being made available to me under the Award Agreement. I further acknowledge and agree that as a result of the high level executive and management positions I hold with the Corporation and the access to and extensive knowledge of the Corporation's Confidential or Proprietary Information, employees, suppliers and customers, these restrictions are reasonably required for the protection of the Corporation's legitimate business interests.

**3. Remedies For Breach of Section 1; Additional Remedies of Clawback and Recoupment.**

(a) If I become (or currently am) an Insider (as defined in the Plan) or receive a PSU Award, I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

(i) I breach any of the covenants or agreements in Section 1;

(ii) The Corporation determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Corporation, contributed to the Corporation having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission;

(iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation; or

(iv) Under such other circumstances specified by final regulation issued by the Securities and Exchange Commission entitling the Corporation to recapture or clawback "Benefits and Proceeds" (as defined below).

(b) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.

(c) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I own Stock issued in respect of vested PSUs, such Stock; (ii) to the extent I no longer own the shares of Stock of the Corporation issued in respect of the PSUs, cash in an amount equal to the greater of (x) the value of such Stock on the date the associated PSUs vested (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of

Common as finally reported by the New York Stock Exchange on such date), and (y) the proceeds received in connection with the disposition of such Stock; and (iii) to the extent I have not earned the PSUs fully, all of my remaining rights, title or interest in my Award and any accrued dividend equivalents with respect thereto.

4. Injunctive Relief. I acknowledge that the Corporation's remedies at law may be inadequate to protect the Corporation against any actual or threatened breach of the provisions of Section 1 or the conduct described in Section 3(a), and, therefore, without prejudice to any other rights and remedies otherwise available to the Corporation at law or in equity (including but not limited to, an action under Section 3(a)), the Corporation shall be entitled to injunctive relief in its favor and to specific performance without proof of actual damages and without the requirement of the posting of any bond or similar security.

5. Invalidity; Unenforceability. It is the desire and intent of the parties that the provisions of this PECA shall be enforced to the fullest extent permissible. Accordingly, if any particular provision of this PECA is adjudicated to be invalid or unenforceable, this PECA shall be deemed amended to delete the portion adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of this provision in the particular jurisdiction in which such adjudication is made.

6. Definitions. Capitalized terms not defined in this PECA have the meaning given to them in the Plan, as applicable. For purposes of this PECA, the following terms have the meanings given below:

(a) "Restricted Company" means The Boeing Company, General Dynamics Corporation, Northrop Grumman Corporation, the Raytheon Company, United Technologies Corporation, Honeywell International Inc., BAE Systems Inc., L-3 Communications Corporation, the Harris Corporation, Thales, Airbus Group, Inc., Textron Inc., Finmeccanica SpA and (i) any entity directly or indirectly controlling, controlled by, or under common control with any of the foregoing, and (ii) any successor to all or part of the business of any of the foregoing as a result of a merger, reorganization, consolidation, spin-off, split-up, acquisition, divestiture, or similar transaction.

(b) "Competitive Products or Services" means products or services that compete with, or are an alternative or potential alternative to, products sold or services provided by a subsidiary, business area, division or operating unit or business of the Corporation as of the Termination Date and at any time within the two-year period ending on the Termination Date; provided, that, (i) if I had direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Corporation at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided during that two-year period by the subsidiary, business area, division or operating unit of the Corporation for which I had responsibility, and (ii) if I did not have direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Corporation at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided by

a subsidiary, business area, division or operating unit of the Corporation for which I had access (or was required or permitted such access in the performance of my duties or responsibilities with the Corporation) to Confidential or Proprietary Information of the Corporation at any time during the two-year period ending on the Termination Date.

(c) "Required Approver" means:

(i) with respect to the Chairman, President and Chief Executive Officer, the Management and Development Committee of the Corporation's Board of Directors;

(ii) with respect to an Elected Officer, the Corporation's Chairman, President and Chief Executive Officer; or

(iii) with respect to all other employees, the Senior Vice President, Human Resources of the Corporation.

(d) "Elected Officer" means an officer of the Corporation who was elected to his or her position by the Corporation's Board of Directors.

7. Miscellaneous.

(a) The Plan, the Award Agreement (with Exhibit B) and this PECA constitute the entire agreement governing the terms of the award of the PSUs to me.

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law. Any enforcement of, or challenge to, this PECA may only be brought in the Circuit Court of Maryland or the United States District Court for the District of Maryland. Both parties consent to the proper jurisdiction and venue of the Circuit Court of Maryland and the United States District Court for the District of Maryland for the purpose of enforcing or challenging this PECA.

(c) This PECA shall inure to the benefit of the Corporation's successors and assigns and may be assigned by the Corporation without my consent.

(d) This PECA provides for certain obligations on my part following the Termination Date and shall not, by implication or otherwise, affect in any way my obligations to the Corporation during the term of my employment by the Corporation, whether pursuant to written agreements between the Corporation and me, the provisions of applicable Corporate policies that may be adopted from time to time or applicable law or regulation.

**This PECA is effective as of the acceptance by me of the award of PSU under the Award Agreement and is not contingent on the vesting of my PSU Award.**

## Exhibit B

## Stock Ownership Requirements

Lockheed Martin's Stock Ownership Requirements for Key Employees apply to all senior level positions of Vice President and above. This reflects the expectations of our major stockholders that management demonstrate its confidence in Lockheed Martin through a reasonable level of personal share ownership. This practice is consistent with other major U.S. corporations which link some portion of personal financial interests of key employees with those of shareholders.

**Stock Ownership Requirements**

<u>Title</u>	<u>Annual Base Pay Multiple</u>
Chairman, President and Chief Executive Officer	6 times
Chief Operating Officer	5 times
Chief Financial Officer	4 times
Executive Vice Presidents	3 times
Senior Vice Presidents	2 times
Other Elected Officers	2 times
Other Vice Presidents	1 times

**Satisfaction of Requirements**

Covered employees may satisfy their ownership requirements with common stock in these categories:

- Shares owned directly.
- Shares owned by a spouse or a trust.
- Shares represented by monies invested in 401(k) Company Common Stock Funds or comparable plans.
- Share equivalents as represented by income deferred to the Company Stock Investment Option of the Deferred Management Incentive Compensation Plan (DMICP).
- Unvested Restricted Stock Units
- Unvested Performance Stock Units granted in 2014 (based on the Target Award).

Key employees will be required to achieve the appropriate ownership level within 5 years and are expected to make continuous progress toward their target. Appointment to a new level will reset the five year requirement. Unexercised options prior to vesting are not counted toward meeting the guidelines.

**Holding Period**

Covered employees must retain net vested Restricted Stock Units and Performance Stock Units and the net shares resulting from any exercise of stock options if the ownership requirements are not yet satisfied.

Covered employees are asked to report annually on their progress toward attainment of their share ownership goals.

LTIP (Domestic and International)

Award Date: January 28, 2016



**THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING  
SECURITIES THAT HAVE BEEN REGISTERED UNDER THE  
SECURITIES ACT OF 1933**

Re: Lockheed Martin Corporation 2011 Incentive Performance Award Plan:  
**Long-Term Incentive Performance Award (2016-2018 Performance Period)**

Dear Awardee:

On behalf of the Management Development and Compensation Committee (the "Committee") of the Board of Directors of Lockheed Martin Corporation, I am pleased to tell you that you have been granted a Long-Term Incentive Performance ("LTIP") Award under the Corporation's 2011 Incentive Performance Award Plan, as amended (the "Plan"). The purpose of this letter is to serve as the LTIP Award Agreement and to set forth your Target Award as well as the terms and conditions to the payment of your Award. Additional terms and conditions are set forth in the Plan and in the Prospectus relating to the Plan of which the Plan document and this Award Agreement are a part. Your Target Award and the Prospectus are available at <http://www.stockplanconnect.com>. You should retain the Prospectus and the attached copy of the Plan in your records.

Your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Performance Management as instructed below as soon as possible but in no event later than May 31, 2016. **If you do not properly acknowledge your acceptance of this Award Agreement on or before May 31, 2016, this Award will be forfeited.**

Assuming prompt and proper acknowledgement of your acceptance of this Award Agreement as described above, this Award will be effective as of the Award Date. Acceptance of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award and your agreement to be bound by the restrictions contained in Section 18 and Exhibit A ("Post-Employment Conduct Agreement") and Exhibit B ("Stock Ownership Requirements"), as amended from time to time, except where prohibited by law.

The Corporation will comply with all applicable U.S. Tax withholding requirements applicable to the Award. **Please see the prospectus for the Plan for a discussion of certain material U.S. Tax consequences of the Award.** If you are a taxpayer in a country other than the U.S., you agree to make appropriate arrangements with the Corporation or its subsidiaries for the satisfaction of all income and employment tax withholding requirements, as well as social insurance contributions applicable to the Award. Please see the tax summary for your country at <http://www.stockplanconnect.com>. If you are a taxpayer in a country other than the U.S., you represent that you will consult with your own tax advisors in connection with this Award and that you are not relying on the Corporation for any tax advice.

In general, the Corporation will reduce the amount paid to you under this Award Agreement by an amount sufficient to satisfy any applicable Tax withholding obligation, based upon the minimum rate of withholding prescribed by law. The Corporation shall also have the right to (i) offset any other obligation of the Corporation to you (including but not limited to withholding from your salary) by an amount sufficient to satisfy the Tax withholding obligation, or (ii) require you (or your Beneficiary) to pay the Corporation an amount equal to the Tax withholding obligation.

Capitalized terms used in this Award Agreement either shall be defined in this Award Agreement or if not defined in this Award Agreement shall have the meaning given to the term in the Plan. The term "Target Award" as used in this Award Agreement refers only to the Target Award awarded to you under this Award Agreement and the term "Award" refers only to the LTIP Award set forth in this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its Subsidiaries. Appendix A contains an index of all capitalized terms used in this Award Agreement.

**Section 1. Target Award; Performance Period.**

1.1 Target Award. Your Target Award for the Performance Period under this Award Agreement shall be the U.S. dollar amount identified as your Target Award in your account at <http://www.stockplanconnect.com>.

1.2 Performance Period. The Performance Period under this Award Agreement is a three-year performance period that runs from January 1, 2016, until December 31, 2018.

1.3 Payment of Award. The amount payable to you under your Award is dependent upon the Corporation's performance as compared to the metrics described in Section 3 and Section 4 of this Award Agreement and your continued employment with the Corporation in accordance with Section 5 of this Award Agreement. As a result of these requirements, any payments you receive may be larger or smaller than your Target Award (*e.g.*, the performance factors could result in no payment in respect of your Award). With respect to US-based Employees, when an Award becomes vested in accordance with Section 5.2(a), the Award amount will be paid to the Participant in US Dollars. With respect to non-US based employees, when an Award becomes vested in accordance with Section 5.2(a), the amount payable to the Participant in cash will be the amount of the Participant's Award converted into the Participant's functional currency at the conversion rate determined by the Corporation in its discretion as of the date the Award becomes vested in accordance with Section 5.2(a).

**Section 2. Calculation of Award Payments.**

2.1 End of Performance Period Calculation. Following the end of the Performance Period and prior to any payments being made,

(a) The Committee will calculate the Total Stockholder Return Performance Factor based on the Corporation's performance during the Performance Period relative to the performance of other corporations which compose the "Peer Performance Group" as defined in Section 3.1 below.

(b) The Committee will calculate the ROIC Performance Factor based on the Corporation's ROIC during the Performance Period as compared to the projected ROIC for the Performance Period as set forth in the January 27, 2016, Committee resolution ("ROIC Target").

(c) The Committee will calculate the Cash Flow Performance Factor based on the Corporation's cumulative Cash Flow during the Performance Period as compared to the projected cumulative Cash Flow for the Performance Period as set forth in the January 27, 2016, Committee resolution ("Cash Flow Target").

(d) Your "Potential Award" shall be calculated by multiplying the weighted average of the Total Stockholder Return Performance Factor, the ROIC Performance Factor, and the Cash Flow Performance Factor by your Target Award. The Total Stockholder Return Performance Factor, the ROIC Performance Factor, and the Cash Flow Performance Factor shall be weighted as follows in determining the weighted average of the three performance factors:

Total Stockholder Return Performance Factor	50%
ROIC Performance Factor	25%
Cash Flow Performance Factor	25%

You must (except as specified in Section 5) remain employed by the Corporation through December 31, 2018, to receive your Potential Award.

2.2 Adjustment of ROIC Target and Cash Flow Target. The Committee will adjust the ROIC Target and Cash Flow Target established as described in Section 2.1(b) and Section 2.1(c), respectively, to account for the impact of an acquisition or divestiture with a transaction value in excess of \$1 billion at the time the transaction takes effect.

### **Section 3. Total Stockholder Return Performance Factor.**

3.1. Peer Performance Group. The Total Stockholder Return Performance Factor will be based upon the relative ranking of the Corporation's Average TSR (as defined in Section 3.2(a)) for the Performance Period to the Average TSR for such Period for each corporation in the "Peer Performance Group." The "Peer Performance Group" shall consist of the corporations which compose the Standard and Poor's Aerospace and Defense Index reported under symbol S5AERO by Bloomberg L.P. The Corporation's Total Stockholder Return will be based on the performance of the Stock. With respect to the corporations that make up the Standard and Poor's Aerospace and Defense Index, the Total Stockholder Return of each corporation that is taken into account in computing the Peer Performance Group Total Stockholder Return will be based on the equity security of the relevant corporation that is used in computing the Standard and Poor's Aerospace and Defense Index.

#### 3.2. Calculation of Total Stockholder Return Performance Factor.

(a) Calculation of Average TSR. During the Performance Period, the Committee shall compute the Total Stockholder Return (as defined in the Plan and assuming the reinvestment of any cash dividends) for the Corporation and for each other corporation in the Peer Performance Group for thirty-six (36) periods during the Performance Period where each period begins on January 1, 2016 (based on the closing price for the stock on December 31, 2015), and ends on the last day of each successive calendar month in

the Performance Period on which the New York Stock Exchange is open for trading. Each such Total Stockholder Return shall be computed from data available to the public. At the end of the Performance Period, the thirty-six (36) Total Stockholder Return figures for each corporation for the Performance Period will be averaged to determine each corporation's average Total Stockholder Return ("Average TSR") for the Performance Period. Each corporation's Average TSR shall be ranked among the Average TSR for each other corporation in the Peer Performance Group on a percentile basis (using the Excel PERCENTRANK function).

(b) Percentage Level of Target Award. Your Total Stockholder Return Performance Factor, expressed as a percentage, will be determined under this Section 3.2(b) (and Section 3.2(c) to the extent interpolation is necessary) based on the Percentile Ranking (as determined under Section 3.2(a)) of the Corporation's Average TSR for the Performance Period under the following chart:

Band	Percentile Ranking	Total Stockholder Return Performance Factor
One	75th – 100th	200% (Maximum)
Two	60th	150%
Three	50th	100%
Four	40th	50%
Five	35th	25% (Threshold)

(c) Total Stockholder Return Performance Factor Interpolation. If the Percentile Ranking as determined under Section 3.2(a) puts the Corporation over the listed Percentile Ranking for the applicable Band (other than Band One) in Section 3.2(b), your Total Stockholder Return Performance Factor under Section 3.2(b) shall be interpolated on a linear basis.

If the Corporation's Average TSR for the three-year Performance Period is negative, the maximum Total Stockholder Return Performance Factor shall not exceed 100%.

#### **Section 4. ROIC Performance Factor and Cash Flow Performance Factor.**

4.1 ROIC Performance Factor. The ROIC Performance Factor will be determined by comparing the Corporation's ROIC for the Performance Period to the ROIC Target and then identifying the ROIC Performance Factor based upon the factor associated with the difference on the following table:

ROIC Band	ROIC Performance Factor
Target + <sup>3</sup> 160 basis points	200% (Maximum)
Target + 120 basis points	175%
Target + 80 basis points	150%
Target + 40 basis points	125%
Target	100%
Target – 10 basis points	75%
Target – 20 basis points	50%
Target – 30 basis points	25% (Threshold)

(a) **ROIC Definition.** For purposes of this Award Agreement, “ROIC” means return on invested capital for the Performance Period calculated as (A) average annual (i) net income (excluding any charge or addition to net income resulting solely from adjustment of deferred tax assets and liabilities for the effect of enactment of corporate tax reform and related legislation that adjusts United States federal corporate income tax rates) plus (ii) interest expense times one minus the average of the highest marginal federal corporate income tax rates over the three year Performance Period (“Return”), divided by (B) the average thirteen quarter-end investment balances (beginning with the quarter-end immediately preceding the beginning of the Performance Period) consisting of (i) debt (including current maturities of long-term debt) plus (ii) stockholders’ equity plus the postretirement plans amounts determined quarterly as included in the Corporation’s Statement of Stockholders’ Equity.

(b) **ROIC Determination.** Each component of ROIC and the calculation of any postretirement plans amounts recorded in the Corporation’s Statement of Stockholders’ Equity shall be determined by the Committee in accordance with generally accepted accounting principles in the United States and be based upon the comparable numbers reported on the Corporation’s audited consolidated financial statements or, if audited financial statements are not available for the date or period on which ROIC is being determined, the Committee shall make its determination in a manner consistent with the historical practices used by the Corporation in determining the components of ROIC and postretirement plans amounts recorded in the Corporation’s Statement of Stockholders’ Equity for purposes of reporting those items on its audited financial statements, as modified by this paragraph. Notwithstanding the foregoing, ROIC will be adjusted to exclude the impact of any change in accounting standards or adoption of any new accounting standards that is required under generally accepted accounting principles in the United States and that is reported in the Corporation’s filings with the Securities and Exchange Commission as having a material effect on the Corporation’s consolidated financial statements. ROIC, as included in the 2016 Long Range Plan, and the change in ROIC for purposes of the ROIC Performance Factor will be determined in accordance with this Section 4.1(b).

4.2 **Cash Flow Performance Factor.** The Cash Flow Performance Factor will be determined by comparing the Corporation’s cumulative Cash Flow during the Performance Period to the Cash Flow Target, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the Cash Flow Target on the following table:

Cash Flow Band	Cash Flow Performance Factor
Target + ³\$2.0B or more	200% (Maximum)
Target + \$1.5B	175%
Target + \$1.0B	150%
Target + \$0.5B	125%
Target	100%
Target – \$0.2B	75%
Target – \$0.5B	50%
Target – \$0.7B	25% (Threshold)

(a) **Cash Flow Definition.** For purposes of this Award Agreement, Cash Flow means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation’s 2016 Long Range Plan to be

contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; or (ii) any tax payments or tax benefits during the Performance Period associated with the divestiture of business units, other than tax payments or tax benefits that were included in the Corporation's 2016 Long Range Plan.

(b) Cash Flow Determination. Cash Flow shall be determined by the Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Committee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows, in either case as modified by this paragraph.

4.3 Interpolation of ROIC and Cash Flow Metrics. If the change in ROIC or Cash Flow falls between two numbers listed in the applicable table in Section 4.1 or 4.2, the appropriate factor will be interpolated on a linear basis. Notwithstanding the foregoing, the ROIC Performance Factor will always be zero if the ROIC for the Performance Period falls short of the ROIC Target by more than 30 basis points and the Cash Flow Performance Factor will always be zero if the aggregate Cash Flow for the Performance Period falls short of the Cash Flow Target by more than \$0.7 billion.

## **Section 5. Payment of Award.**

### **5.1. Employment Requirement.**

(a) General Rule. In order to be eligible to receive payment of your Award as determined under Section 2.1, you must accept this Award Agreement and remain employed by the Corporation through the last day of the Performance Period. Except as provided below or where prohibited by law, if your employment as an Employee terminates during the Performance Period, you shall forfeit your right to receive all or any part of your Award. If you are on Corporation-approved leave of absence at any point during the Performance Period, for purposes of this Award Agreement, you will be considered to still be in the employ of the Corporation, unless otherwise provided in an agreement between you and the Corporation.

(b) Exceptions. Notwithstanding Section 5.1(a), if the Committee determines

(1) that your employment as an Employee terminated as a result of your death, Divestiture, or Total Disability or your Retirement (each as defined in Section 5.1(c)) or

(2) that the Corporation terminated your employment involuntarily after July 28, 2016 (except that, if you are an employee who has been identified by the Corporation as subject to Divestiture, "after July 28, 2016" does not apply to you), as a result of a layoff, including through a voluntary layoff program that constitutes a window program under Section 409A of the Code,

you shall be eligible to receive a fraction of your Award. The numerator of such fraction shall equal the number of days in the Performance Period before your employment as an Employee terminated, and the denominator shall equal the total number of days in

the Performance Period. The Committee shall have complete and absolute discretion to make the determinations called for under this Section 5.1(b), and all such determinations shall be binding on you and on any person who claims all or any part of your Award on your behalf as well as on the Corporation. If you terminate employment during the Performance Period but are eligible to receive a portion of your Potential Award as a result of an exception under this Section 5.1(b), payment of such portion of your Potential Award shall be in full satisfaction of all rights you have under this Award Agreement.

(c) Special Definitions. For purposes of this Award Agreement:

- (1) Your employment as an Employee shall be treated as terminating because of a "Total Disability" on the date you commence receiving a benefit under the Corporation's long-term disability plan in which you participate, or if you are not enrolled in the Corporation's long-term disability plan, the date on which long-term disability benefits would commence under the plan under which you would have been covered, had you enrolled, using the standards set forth in that plan;
- (2) Your employment as an Employee shall be treated as terminating as a result of Divestiture if the Corporation divests all or substantially all of a business operation of the Corporation and such divestiture results in the termination of your employment with the Corporation and a transfer of such employment to the other party in the Divestiture. A "Divestiture" shall mean a transaction that results in the transfer of control of the business operation divested to any person, corporation, association, partnership, joint venture, limited liability company or other business entity of which less than 50% of the voting stock or other equity interests are directly or indirectly owned or controlled by the Corporation, by one or more of the Corporation's Subsidiaries or by a combination thereof; and
- (3) Your employment as an Employee shall be treated as terminating because of "Retirement" if the effective date of your termination of employment is after July 28, 2016, and (i) after you reach age 65, or (ii) after you reach age 55 and have (at the time of your termination) completed at least ten years of service with the Corporation. The effective date of your termination is the first day of the month following the date you terminate services with the Corporation.

(d) Resignation or Termination before the Last Day of the Performance Period.

- (1) Except where prohibited by law, if you resign or your employment otherwise terminates before the last day of the Performance Period, other than on account of death, Total Disability, layoff, Retirement or Divestiture (as described above) or Change in Control (as described below), you will forfeit your right to receive all or any part of your Award on the date of your termination.
- (2) Except where prohibited by law, if your employment terminates before the last day of the Performance Period by action of the Corporation due to your misconduct, then you will forfeit your right to receive all or any part of your Award on the date of your termination. If your employment terminates due to your misconduct after July 28, 2016, but before the last day of the Performance Period, then you will not be eligible to receive a fraction of your Award pursuant

to Section 5.1(b) of the Award Agreement, even if at the time of your termination due to misconduct you have attained (i) age 55 and ten years of service, or (ii) age 65. The business area or Enterprise Operations review committee responsible for determinations of misconduct, or the Committee if you are an Elected Officer, will determine if your employment terminates due to misconduct.

## 5.2. Payment Rules.

(a) General Rule: Vesting; Method of Payment; Timing of Payment. If you are eligible to receive all, or a portion of, your Potential Award under Section 5.1, up to \$10,000,000 of your Potential Award shall be fully vested on the date on which the Committee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period. This portion of your award shall be known as the "Payable Portion" of your Potential Award. The Payable Portion of your Potential Award shall be (i) paid to you in cash as soon as administratively practicable after the certification date described above, but not later than March 15, 2019, or (ii) deferred in accordance with Section 5.2(c). Subject to your deferral election under Section 5.2(c), in the event of your death, the Payable Portion of your Potential Award will be made to your estate if you do not have a properly completed Beneficiary designation form on file with the Vice President of Compensation and Performance Management.

(b) Special Rules for Certain Employees Terminated During Performance Period. If you terminate employment during the Performance Period but are eligible to receive a portion of your Potential Award as a result of an exception under Section 5.1(b), payment of such portion of your Potential Award shall be in full satisfaction of all rights you have under this Award Agreement. The portion of your Potential Award payable to you following a termination of employment during the Performance Period under circumstances described in Section 5.1(b) shall be paid to you or, in the event of your death, to your Beneficiary for the Award, at the time specified in Section 5.2(a) (subject to section 5.2(c)). In the event of your death and you do not have a properly completed Beneficiary designation form on file with the Vice President of Total Rewards and Performance Management's office, your payment will be made to your estate.

(c) Deferral. You will be given an opportunity to elect to defer any amounts payable under Section 5.2 of this Award Agreement. Such election shall be irrevocable, shall be made in accordance with the terms of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan ("DMICP") and the requirements of Code section 409A, and shall be subject to such additional terms and conditions as are set by the Committee. A deferral election form and the terms and conditions for any deferral will be furnished to you in due course. The beneficiary designation for the DMICP (rather than the Beneficiary designation for this LTIP Award) shall govern any amounts deferred under the terms of the DMICP. This Section 5.2(c) shall not apply if you are a taxpayer in a country other than the United States.

(d) Payment Rules Applicable to Canadian Employees. If you are employed in Canada, for purposes of the Award Agreement, the date of termination of employment will be the last day of actual and active employment. For the avoidance of doubt, except as may be required by applicable minimum standards legislation, no period of notice or payment in lieu of notice that is given or that ought to have been given under any applicable law or contract in respect of such termination of employment that follows or is

in respect of a period after your last day of actual and active employment, if any, will be considered as extending your period of employment for the purposes of determining your entitlement under this Agreement.

5.3. Cutback. Any portion of your Potential Award in excess of the Payable Portion of your Potential Award will be forfeited to the extent that such portion, together with payments attributable to any other Cash-Based Awards that are granted during 2016 as Performance Based Awards, exceeds \$10,000,000. Amounts in excess of any Plan limits also shall be forfeited.

5.4. Means of Satisfying Code Section 409A. If any payment that would otherwise be made under this Award Agreement is required to be delayed by reason of Section 13, such payment shall be made at the earliest date permitted by Code section 409A. The amount of any delayed payment shall be the amount that would have been paid prior to the delay, adjusted to include interest from the original payment date to the actual payment date, at a rate equivalent to the six month London Interbank Offered Rate (LIBOR) as published in the Money Rates section of the Wall Street Journal, plus 25 basis points. The increase over LIBOR may be adjusted to reflect the six month unsecured borrowing rate of the Corporation.

**Section 6. No Assignment – General Creditor Status.**

You shall have no right to assign any interest you might have in all or any part of the Target Award or Potential Award which has been granted to you under this Award Agreement and any attempt to do so shall be null and void and shall have no force or effect whatsoever. Furthermore, all payments called for under this Award Agreement shall be made in cash from the Corporation's general assets, and your right to payment from the Corporation's general assets shall be the same as the right of a general and unsecured creditor of the Corporation.

**Section 7. Plan.**

This Award Agreement shall be subject to all of the terms and conditions set forth in the Plan.

**Section 8. Change in Control.**

8.1. Vesting of Award Upon Change in Control. In the event of a consummation of a Change in Control during the Performance Period, your Target Award will become vested (i) on the effective date of the Change in Control if the LTIP Award is not assumed or continued, or equivalent cash incentives are not substituted for your LTIP Award by the Corporation or its successor, or (ii) if the LTIP is assumed, continued or substituted, upon your involuntary termination other than for Cause (not including death or Total Disability) or your voluntary termination with Good Reason, in either case, within the 24-month period following the consummation of the Change in Control. The cash payment in which you have become vested shall be delivered to you within fourteen (14) days of the date on which you become vested.

**8.2 Special Definitions.**

(a) Cause shall mean either of the following:

1) Conviction for an act of fraud, embezzlement, theft or other act constituting a felony (other than traffic-related offenses or as a result of vicarious liability);

2) Willful misconduct that is materially injurious to the Corporation's financial position, operating results or reputation; provided, however that no act or failure to act shall be considered "willful" unless done, or omitted to be done, by you (a) in bad faith; (b) for the purpose of receiving an actual improper personal benefit in the form of money, property or services; or (c) in circumstances where you had reasonable cause to believe that the act, failure to act, or omission was unlawful.

(b) Good Reason shall mean, without your express written consent, the occurrence of any one or more of the following after the Change in Control:

1) A material and substantial reduction in the nature or status of your authority or responsibilities;

2) A material reduction in your annualized rate of base salary;

3) A material reduction in the aggregate value of your level of participation in any short or long term incentive cash compensation plan, employee benefit or retirement plan or compensation practices, arrangements, or policies;

4) A material reduction in the aggregate level of participation in equity-based incentive compensation plans; or

5) Your principal place of employment is relocated to a location that is greater than fifty (50) miles from your principal place of employment on the date the Change in Control is consummated.

Your continued employment following an event that would constitute a basis for voluntary termination with Good Reason shall not constitute Good Reason if you consent to, or waive your rights with respect to, any circumstances constituting Good Reason. In addition, the occurrence of an event described in 1) through 5) shall constitute the basis for voluntary termination for Good Reason only if you provide written notice of your intent to terminate employment within 90 days of the first occurrence of such event and the Corporation has had at least 30 days from the date on which such notice is provided to cure such occurrence. If you do not terminate employment for Good Reason within 180 days after the first occurrence of the applicable grounds, then you will be deemed to have waived your right to terminate for Good Reason with respect to such grounds.

8.3. Special Rule. Notwithstanding Section 8.1, if a payment in accordance with those provisions would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, then the date of distribution to you shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

#### **Section 9. Amendment and Termination.**

As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time amend this Award

Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall amend Sections 1, 2, 3, 4, or 5 in a manner adverse to you or reduce the amount payable hereunder in a material manner without your written consent. For this purpose, a change in the amount payable hereunder that occurs solely by reason of a change in the date or form of payment due to Section 409A of the Code or Section 16 of the Exchange Act shall in no case be treated as a reduction prohibited by this Section 9. Thus, for example, if an amount payable by reason of Section 8 is delayed by an amendment to this Award Agreement or other action undertaken to comply with Section 409A of the Code and the amount payable is reduced solely by reason of a corresponding delay in the date of valuation of a share of Stock, such a change shall not be treated as a reduction prohibited by this Section 9. This Section 9 shall be construed and applied so as to permit the Committee to amend this Award Agreement at any time in any manner reasonably necessary or appropriate in order to comply with the requirements of Section 16 of the Exchange Act and of Section 409A of the Code, including amendments regarding the timing and form of payments hereunder.

**Section 10. Data Privacy Consent For Employees Located Outside Of The United States.**

To the extent recognized under applicable law, you hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Award Agreement by and among the Corporation for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Corporation holds certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares or directorships held in the Corporation, details of all awards or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Data"). You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Corporation may elect to administer the settlement of any award. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

**Section 11. No Assurance of Employment; No Right to an Award; Value of Award.**

Nothing contained in the Plan or in this Award Agreement shall confer upon you any right to continue in the employ or other service of the Corporation or constitute any contract (of

employment or otherwise) or limit in any way the right of the Corporation to change your compensation or other benefits or to terminate your employment with or without cause. You acknowledge and agree as follows:

- (a) the Plan is discretionary in nature and that the Board of Directors may amend, suspend, or terminate it at any time;
- (b) the grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of any Awards, or benefits in lieu of any Award even if Awards have been granted repeatedly in the past;
- (c) all determinations with respect to such future Awards, if any, including but not limited to the times when Awards shall be granted or when Awards shall vest, will be at the sole discretion of the Committee;
- (d) your participation in the Plan is voluntary;
- (e) the value of the Award is an extraordinary item of compensation, which is outside the scope of your employment contract (if any), except as may otherwise be explicitly provided in your employment contract;
- (f) the Award is not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating termination, severance, resignation, redundancy, end of service, or similar payments, or bonuses, long-service awards, pension or retirement benefits;
- (g) the Award shall expire upon termination of your employment for any reason except as may otherwise be explicitly provided in the Plan and this Award Agreement;
- (h) the future value of the Award is unknown and cannot be predicted with certainty; and
- (i) no claim or entitlement to compensation or damages arises from the termination of the Award or diminution in value of the Award and you irrevocably release the Corporation from any such claim that may arise.

**Section 12. Conflict.**

In the event of a conflict between this Award Agreement and the Plan, the Plan document shall control.

**Section 13. Compliance with Section 409A of the Code.**

It is the intent of the Corporation that your Award not be subject to taxation under Section 409A(a)(1) of the Code. Nevertheless, in the event that your Award is or could be subject to Section 409A of the Code, as determined by the Senior Vice President, Human Resources, in consultation with the General Tax Counsel or his or her delegate, the following rules apply: (i) the Award will be interpreted and administered to meet the requirements of Sections 409A(a)(2), (3) and (4) of the Code and thus to be exempt from taxation under Section 409A(a)(1) of the Code; (ii) no Award payment will be made on account of your termination of employment unless the termination of employment constitutes a "separation from service" under

Code section 409A(a)(2)(a)(i); and (iii) if you are a “specified employee” within the meaning of Code section 409A, any payment in respect of this Award made on account of a termination of employment will be delayed for six (6) months following such termination of employment, and then made at the earliest date permitted by Section 409A of the Code.

**Section 14. Post-Employment Covenants & Stock Ownership Requirements.**

Except where prohibited by law, by accepting this Award Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Award Agreement and you acknowledge receipt of the Stock Ownership Requirements (“Ownership Requirements”) attached as Exhibit B to this Award Agreement and agree to comply with such Ownership Requirements as amended from time to time. If you are not a Vice President (or above) on January 28, 2016, but you are promoted to Vice President (or above) prior to January 28, 2019, the Ownership Requirements as in effect at that time shall become applicable to you on the date of your promotion to Vice President (or above).

**Section 15. English Language.**

You have received the terms and conditions of this Award Agreement and any other related communications, and you consent to having received these documents, in English. If you have received this Award Agreement or any other documents related to the Plan translated into a language other than English, and if the translated version is different from the English version, the English version will control.

Quebec Residents Only: The Parties have agreed that this Award Agreement, the Plan as well as any notice, document or instrument relating to them be drawn up in English only. You acknowledge that, upon your reasonable request, the Corporation will provide a French translation of such documents to you. Les parties aux présentes ont convenu que la présente accord, le “Plan,” ainsi que tous autres avis, actes ou documents s’y rattachant soient rédigés en anglais seulement. Vous reconnaissez que, à votre demande raisonnable, “the Corporation” fournit une traduction française de ces documents à vous.

**Section 16. Currency Exchange Risk.**

If your functional currency is not the U.S. dollar, you agree and acknowledge that you will bear any and all risk associated with the exchange or fluctuation of currency associated with the Award (the “Currency Exchange Risk”). You waive and release the Corporation and its subsidiaries from any potential claims arising out of the Currency Exchange Risk.

**Section 17. Exchange Control Requirements.**

You agree and acknowledge that you will comply with any and all exchange control requirements applicable to the Award and any resulting funds including, without limitation, reporting or repatriation requirements.

**Section 18. Electronic Delivery; Execution.**

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this Award from this internet site (<http://www.stockplanconnect.com>) as well as to

electronic delivery of the Corporation's annual report on Form 10-K, annual proxy statement and quarterly reports on Form 10-Q. This consent can only be withdrawn by written notice to the Vice President of Compensation and Performance Management at the address noted below. The Corporation may, in its sole discretion, decide to deliver any documents related to the Award under the Plan or future Awards that may be awarded under the Plan by electronic means or request your consent to participate in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through any on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation.

**No Award is enforceable until you properly acknowledge your acceptance** by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Performance Management as soon as possible but in no event later than May 31, 2016. Acceptance of this Award Agreement must be made only by you personally or by a person acting pursuant to a power of attorney in the event of your inability to acknowledge your acceptance due to your disability or deployment in the Armed Forces (and not by your estate, your spouse or any other person) and constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award. The Committee has authorized electronic means for the delivery and acceptance of this Award Agreement. If you desire to accept this Award, you must acknowledge your acceptance and receipt of this Award Agreement, either electronically or by signing and returning a copy of this letter on or before May 31, 2016, as follows:

- Electronic Acceptance: Go to <http://www.stockplanconnect.com>
- By Mail: Nick Lossia, Vice President of Compensation and Performance Management, Lockheed Martin Corporation, Mail Point 126, 6801 Rockledge Drive, Bethesda, MD 20817

Assuming prompt and proper acknowledgment of this Award Agreement as described, this Award will be effective as of the Award Date.

Sincerely,

Patricia L. Lewis  
Senior Vice President, Human Resources

(For written acceptance, please complete, sign and return by mail.)

Acknowledged by:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Employee ID

Appendix A  
Capitalized Terms

Average TSR	§ 3.2(a)
Award	6th ¶
Award Date	Header
Cash-Based Award	Plan
Cash Flow	§ 4.2(a)
Cash Flow Performance Factor	§ 4.2
Cash Flow Target	§ 2.1(c)
Cause	§ 8.2(a)
Change of Control	Plan
Code	Plan
Committee	1st ¶
Corporation	6th ¶
Divestiture	§ 5.1(c)(2)
Employee	Plan
Exchange Act	Plan
Good Reason	§ 8.2(b)
Insider	Plan
Payable Portion	§ 5.2(a)
Peer Performance Group	§ 3.1
Performance-Based Award	Plan
Performance Period	§ 1.2
Plan	1st ¶
Potential Award	§ 2.1(d)
Retirement	§ 5.1(c)(3)
Return	§ 4.1(a)
ROIC	§ 4.1(a)
ROIC Performance Factor	§ 4.1
ROIC Target	§ 2.1(b)
Subsidiary	Plan
Target Award	6th ¶, § 1.1
Total Disability	§ 5.1(c)(1)
Total Stockholder Return	Plan; § 3.2(a)
Total Stockholder Return Performance Factor	§ 3.1; § 3.2

Exhibit A

Post Employment Conduct Agreement  
(LTIP Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2016 (the "Award Agreement") is entered into in consideration of, among other things, the grant of a Long Term Incentive Performance Award to me under the Award Agreement (the "LTIP") pursuant to the Lockheed Martin Corporation 2011 Incentive Performance Award Plan, as amended (the "Plan"). References to the "Corporation" shall include Lockheed Martin Corporation and its Subsidiaries. By accepting the LTIP, I agree as follows:

1. Protective Covenants.

(a) Covenant Not To Compete – Without the express written consent of the "Required Approver," during the one-year (or two-year for Elected Officers) period following the date of my termination of employment (the "Termination Date") with the Corporation, I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6), whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case,

- (i) oversees, controls or affects the design, operation, research, manufacture, marketing, sale or distribution of "Competitive Products or Services" (as defined in Section 6) of or by the Restricted Company, or
- (ii) would involve a substantial risk that the "Confidential or Proprietary Information" (as defined in Section 1(c)) of the Corporation (including but not limited to technical information or intellectual property, strategic plans, information relating to pricing offered to the Corporation by vendors or suppliers or to prices charged or pricing contemplated to be charged by the Corporation, information relating to employee performance, promotions or identification for promotion, or information relating to the Corporation's cost base) could be used to the disadvantage of the Corporation.

Section 1(a)(i) and (ii) shall not apply to residents of California.

To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct (such as the ABA Model Rules of Professional Conduct and state versions thereof), Sections 1(a)(i) and (ii) and Section 1(b) relating to non-solicitation, shall apply to individuals who are employed by the Corporation in an attorney position and whose occupation during the one-year (or two-year, for Elected Officers) period following employment with the Corporation does not include practicing law.

In lieu of Section 1(a)(i) and (ii), as well as Section 1(b) relating to non-solicitation, the following Section 1(a)(iii) shall apply to individuals who are employed by the Corporation in an attorney position, and whose occupation during the one-year (or two-year, for Elected Officers) period following employment with the Corporation includes practicing law.

- (iii) Post-employment Activity As a Lawyer – I acknowledge that as counsel to the Corporation, I owe ethical and fiduciary obligations to the Corporation and that at least some of these obligations will continue even after my Termination Date with the

Corporation. I agree that after my Termination Date I will comply fully with all applicable ethical and fiduciary obligations that I owe to the Corporation. To the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct, I agree that I will not:

- (a) Represent any client in the same or a substantially related matter in which I represented the Corporation where the client's interests are materially adverse to the Corporation; or
- (b) Disclose confidential information relating to my representation of the Corporation, including the disclosure of information that is to the disadvantage of the Corporation, except for information that is or becomes generally known.

The Corporation's Senior Vice President, General Counsel, and Corporate Secretary or the General Tax Counsel, as applicable, will determine in his or her discretion whether an individual is employed by the Corporation in an attorney position.

(b) Non-Solicit – Without the express written consent of the Required Approver, during the one-year period (two-year period for Elected Officers) following the Termination Date, I will not (i) interfere with any contractual relationship between the Corporation and any customer, supplier, distributor or manufacturer of or to the Corporation to the detriment of the Corporation or (ii) induce or attempt to induce any person who is an employee of the Corporation to perform work or services for any entity other than the Corporation.

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President, General Counsel, and Corporate Secretary as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CRX-015C (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

- (i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates,

forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, or

- (ii) existing or contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, or production processes.

(d) No Disparagement – Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Corporation or its directors, officers, employees, technology, products or services with respect to any matter whatsoever.

(e) Cooperation in Litigation and Investigations – Following the Termination Date, I will, to the extent reasonably requested, cooperate with the Corporation in any pending or future litigation (including alternative dispute resolution proceedings) or investigations in which the Corporation or any of its subsidiaries or affiliates is a party or is required or requested to provide testimony and regarding which, as a result of my employment with the Corporation, I reasonably could be expected to have knowledge or information relevant to the litigation or investigation. Notwithstanding any other provision of this PECA, nothing in this PECA shall affect my obligation to cooperate with any governmental inquiry or investigation or to give truthful testimony in court.

2. Consideration and Acknowledgement. I acknowledge and agree that the benefits and compensation opportunities being made available to me under the Award Agreement are in addition to the benefits and compensation opportunities that otherwise are or would be available to me in connection with my employment by the Corporation and that the grant of the LTIP is expressly made contingent upon my agreements with the Corporation set forth in this PECA. I acknowledge that the scope and duration of the restrictions in Section 1 are necessary to be effective and are fair and reasonable in light of the value of the benefits and compensation opportunities being made available to me under the Award Agreement. I further acknowledge and agree that as a result of the high level executive and management positions I hold with the Corporation and the access to and extensive knowledge of the Corporation's Confidential or Proprietary Information, employees, suppliers and customers, these restrictions are reasonably required for the protection of the Corporation's legitimate business interests.

3. Remedies For Breach of Section 1; Additional Remedies of Clawback and Recoupment.

(a) If I become (or currently am) an Insider (as defined in the Plan) or receive a Long-Term Incentive Performance Award, I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

- (i) I breach any of the covenants or agreements in Section 1;
- (ii) The Corporation determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Corporation, contributed to the Corporation having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission;

- (iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation; or
- (iv) Under such other circumstances specified by final regulation issued by the Securities and Exchange Commission entitling the Corporation to recapture or clawback "Benefits and Proceeds" (as defined below).

(b) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.

(c) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have earned any of the LTIP, any cash paid to me, whether paid currently or deferred; and (ii) to the extent I have not earned the LTIP fully, all of my remaining rights, title or interest in the LTIP.

4. Injunctive Relief. I acknowledge that the Corporation's remedies at law may be inadequate to protect the Corporation against any actual or threatened breach of the provisions of Section 1 or the conduct described in Section 3(a), and, therefore, without prejudice to any other rights and remedies otherwise available to the Corporation at law or in equity (including but not limited to, an action under Section 3(a)), the Corporation shall be entitled to injunctive relief in its favor and to specific performance without proof of actual damages and without the requirement of the posting of any bond or similar security.

5. Invalidity; Unenforceability. It is the desire and intent of the parties that the provisions of this PECA shall be enforced to the fullest extent permissible. Accordingly, if any particular provision of this PECA is adjudicated to be invalid or unenforceable, this PECA shall be deemed amended to delete the portion adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of this provision in the particular jurisdiction in which such adjudication is made.

6. Definitions. Capitalized terms not defined in this PECA have the meaning given to them in the Plan, as applicable. For purposes of this PECA, the following terms have the meanings given below:

(a) "Restricted Company" means The Boeing Company, General Dynamics Corporation, Northrop Grumman Corporation, the Raytheon Company, United Technologies Corporation, Honeywell International Inc., BAE Systems Inc., L-3 Communications Corporation, the Harris Corporation, Thales, Airbus Group, Inc., Textron IncFinmeccanica SpA and (i) any entity directly or indirectly controlling, controlled by, or under common control with any of the foregoing, and (ii) any successor to all or part of the business of any of the foregoing as a result of a merger, reorganization, consolidation, spin-off, split-up, acquisition, divestiture, or similar transaction.

(b) "Competitive Products or Services" means products or services that compete with, or are an alternative or potential alternative to, products sold or services provided by a subsidiary, business area, division or operating unit or business of the Corporation as of the Termination Date and at any time within the two-year period ending on the Termination Date; provided, that, (i) if I had direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Corporation at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided during that two-year period by the subsidiary, business area, division or operating unit of the Corporation for which I had responsibility, and (ii) if I did not have direct responsibility for the business of, or function with respect to, a subsidiary, or for a business area, division or operating unit or business of the Corporation at any time within the two-year period ending on the Termination Date, Competitive Products or Services includes the products so sold or the services so provided by a subsidiary, business area, division or operating unit of the Corporation for which I had access (or was required or permitted such access in the performance of my duties or responsibilities with the Corporation) to Confidential or Proprietary Information of the Corporation at any time during the two-year period ending on the Termination Date.

(c) "Required Approver" means:

- (i) with respect to the Chairman, President and Chief Executive Officer, the Management and Development Committee of the Corporation's Board of Directors;
- (ii) with respect to an Elected Officer, the Corporation's Chairman, President and Chief Executive Officer; or
- (iii) with respect to all other employees, the Senior Vice President, Human Resources of the Corporation.

(d) "Elected Officer" means an officer of the Corporation who was elected to his or her position by the Corporation's Board of Directors.

#### 7. Miscellaneous.

(a) The Plan, the Award Agreement (with Exhibit B) and this PECA constitute the entire agreement governing the terms of the award of the LTIP to me.

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law. Any enforcement of, or challenge to, this PECA may only be brought in the Circuit Court of Maryland or the United States District Court for the District of Maryland. Both parties consent to the proper jurisdiction and venue of the Circuit Court of Maryland and the United States District Court for the District of Maryland for the purpose of enforcing or challenging this PECA.

(c) This PECA shall inure to the benefit of the Corporation's successors and assigns and may be assigned by the Corporation without my consent.

(d) This PECA provides for certain obligations on my part following the Termination Date and shall not, by implication or otherwise, affect in any way my obligations to the Corporation during the term of my employment by the Corporation, whether pursuant to written agreements between the Corporation and me, the provisions of applicable Corporate policies that may be adopted from time to time or applicable law or regulation.

**This PECA is effective as of the acceptance by me of the award of an LTIP under the Award Agreement and is not contingent on the vesting of the LTIP.**

## Exhibit B

## Stock Ownership Requirements

Lockheed Martin's Stock Ownership Requirements for Key Employees apply to all senior level positions of Vice President and above. This reflects the expectations of our major stockholders that management demonstrate its confidence in Lockheed Martin through a reasonable level of personal share ownership. This practice is consistent with other major U.S. corporations which link some portion of personal financial interests of key employees with those of shareholders.

**Stock Ownership Requirements**

Title	Annual Base Pay Multiple
Chairman, President and Chief Executive Officer	6 times
Chief Operating Officer	5 times
Chief Financial Officer	4 times
Executive Vice Presidents	3 times
Senior Vice Presidents	2 times
Other Elected Officers	2 times
Other Vice Presidents	1 times

**Satisfaction of Requirements**

Covered employees may satisfy their ownership requirements with common stock in these categories:

- Shares owned directly.
- Shares owned by a spouse or a trust.
- Shares represented by monies invested in 401(k) Company Common Stock Funds or comparable plans.
- Share equivalents as represented by income deferred to the Company Stock Investment Option of the Deferred Management Incentive Compensation Plan (DMICP).
- Unvested Restricted Stock Units
- Unvested Performance Stock Units granted in 2014 (based on the Target Award).

Key employees will be required to achieve the appropriate ownership level within 5 years and are expected to make continuous progress toward their target. Appointment to a new level will reset the five year requirement. Unexercised options prior to vesting are not counted toward meeting the guidelines.

**Holding Period**

Covered employees must retain net vested Restricted Stock Units and Performance Stock Units and the net shares resulting from any exercise of stock options if the ownership requirements are not yet satisfied.

Covered employees are asked to report annually on their progress toward attainment of their share ownership goals.