

**United States**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Form 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

Commission file number 1-11437

**LOCKHEED MARTIN CORPORATION**

(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of  
incorporation or organization)

52-1893632  
(I.R.S. Employer  
Identification No.)

**6801 Rockledge Drive, Bethesda, Maryland 20817-1877 (301/897-6000)**

(Address and telephone number of principal executive offices)

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of Each Class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$1 par value	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b2 of the Exchange Act). Yes  No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Approximately \$28.1 billion as of June 27, 2010.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. Common Stock, \$1 par value, 349,855,179 shares outstanding as of January 31, 2011.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of Lockheed Martin Corporation's 2011 Definitive Proxy Statement are incorporated by reference in Part III of this Form 10-K.

**LOCKHEED MARTIN CORPORATION**  
**FORM 10-K**  
**For the Fiscal Year Ended December 31, 2010**  
**CONTENTS**

<b>Part I</b>		<b>Page</b>
Item 1	<a href="#">Business</a>	4
Item 1A	<a href="#">Risk Factors</a>	10
Item 1B	<a href="#">Unresolved Staff Comments</a>	16
Item 2	<a href="#">Properties</a>	17
Item 3	<a href="#">Legal Proceedings</a>	17
Item 4	<a href="#">(Removed and Reserved)</a>	18
Item 4(a)	<a href="#">Executive Officers of the Registrant</a>	18
<b>Part II</b>		
Item 5	<a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	20
Item 6	<a href="#">Selected Financial Data</a>	22
Item 7	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	23
	<a href="#">Management Overview</a>	23
	<a href="#">Industry Considerations</a>	23
	<a href="#">Portfolio Shaping Activities</a>	26
	<a href="#">Results of Operations</a>	27
	<a href="#">Discussion of Business Segments</a>	29
	<a href="#">Liquidity and Cash Flows</a>	36
	<a href="#">Capital Structure, Resources, and Other</a>	38
	<a href="#">Contractual Commitments and Off-Balance Sheet Arrangements</a>	39
	<a href="#">Critical Accounting Policies</a>	41
	<a href="#">Recent Accounting Pronouncements</a>	47
Item 7A	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	47
Item 8	<a href="#">Financial Statements and Supplementary Data</a>	48
	<a href="#">Management’s Report on the Financial Statements and Internal Control Over Financial Reporting</a>	48
	<a href="#">Report of Ernst &amp; Young LLP, Independent Registered Public Accounting Firm, Regarding Internal Control Over Financial Reporting</a>	49
	<a href="#">Report of Ernst &amp; Young LLP, Independent Registered Public Accounting Firm, on the Audited Consolidated Financial Statements</a>	50
	<a href="#">Consolidated Statements of Earnings</a>	51
	<a href="#">Consolidated Balance Sheets</a>	52
	<a href="#">Consolidated Statements of Cash Flows</a>	53
	<a href="#">Consolidated Statements of Stockholders’ Equity</a>	54
	<a href="#">Notes to Consolidated Financial Statements</a>	55
	<a href="#">1. Significant Accounting Policies</a>	55
	<a href="#">2. Discontinued Operations</a>	58
	<a href="#">3. Restructuring and Other Activities</a>	59
	<a href="#">4. Earnings Per Share</a>	60
	<a href="#">5. Information on Business Segments</a>	61
	<a href="#">6. Receivables</a>	64
	<a href="#">7. Inventories</a>	65
	<a href="#">8. Property, Plant, and Equipment</a>	65
	<a href="#">9. Income Taxes</a>	65
	<a href="#">10. Debt</a>	68
	<a href="#">11. Postretirement Benefit Plans</a>	69
	<a href="#">12. Stockholders’ Equity</a>	76

**LOCKHEED MARTIN CORPORATION**  
**FORM 10-K**  
**For the Fiscal Year Ended December 31, 2010**  
**CONTENTS (continued)**

<b><u>Part II (continued)</u></b>	<b><u>Page</u></b>
	<a href="#">13. Stock-Based Compensation</a> 76
	<a href="#">14. Legal Proceedings, Commitments, and Contingencies</a> 78
	<a href="#">15. Fair Value Measurements</a> 81
	<a href="#">16. Leases</a> 82
	<a href="#">17. Summary of Quarterly Information (Unaudited)</a> 83
Item 9	<a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a> 83
Item 9A	<a href="#">Controls and Procedures</a> 83
Item 9B	<a href="#">Other Information</a> 84
 <b><u>Part III</u></b>	
Item 10	<a href="#">Directors, Executive Officers and Corporate Governance</a> 85
Item 11	<a href="#">Executive Compensation</a> 85
Item 12	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a> 85
Item 13	<a href="#">Certain Relationships and Related Transactions, and Director Independence</a> 85
Item 14	<a href="#">Principal Accounting Fees and Services</a> 85
 <b><u>Part IV</u></b>	
Item 15	<a href="#">Exhibits and Financial Statement Schedules</a> 86
<a href="#">Signatures</a>	90
<a href="#">Exhibits</a>	

---

## PART I

### ITEM 1. BUSINESS

#### *General*

Lockheed Martin Corporation is a global security company that is principally engaged in the research, design, development, manufacture, integration, and sustainment of advanced technology systems and products. We also provide a broad range of management, engineering, technical, scientific, logistic, and information services. We serve both domestic and international customers with products and services that have defense, civil, and commercial applications, with our principal customers being agencies of the U.S. Government. We were formed in 1995 by combining the businesses of Lockheed Corporation and Martin Marietta Corporation. We are a Maryland corporation.

In 2010, 84% of our \$45.8 billion in net sales were made to the U.S. Government, either as a prime contractor or as a subcontractor. Our U.S. Government sales were made to both Department of Defense (DoD) and non-DoD agencies. Sales to foreign governments (including foreign military sales funded, in whole or in part, by the U.S. Government) amounted to 15% of net sales in 2010. The remainder of our net sales was attributable to commercial and other customers.

Our principal executive offices are located at 6801 Rockledge Drive, Bethesda, Maryland 20817-1877. Our telephone number is (301) 897-6000. Our website home page on the Internet is [www.lockheedmartin.com](http://www.lockheedmartin.com). We make our website content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Form 10-K.

Throughout this Form 10-K, we incorporate by reference information from parts of other documents filed with the Securities and Exchange Commission (SEC). The SEC allows us to disclose important information by referring to it in this manner, and you should review that information.

We make our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and proxy statement for our annual shareholders' meeting, as well as any amendments to those reports, available free of charge through our website as soon as reasonably practical after we electronically file that material with, or furnish it to, the SEC. You can learn more about us by reviewing our SEC filings. Our SEC filings can be accessed through the investor relations page of our website, [www.lockheedmartin.com/investor](http://www.lockheedmartin.com/investor). The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy statements, and other information regarding SEC registrants, including Lockheed Martin Corporation.

#### **Portfolio Shaping Activities**

Periodically, we evaluate the Corporation's businesses and product and service offerings to determine if they are meeting strategic objectives and are aligned in the most optimal management structure. In 2010, we made decisions to divest two businesses, Pacific Architects and Engineers, Inc. (PAE) and most of our Enterprise Integration Group (EIG), and to realign other businesses into different lines of business or segments to increase operational efficiency. On November 22, 2010, we completed the divestiture of EIG. On February 22, 2011, we announced that we entered into a definitive agreement to sell PAE. We expect the transaction will close in the second quarter of 2011, subject to satisfaction of closing conditions. PAE's and EIG's operating results have been removed from our Information Systems & Global Solutions (IS&GS) segment and are reported in discontinued operations.

In 2010, our Electronic Systems segment realigned its lines of business which now operate as Mission Systems & Sensors (MS2), Missiles & Fire Control (M&FC), and Global Training & Logistics (GT&L). The realignment included the movement of two IS&GS businesses, Readiness & Stability Operations (RSO) and Savi Technology, Inc., to Electronic Systems. The realignment resulted in the combination of our ground vehicles programs, which were previously reported in the former Platforms & Training (P&T) line of business and included the Joint Light Tactical Vehicle program, with M&FC. We also realigned RSO and Savi Technology, Inc. with Electronic Systems' simulation, training and support business (previously included in the former P&T line of business) to form GT&L. We combined the remaining elements of the former P&T line of business with the former Maritime Systems & Sensors line of business to form MS2. The following description of our business segments reflects these activities.

#### **Business Segments**

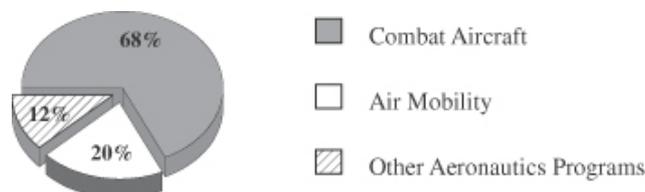
We operate in four principal business segments: Aeronautics, Electronic Systems, IS&GS, and Space Systems. For more information concerning our segment presentation, including comparative segment sales, operating profits, and related financial information for 2010, 2009, and 2008, see Note 5 – Information on Business Segments beginning on page 61 of this Form 10-K.

## [Table of Contents](#)

### **Aeronautics**

Aeronautics is engaged in the research, design, development, manufacture, integration, sustainment, support, and upgrade of advanced military aircraft, including combat and air mobility aircraft, unmanned air vehicles, and related technologies.

In 2010, net sales at Aeronautics of \$13.2 billion represented 29% of our total net sales. Aeronautics has three principal lines of business, and the percentage that each contributed to its 2010 net sales was:



Our customers include the military services and various government agencies of the United States and allied countries around the world. In 2010, U.S. Government customers accounted for 81% of Aeronautics' net sales, and foreign government customers accounted for 19%.

#### ***Combat Aircraft***

Our Combat Aircraft business designs, develops, produces, and provides support for systems, logistics, upgrades, modifications, maintenance and repair. Our major fighter aircraft programs include:

- The F-35 Lightning II Joint Strike Fighter – international multi-role, stealth fighter;
- The F-22 Raptor – air dominance and multi-mission stealth fighter; and
- The F-16 Fighting Falcon – low-cost, combat-proven, international multi-role fighter.

Sales to the U.S. Government under the F-35 program were 12% of our total net sales in 2010. During 2010, we continued to work on the System Development and Demonstration (SDD) portion of the F-35 program, which we expect will continue into 2016. We also are producing aircraft under low-rate initial production contracts.

In 2010, we reached agreement with the DoD on the contract for the fourth production lot of 31 F-35 aircraft, bringing the total number of aircraft on order to 62. Also, the Israeli Government signed a letter of offer and acceptance with the U.S. Government for the procurement of F-35 aircraft. Israel is expected to be the first country to receive the F-35 aircraft through the U.S. Government foreign military sales process. For additional information on the F-35 program, see "Status of the F-35 Program" in Management's Discussion and Analysis of Financial Condition and Results of Operations on page 26 of this Form 10-K.

Production of the F-22 is scheduled to be completed in 2012, with on-going modernization and sustainment activities continuing thereafter. We continue to produce F-16 aircraft for foreign governments under both foreign military and direct commercial sales.

#### ***Air Mobility***

Our Air Mobility business designs, develops, produces, and provides support for systems, logistics, upgrades, modifications, maintenance and repair of tactical and strategic airlift aircraft. Our major programs include production, support, and sustainment of the C-130J Super Hercules, upgrade and support of the legacy C-130 Hercules worldwide fleet, support of the existing C-5A/B/C/M Galaxy fleet, and modernization of Galaxy aircraft to the C-5M Super Galaxy configuration.

#### ***Other Aeronautics Programs (Including Advanced Research and Development)***

We are involved in advanced development programs incorporating innovative design and rapid prototype applications. Our Advanced Development Programs (ADP) organization, which includes the Skunk Works, is focused on future systems, including unmanned aerial systems and next generation capabilities for long-range strike, intelligence, surveillance,

## [Table of Contents](#)

reconnaissance, situational awareness, and air mobility. We continue to explore technology advancement and insertion in existing aircraft, such as the F-35, F-22, F-16, and C-130. We also are involved in numerous network enabled activities that allow separate systems to work together to increase effectiveness, and continue to invest in new technologies to maintain and enhance competitiveness in military aircraft design and development. In addition, we provide logistics support, sustaining engineering, aviation upgrades, modifications, and maintenance, repair, and overhaul (MRO) for the P-3 Orion maritime patrol aircraft and the U-2 high-altitude reconnaissance aircraft.

### **Electronic Systems**

Our Electronic Systems segment manages complex programs and designs, develops, produces, and integrates hardware and software solutions to ensure the mission readiness of armed forces and government agencies worldwide.

In 2010, net sales of \$14.4 billion at Electronic Systems represented 31% of our total net sales. Electronic Systems has three principal lines of business, and the percentage each contributed to its 2010 net sales was:



Our customers include the military services and various government agencies of the United States and allied countries around the world. U.S. Government customers accounted for 71% and foreign government customers accounted for 26% of Electronics Systems' net sales in 2010.

#### ***Mission Systems & Sensors***

MS2 provides ship systems integration, including command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) capability across shore-based command centers; surface ship and submarine combat systems; sea-based missile defense systems; sensors; tactical avionics; port traffic management systems; missile launching systems; aerostat surveillance systems; technologies associated with renewable energy systems; and supply-chain management programs and systems. Core programs include the Aegis Weapon System, which is a fleet defense system and a sea-based element of the U.S. missile defense system, and the Littoral Combat Ship, which is a surface combatant designed to operate in shallow waters.

#### ***Missiles & Fire Control***

M&FC develops and produces land-based, air, and theater missile-defense systems, tactical battlefield missiles, electro-optical systems, fire-control and sensor systems, and precision-guided weapons and munitions. We also provide sustainment and logistic services in support of fire control and tactical missile programs. Core programs include the Terminal High Altitude Area Defense (THAAD) system, which is a transportable defensive missile system designed to engage targets both within and outside of the Earth's atmosphere, and the PAC-3 missile, which is an advanced defensive missile designed to intercept incoming airborne threats.

#### ***Global Training & Logistics***

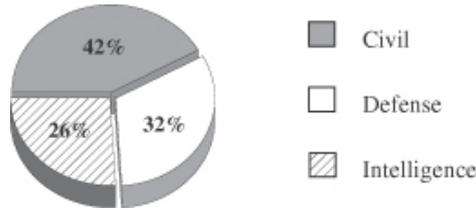
GT&L integrates mission-specific applications for fixed- and rotary-wing aircraft, including logistics and sustainment; missions operations support; readiness, engineering support, and integration services; and provides simulation and training services. We provide logistics support services for the U.S. Special Operations Forces and turnkey training solutions, including the Military Flying Training System for the British Royal Air Force, Royal Navy and Army Air Corps; and the Aircrew Training and Rehearsal Support program for the U.S. Air Force. We also manage and operate the Sandia National Laboratories for the U.S. Department of Energy.

#### **Information Systems & Global Solutions**

Our IS&GS segment provides management services, Information Technology (IT) solutions, and advanced technology expertise across a broad spectrum of applications to U.S. Government and other customers.

[Table of Contents](#)

In 2010, net sales of \$10.0 billion at IS&GS represented 22% of our total net sales. IS&GS has three principal lines of business, and the percentage that each contributed to its 2010 net sales was:



In 2010, U.S. Government customers accounted for approximately 95% of IS&GS's net sales.

**Civil**

Our Civil line of business supports the nation's needs in the areas of human capital, data protection and sharing, financial services, energy and environment, health, security, space exploration, biometrics, and transportation. Its core programs include the En-Route Automation Modernization (ERAM) contract, which is a program to replace the Federal Aviation Administration's infrastructure with a modern automation environment that includes new functions and capabilities; the Hanford Mission Support contract which provides infrastructure and site support services to the Department of Energy; and the Decennial Response Integration System (DRIS 2010) contract, which provides a multi-channel system for collecting and analyzing the 2010 U.S. Census data, and which was substantially completed in 2010.

**Defense**

Our Defense line of business provides net-enabled situation awareness, and delivers communications and command and control capabilities through complex mission solutions to defense and international customers. Its core programs include the Command and Control, Battle Management, and Communications contract, a program to increase the integration of the Ballistic Missile Defense System, and the Airborne Maritime Fixed Joint Tactical Radio System contract, which provides software programmable tactical radios with voice, data, and video communications to Army, Navy, and Air Force platforms.

**Intelligence**

Our Intelligence line of business designs and integrates the complex, global systems that help our customers gather, analyze, and securely distribute critical intelligence data. Its core programs include a classified program to develop advanced intelligence processing, as well as various other classified programs.

**Space Systems**

Space Systems is engaged in the design, research and development, engineering, and production of satellites, strategic and defensive missile systems, and space transportation systems, including activities related to the planned replacement of the Space Shuttle.

In 2010, net sales of \$8.2 billion at Space Systems represented approximately 18% of our total net sales. Space Systems has three principal lines of business, and the percentage that each contributed to its 2010 net sales was:



In 2010, U.S. Government customers accounted for approximately 97% of Space Systems' net sales.

## [Table of Contents](#)

### **Satellites**

Our Satellites business designs, develops, manufactures, and integrates advanced technology satellite systems for government and commercial applications. It is responsible for various classified systems and services in support of vital national security systems. Its core programs include the Space-Based Infrared System (SBIRS) program, which provides the nation with enhanced worldwide missile launch detection and tracking capabilities; the Mobile User Objective System (MUOS), which is a next-generation narrow band satellite communication system for the U.S. Navy; the Advanced Extremely High Frequency (AEHF) system, which is the DoD's next generation of highly secure communications satellites; the Global Positioning Satellite III (GPS III) system, which is the next generation of global positioning satellites; and the Geostationary Operational Environmental Satellite R-Series (GOES-R), which is the National Oceanic and Atmospheric Administration's (NOAA) next generation of meteorological satellites.

### **Strategic & Defensive Missile Systems**

Strategic & Defensive Missile Systems includes missile defense technologies and systems, and fleet ballistic missiles. We have been the sole supplier of strategic fleet ballistic missiles to the U.S. Navy since 1955. The Trident II D5 Fleet Ballistic Missile is the only current submarine-launched intercontinental ballistic missile in production in the United States. Under the targets and countermeasures program, we manage missile defense targets hardware and software for the Missile Defense Agency (MDA), providing realistic test environments for the system being developed by the MDA to defend against all classes of ballistic missiles.

### **Space Transportation Systems**

Space Transportation Systems includes portions of the next generation human space flight system. We are National Aeronautics and Space Administration's (NASA) prime contractor for the design, test, build, integration, and operational capability of the Orion crew exploration vehicle, an advanced crew capsule design utilizing state-of-the-art technology for human exploration beyond low earth orbit. Through ownership interests in two joint ventures, Space Transportation Systems also includes expendable launch services for the U.S. Government (United Launch Alliance) and Space Shuttle processing activities (United Space Alliance). The Space Shuttle is expected to finish its final flight mission in 2011, and our programs involving its launch and processing activities will end at that time.

### **Competition**

Our broad portfolio of products and services competes against the products and services of other large aerospace, defense, and information technology companies, as well as numerous smaller competitors (particularly in the IS&GS segment). We often form teams with other companies that are competitors in other areas to provide customers with the best mix of capabilities to address specific requirements. In some areas of our business, customer requirements are changing to encourage expanded competition, as with the commercial access to space initiative. Principal factors of competition include: affordability; technical and management capability; the ability to develop and implement complex, integrated system architectures; financing and total cost of ownership; release of technology; past performance; and our ability to provide timely solutions.

The competition for foreign sales is subject to a wide variety of additional U.S. Government stipulations (*e.g.*, export restrictions, market access, technology transfer, industrial cooperation, and contracting practices). We may compete against both domestic and foreign companies (or teams) for contract awards by foreign governments. International competitions also may be subject to different laws or contracting practices of foreign governments that may impact how we structure our bid for the procurement. In many international procurements, the purchasing government's relationship with the U.S. and its industrial cooperation programs are also important factors in determining the outcome of a competition. It is common for international customers to require contractors to comply with their industrial cooperation regulations, sometimes referred to as offset requirements, and we have undertaken foreign offset agreements as part of securing some international business. For more information concerning offset agreements, see "Contractual Commitments and Off-Balance Sheet Arrangements" in Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on page 39 of this Form 10-K.

### **Patents**

We routinely apply for and own a substantial number of U.S. and foreign patents related to the products and services we provide. In addition to owning a large portfolio of intellectual property, we also license intellectual property to and from third parties. The U.S. Government has licenses in our patents that are developed in performance of government contracts, and it

## [Table of Contents](#)

may use or authorize others to use the inventions covered by our patents for government purposes. Unpatented research, development, and engineering skills also make an important contribution to our business. Although our intellectual property rights in the aggregate are important to the operation of our business, we do not believe that any existing patent, license, or other intellectual property right is of such importance that its loss or termination would have a material adverse effect on our business taken as a whole.

### **Raw Materials and Seasonality**

Aspects of our business require relatively scarce raw materials. We historically have been successful in obtaining the raw materials and other supplies needed in our manufacturing processes. We seek to manage raw materials supply risk through long-term contracts and by maintaining a stock of key materials in inventory.

Aluminum and titanium are important raw materials used in certain of our Aeronautics and Space Systems programs. Long-term agreements have helped enable a continued supply of aluminum and titanium. Carbon fiber is an important ingredient in the composite material that is used in our Aeronautics programs, such as the F-35. Nicalon fiber also is a key material used on the F-22 aircraft. One type of carbon fiber and the nicalon fiber that we use currently are only available from single-source suppliers. Aluminum lithium, which we use for F-16 structural components, also is currently only available from limited sources. We have been advised by some suppliers that pricing and the timing of availability of materials in some commodities markets can fluctuate widely. These fluctuations may negatively affect price and the availability of certain materials, including titanium. While we do not anticipate material problems regarding the supply of our raw materials and believe that we have taken appropriate measures to mitigate these variations, if key materials become unavailable or if pricing fluctuates widely in the future, it could result in delay of one or more of our programs, increased costs, or reduced award fees.

No material portion of our business is considered to be seasonal. Various factors can affect the distribution of our sales between accounting periods, including the timing of government awards, the availability of government funding, product deliveries, and customer acceptance.

### **Government Contracts and Regulation**

Our businesses are heavily regulated in most of our fields of endeavor. We deal with numerous U.S. Government agencies and entities, including all branches of the U.S. military, the Departments of Defense, Homeland Security, Justice, Commerce, Health and Human Services, Transportation, and Energy, the U.S. Postal Service, the Social Security Administration, the Federal Aviation Administration, NASA, the Environmental Protection Agency (EPA), the National Archives, and the Library of Congress. Similar government authorities exist in other countries and regulate our international efforts.

We must comply with and are affected by laws and regulations relating to the formation, administration, and performance of U.S. Government and other contracts. These laws and regulations, among other things:

- require certification and disclosure of all cost or pricing data in connection with certain contract negotiations;
- impose specific and unique cost accounting practices that may differ from U.S. generally accepted accounting principles (GAAP) and therefore require reconciliation;
- impose acquisition regulations that define allowable and unallowable costs and otherwise govern our right to reimbursement under certain cost-based U.S. Government contracts;
- restrict the use and dissemination of information classified for national security purposes and the export of certain products and technical data; and
- require the use of earned valued management systems (EVMS) for managing cost and schedule performance on certain complex programs.

For additional discussion of government contracting laws and regulations, see “Risk Factors” beginning on page 10 and “Industry Considerations” in Management’s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 23 of this Form 10-K.

A portion of our business is classified by the U.S. Government and cannot be specifically described. The operating results of these classified programs are included in our consolidated financial statements. The business risks associated with classified programs historically have not differed materially from those of our other government programs.

## **Backlog**

At December 31, 2010, our total negotiated backlog was \$78.2 billion compared with \$77.2 billion at the end of 2009. Of our total 2010 year-end backlog, approximately \$43.8 billion, or 56%, is not expected to be filled within one year.

Our backlog includes both funded (unfilled firm orders for our products and services for which funding has been both authorized and appropriated by the customer – Congress, in the case of U.S. Government agencies) and unfunded (firm orders for which funding has not been appropriated) amounts. We do not include unexercised options or potential indefinite-delivery, indefinite-quantity (IDIQ) orders in our backlog. If any of our contracts were to be terminated, our backlog would be reduced by the expected value of the remaining terms of such contracts. Funded backlog was \$49.7 billion at December 31, 2010. The backlog for each of our business segments is provided as part of Management’s Discussion and Analysis of Financial Condition and Results of Operations – “Discussion of Business Segments” beginning on page 29 of this Form 10-K.

## **Research and Development**

We conduct research and development activities under customer-funded contracts and with our own independent research and development funds. Our independent research and development costs include basic research, applied research, development, systems, and other concept formulation studies. These costs generally are allocated among all contracts and programs in progress under U.S. Government contractual arrangements. Corporation-sponsored product development costs not otherwise allocable are charged to expense when incurred. Under certain arrangements in which a customer shares in product development costs, our portion of the unreimbursed costs is expensed as incurred. Independent research and development costs charged to costs of sales were \$638 million in 2010, \$724 million in 2009, and \$698 million in 2008. See “Research and development and similar costs” in Note 1 – Significant Accounting Policies on page 57 of this Form 10-K.

## **Employees**

At December 31, 2010, we had approximately 132,000 employees, over 90% of whom were located in the U.S. We have a continuing need for numerous skilled and professional personnel to meet contract schedules and obtain new and ongoing orders for our products. The majority of our employees possess a security clearance. The demand for workers with security clearances who have specialized engineering, information technology, and technical skills within the aerospace, defense, and information technology industries is likely to remain high for the foreseeable future, while growth of the pool of trained individuals with those skills has not matched demand. As a result, we are competing with other companies with similar needs in hiring skilled employees. Management considers employee relations to be good.

Approximately 15% of our employees are covered by any one of approximately 70 separate collective bargaining agreements with various unions. A number of our existing collective bargaining agreements expire in any given year. Historically, we have been successful in renegotiating expiring agreements without any material disruption of operating activities.

## **Forward-Looking Statements**

This Form 10-K contains statements that, to the extent they are not recitations of historical fact, constitute forward-looking statements within the meaning of federal securities law. The words believe, estimate, anticipate, project, intend, expect, plan, outlook, scheduled, forecast, and similar expressions are intended to help identify forward-looking statements.

Statements and assumptions with respect to future sales, income and cash flows, program performance, the outcome of litigation, environmental remediation cost estimates, and planned acquisitions or dispositions of assets are examples of forward-looking statements. Numerous factors, including potentially the risk factors described in the following section, could affect our forward-looking statements and actual performance.

## **ITEM 1A. RISK FACTORS**

An investment in our common stock or debt securities involves risks and uncertainties. We seek to identify, manage, and mitigate risks to our business, but risk and uncertainty cannot be eliminated or necessarily predicted. You should consider the following factors carefully, in addition to the other information contained in this Form 10-K, before deciding to purchase our securities.

**We depend heavily on U.S. Government contracts. A decline or reprioritization of funding in the U.S. defense budget, that of other customers, or delays in the budget process could adversely affect our ability to grow or maintain our sales, earnings, and cash flow.**

We derived 84% of our sales from U.S. Government customers in 2010, including both defense and non-defense agencies. We expect to continue to derive most of our sales from work performed under U.S. Government contracts. Those contracts are conditioned upon the continuing availability of Congressional appropriations. Congress usually appropriates funds on a fiscal-year basis even though contract performance may extend over many years.

The programs in which we participate must compete with other programs and policy imperatives for consideration during the budget and appropriation process. Concerns about increased deficit spending, along with continued economic challenges, continue to place pressure on U.S. and international customer budgets. While we believe that our programs are well aligned with national defense and other priorities, shifts in domestic and international spending and tax policy, changes in security, defense, and intelligence priorities, the affordability of our products and services, general economic conditions and developments, and other factors may affect a decision to fund or the level of funding for existing or proposed programs.

Under such conditions, large or complex programs are potentially subject to increased scrutiny, particularly those programs that have experienced performance challenges. Our largest program, the F-35 Lightning II Joint Strike Fighter program, represented 12% of our sales in 2010, and is expected to represent a higher percentage of our sales in future years. The DoD completed a technical baseline review of the System Development and Demonstration (SDD) portion of the F-35 program and made a recommendation to the office of the Secretary of Defense to restructure the program to address cost and schedule risk. The restructuring was announced by the Secretary of Defense on January 6, 2011 (see "Status of the F-35 Program" in Management's Discussion and Analysis of Financial Condition and Results of Operations on page 26 of this Form 10-K).

We offer a diverse range of defense, homeland security, and information technology products and services. We believe that this makes it less likely that cuts in any specific contract or program will have a long-term effect on our business; however, termination of multiple or large programs or contracts could adversely affect our business and future financial performance. We could incur expenses beyond those that would be reimbursed if one or more of our existing contracts were terminated for convenience due to lack of funding or other reasons. Potential changes in funding priorities may afford new or additional opportunities for our businesses in terms of existing, follow-on, or replacement programs. While we would expect to compete, and be well positioned as the incumbent on existing programs, we may not be successful, or the replacement programs may be funded at lower levels.

In years when the U.S. Government does not complete its budget process before the end of its fiscal year (September 30), government operations typically are funded through a continuing resolution that authorizes agencies of the U.S. Government to continue to operate, but does not authorize new spending initiatives. When the U.S. Government operates under a continuing resolution, delays can occur in the procurement of products and services. The U.S. Government is currently operating under a continuing resolution that is effective through March 4, 2011, and its budget for 2011 has not been finalized. This historically has not had a material effect on our business; however, should the continuing resolution be prolonged further or extended through the entire government fiscal year, it may cause procurement awards to shift and could cause our revenues to vary between periods from that projected.

**We are subject to a number of procurement rules and regulations. Our business and our reputation could be adversely affected if we fail to comply with those rules.**

We must comply with and are affected by laws and regulations relating to the award, administration, and performance of U.S. Government contracts. Government contract laws and regulations affect how we do business with our customers and, in some instances, impose added costs on our business. A violation of specific laws and regulations could harm our reputation and result in the imposition of fines and penalties, the termination of our contracts, or debarment from bidding on contracts.

In some instances, these laws and regulations impose terms or rights that are more favorable to the government than those typically available to commercial parties in negotiated transactions. For example, the U.S. Government may terminate any of our government contracts and subcontracts either at its convenience or for default based on performance. Upon termination for convenience of a fixed-price type contract, we normally are entitled to receive the purchase price for delivered items, reimbursement for allowable costs for work-in-process, and an allowance for profit on the contract or adjustment for loss if completion of performance would have resulted in a loss. Upon termination for convenience of a

## [Table of Contents](#)

cost-reimbursable contract, we normally are entitled to reimbursement of allowable costs plus a portion of the fee. Allowable costs would include our cost to terminate agreements with our suppliers and subcontractors. The amount of the fee recovered, if any, is related to the portion of the work accomplished prior to termination and is determined by negotiation. We attempt to ensure that adequate funds are available by notifying the customer when its estimated costs, including those associated with a possible termination for convenience, approach levels specified as being allotted to its programs. As funds are typically appropriated on a fiscal-year basis and as the costs of a termination for convenience may exceed the costs of continuing a program in a given fiscal year, occasionally on-going programs do not have sufficient funds appropriated to cover the termination costs were the government to terminate them for convenience. Under such circumstances, the U.S. Government could assert that it is not required to appropriate additional funding under these circumstances.

A termination arising out of our default may expose us to liability and have a material adverse effect on our ability to compete for future contracts and orders. In addition, on those contracts for which we are teamed with others and are not the prime contractor, the U.S. Government could terminate a prime contract under which we are a subcontractor, notwithstanding the quality of our services as a subcontractor.

In addition, our U.S. Government contracts typically span one or more base years and multiple option years. The U.S. Government generally has the right not to exercise option periods and may not exercise an option period if the agency is not satisfied with our performance on the contract.

U.S. Government agencies, including the Defense Contract Audit Agency and various agency Inspectors General, routinely audit and investigate government contractors. These agencies review a contractor's performance under its contracts, cost structure, and compliance with applicable laws, regulations, and standards. The U.S. Government also reviews the adequacy of, and a contractor's compliance with, its internal control systems and policies, including the contractor's management, purchasing, property, estimating, EVMS, compensation, accounting, budgeting, billing, labor, and information systems (for discussion of the EVMS system at our Fort Worth location, see "Status of the F-35 Program" in Management's Discussion and Analysis of Financial Condition and Results of Operations on page 26 of this Form 10-K). Any costs found to be misclassified may be subject to repayment. If an audit or investigation uncovers improper or illegal activities, we may be subject to civil or criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, and suspension or prohibition from doing business with the U.S. Government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us. Similar government oversight exists in most other countries where we conduct business.

### **Increased competition and bid protests in a budget-constrained environment may make it more difficult to grow or maintain our sales, earnings, and cash flow.**

As a leader in defense and global security, we have a large number of programs for which we are the incumbent contractor. A substantial portion of our business is awarded through competitive bidding. The U.S. Government increasingly has relied upon competitive contract award types, including IDIQ, GSA Schedule, and other multi-award contracts, which has the potential to create pricing pressure and increase our cost by requiring that we submit multiple bids and proposals. The competitive bidding process entails substantial costs and managerial time to prepare bids and proposals for contracts that may not be awarded to us or may be split among competitors. Following award, we may encounter significant expenses, delays, contract modifications, or even loss of the contract if our competitors protest or challenge contracts that are awarded to us. Multi-award contracts require that we make sustained efforts to obtain task orders under the contract. We are facing increased competition, particularly in information technology and cyber security, from non-traditional competitors outside of the aerospace and defense industry. At the same time, our customers are facing budget constraints, trying to do more with less by cutting costs, identifying more affordable solutions, and reducing product development cycles. Many consumer oriented companies outside the security industry are used to much shorter product development cycles. To remain competitive, we consistently must provide superior performance, advanced technology solutions, and service at an affordable cost and with the agility that our customers require to satisfy their mission objectives.

### **International sales may pose different risks.**

In 2010, our sales to foreign governments (including foreign military sales funded, in whole or in part, by the U.S. Government) were 15% of net sales. As a company, we have a goal to grow international sales over the next several years. Our international business may pose risks that are different, and potentially greater, than those encountered in our domestic business due to the potential for greater volatility in foreign economic and political environments. International procurement rules and regulations, contract laws and regulations, and contractual terms are different from those in the United States, and may be interpreted differently by foreign courts. Our international business is highly sensitive to changes in foreign national

## [Table of Contents](#)

priorities and government budgets, and may be further affected by global economic conditions and fluctuations in foreign currency exchange rates. Sales of military products are affected by defense budgets (both in the U.S. and abroad) and U.S. foreign policy.

Sales of our products and services internationally are subject to U.S. and local government regulations and procurement policies and practices including regulations relating to import-export control. Violations of export control rules could result in suspension of our ability to export items from one or more business units or the entire Corporation. Depending on the scope of the suspension, this could have a material effect on our ability to perform certain international contracts. There also are U.S. and international regulations relating to investments, exchange controls, taxation, and repatriation of earnings, as well as currency, political, and economic risks. We also frequently team with international subcontractors and suppliers who are exposed to similar risks.

In international sales, we face substantial competition from both domestic manufacturers and foreign manufacturers whose governments sometimes provide research and development assistance, marketing subsidies, and other assistance for their products.

Some international customers require contractors to comply with industrial cooperation regulations and enter into industrial cooperation agreements, sometimes referred to as offset agreements. Offset agreements may require in-country purchases, manufacturing, and financial support projects as a condition to obtaining orders or other arrangements. Offset agreements generally extend over several years and may provide for penalties in the event we fail to perform in accordance with offset requirements. See “Contractual Commitments and Off-Balance Sheet Arrangements” in Management’s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 39 of this Form 10-K.

### **Our business involves significant risks and uncertainties that may not be covered by indemnity or insurance.**

A significant portion of our business relates to designing, developing, and manufacturing advanced defense and technology systems and products. New technologies may be untested or unproven. Failure of some of these products and services could result in extensive loss of life or property damage. Accordingly, we also may incur liabilities that are unique to our products and services, including combat and air mobility aircraft, missile and space systems, command and control systems, air traffic control management systems, cyber security, homeland security, and training programs. In some, but not all circumstances, we may be entitled to certain legal protections or indemnifications from our customers, either through contractual provisions, qualification of our products and services by the Department of Homeland Security under the SAFETY Act provisions of the Homeland Security Act of 2002, or otherwise. The amount of insurance coverage that we maintain may not be adequate to cover all claims or liabilities, and it is not possible to obtain insurance to protect against all operational risks and liabilities.

Substantial claims resulting from an accident, failure of our product or service, or other incident, or liability arising from our products and services in excess of any indemnity and our insurance coverage (for which indemnity or insurance is not available or not obtained) could harm our financial condition, cash flows, or operating results. Any accident, even if fully indemnified or insured, could negatively affect our reputation among our customers and the public, and make it more difficult for us to compete effectively. It also could affect the cost and availability of adequate insurance in the future.

### **Our earnings and margins may vary based on the mix of our contracts and programs, our performance, and our ability to control costs.**

Our earnings and margins may vary materially depending on the types of long-term government contracts undertaken, the nature of the products produced or services performed under those contracts, the costs incurred in performing the work, the achievement of other performance objectives, and the stage of performance at which the right to receive fees is finally determined (particularly under award and incentive fee contracts). Changes in procurement policy favoring new, accelerated, or more incentive-based fee arrangements or different award fee criteria may affect the predictability of our profit rates.

Our backlog includes a variety of contract types which are intended to address changing risk and reward profiles as a program matures. Contract types include cost-reimbursable, fixed-price incentive, fixed-price, and time-and-materials contracts. Contracts for development programs that have complex design and technical challenges are typically cost-reimbursable. Under cost-reimbursable contracts, we are reimbursed for allowable costs and paid a fee, which may be fixed or performance-based. In these cases, the associated financial risks primarily relate to a reduction in fees, and the program could be cancelled if cost, schedule, or technical performance issues arise.

## [Table of Contents](#)

Other contracts in backlog are for the transition from development to production (e.g., Low Rate Initial Production), which includes the challenge of starting and stabilizing a manufacturing production and test line while the final design is being validated. These generally are cost-reimbursable or fixed-price incentive contracts, although there is a current stated U.S. Government preference for fixed-price incentive contracts. Under a fixed-price incentive contract, the allowable costs incurred are eligible for reimbursement, but are subject to a cost-share limit which affects profitability. If our costs exceed the contract target cost or are not allowable under the applicable regulations, we may not be able to obtain reimbursement for all costs and may have our fees reduced or eliminated.

There are also contracts for production as well as operations and maintenance of the delivered products that have the challenge of achieving a stable production and delivery rate, while maintaining operability of the product after delivery. These contracts are mainly fixed-price, although some operations and maintenance contracts are time and materials-type. Under fixed-price contracts, we receive a fixed price despite the actual costs we incur. We have to absorb any costs in excess of the fixed price. Under time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and for certain expenses.

The failure to perform to customer expectations and contract requirements may result in reduced fees and affect our financial performance in that period. Under each type of contract, if we are unable to control costs, our operating results could be adversely affected, particularly if we are unable to justify an increase in contract value to our customers. Cost overruns or the failure to perform on existing programs also may adversely affect our ability to retain existing programs and win future contract awards.

### **If our subcontractors, suppliers, or teaming agreement or joint venture partners fail to perform their obligations, our performance and our ability to win future business could be harmed.**

Many of our contracts involve subcontracts or teaming arrangements with other companies upon which we rely to perform a portion of the services that we must provide to our customers. We also sometimes bid for and contract work through joint ventures, rather than through subcontract or teaming arrangements. There is a risk that we may have disputes with our subcontractors, teammates, or venture members, including disputes regarding the quality and timeliness of work performed, the workshare provided to that party, customer concerns about the other party's performance, our failure to extend existing task orders or issue new task orders, or our hiring of the personnel of a subcontractor, teammate, or venture member, or vice versa. In addition, the contracting parties on which we rely may be affected by changes in the economic environment and constraints on available financing to meet their performance requirements or provide needed supplies on a timely basis. A failure by one or more of those contracting parties to provide the agreed-upon supplies or perform the agreed-upon services on a timely basis may affect our ability to perform our obligations. Contracting party performance deficiencies may affect our operating results and could result in a customer terminating our contract for default. A default termination could expose us to liability and affect our ability to compete for future contracts and orders.

### **The funding and costs associated with our pension and postretirement medical plans may temporarily impact our cash flow and cause our earnings and stockholders' equity to fluctuate significantly from year to year.**

A substantial portion of our current and retired employee population is covered by pension and postretirement medical plans. The amount that we are required to fund and the costs of these plans are dependent upon various factors, including the actual market rate of return on plan assets, discount rates, plan participant population demographics, and future legislative and government regulatory requirements. Changes in these factors affect our plan funding, cash flow, and earnings. For more information on how these factors could impact earnings and stockholders' equity, see "Critical Accounting Policies – Postretirement Benefit Plans" in Management Discussion and Analysis of Financial Conditions and Results of Operations beginning on page 43 of this Form 10-K.

We generally are able to recover these costs as allowable costs on our U.S. Government contracts, but there are delays between when we contribute cash to the plans and recover it under government cost accounting rules. The Pension Protection Act required the Cost Accounting Standards (CAS) Board to modify its pension accounting rules to better align the recovery of pension contributions on U.S. Government contracts with the new accelerated funding required by the Act. The CAS Board has proposed changes to its pension accounting rules, but final rules are not expected to be effective until after 2011.

In recent years, we have taken certain actions to mitigate the effect of our defined benefit pension plans on our financial results, including no longer offering a defined benefit pension plan to new, non-represented employees, and making substantial discretionary cash contributions to the existing plans to improve their funded status. In 2010, we contributed \$2.2 billion to our defined benefit pension plans.

**If we fail to manage acquisitions, divestitures, and other transactions successfully, our financial results, business, and future prospects could be harmed.**

In pursuing our business strategy, we routinely conduct discussions, evaluate targets, and enter into agreements regarding possible acquisitions, divestitures, joint ventures, and equity investments. As part of our business strategy, we seek to identify acquisition or investment opportunities that will expand or complement our existing products and services, or customer base, at attractive valuations. We often compete with others for the same opportunities. To be successful, we must conduct due diligence to identify valuation issues and potential loss contingencies, negotiate transaction terms, complete and close complex transactions, and manage post-closing matters (*e.g.*, integrate acquired companies and employees, realize anticipated operating synergies, and improve margins) efficiently and effectively. Acquisition, divestiture, joint venture, and investment transactions often require substantial management resources and have the potential to divert our attention from our existing business. Unidentified pre-closing liabilities could affect our future financial results.

Joint ventures or equity investments operate under shared control with other parties. Under the equity method of accounting for nonconsolidated joint ventures and investments, we recognize our share of the operating results of these ventures in our results of operations. Our operating results may be affected by the performance of businesses over which we do not exercise control. For example, approximately 25% of the profit from our Space Systems business segment is derived from its equity investments in two joint ventures (see “Space Transportation Systems” on page 8 of this Form 10-K). Management closely monitors the results of operations and cash flows generated by these investees.

**Our business could be negatively affected by security threats or other disruptions.**

As a U.S. defense contractor, we face security threats, including threats to our information technology infrastructure, attempts to gain access to our proprietary or classified information, threats to physical security of our facilities and employees, and terrorist acts, as well as the potential for business disruptions associated with information technology failures, natural disasters, or public health crises. The costs related to these events may not be fully insured or indemnified by other means. Business disruptions could adversely affect our internal operations, the services we provide to customers, our financial results, our reputation, or our stock price.

**Unforeseen environmental costs could affect our future earnings as well as the affordability of our products and services.**

Our operations are subject to and affected by a variety of federal, state, local, and foreign environmental protection laws and regulations. We are involved in environmental responses at some of our facilities and former facilities, and at third-party sites not owned by us where we have been designated a potentially responsible party by the Environmental Protection Agency (EPA) or by a state agency. In addition, we could be affected by future regulations imposed in response to concerns over climate change or environmental resources, and by other actions commonly referred to as “green initiatives.” We have an ongoing comprehensive program to reduce the effects of our operations on the environment.

We manage various government-owned facilities on behalf of the government. At such facilities, environmental compliance and remediation costs historically have been the responsibility of the government, and we have relied (and continue to rely with respect to past practices) upon government funding to pay such costs. Although the government remains responsible for capital and operating costs associated with environmental compliance, responsibility for fines and penalties associated with environmental noncompliance typically are borne by either the government or the contractor, depending on the contract and the relevant facts. Some environmental laws include criminal provisions. An environmental law conviction could affect our ability to be awarded future, or perform existing, U.S. Government contracts.

We have incurred and will likely continue to incur liabilities under various federal, state, local, and foreign statutes for environmental protection and remediation. The extent of our financial exposure cannot in all cases be reasonably estimated at this time. Among the variables management must assess in evaluating costs associated with these cases and remediation sites generally are the status of site assessment, extent of the contamination, impacts on natural resources, changing cost estimates, evolution of technologies used to remediate the site, and continually evolving governmental environmental standards and cost allowability issues. In January 2011, both the EPA and the California Office of Environmental Health Hazard Assessment announced plans to regulate two chemicals, perchlorate and hexavalent chromium, to a level that is expected to be substantially lower than the existing standard established in California. The rulemaking process is a lengthy one that takes one or more years to complete. If a substantially lower standard is adopted, we would expect a material increase in our cost estimates for remediation at several existing sites. For information regarding these matters, including current estimates of the amounts that we believe are required for remediation or cleanup to the extent probable and estimable, see “Critical Accounting Policies - Environmental Matters” in Management’s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 45 and Note 14 – Legal Proceedings, Commitments, and Contingencies beginning on page 78 of this Form 10-K.

## [Table of Contents](#)

### **We are involved in a number of legal proceedings. We cannot predict the outcome of litigation and other contingencies with certainty.**

Our business may be adversely affected by the outcome of legal proceedings and other contingencies (including environmental remediation costs) that cannot be predicted with certainty. As required by GAAP, we estimate material loss contingencies and establish reserves based on our assessment of contingencies where liability is deemed probable and reasonably estimable in light of the facts and circumstances known to us at a particular point in time. Subsequent developments in legal proceedings may affect our assessment and estimates of the loss contingency recorded as a liability or as a reserve against assets in our financial statements. For a description of our current legal proceedings, see Item 3 – Legal Proceedings beginning on page 17 and Note 14 – Legal Proceedings, Commitments, and Contingencies beginning on page 78 of this Form 10-K.

### **In order to be successful, we must attract and retain key employees.**

Our business has a continuing need to attract large numbers of skilled personnel, including personnel holding security clearances, to support the growth of the enterprise and to replace individuals who have terminated employment due to retirement or other reasons. To the extent that the demand for qualified personnel exceeds supply, we could experience higher labor, recruiting, or training costs in order to attract and retain such employees, or could experience difficulties in performing under our contracts if our needs for such employees were unmet. We increasingly compete with commercial technology companies outside of the aerospace and defense industry for qualified technical and scientific positions as the number of qualified domestic engineers is decreasing. To the extent that these companies grow faster in a recovering economy than our industry, or face fewer cost and product pricing constraints, they may be able to offer higher compensation to job candidates or our existing employees. To the extent that we lose experienced personnel through wage competition, normal attrition, or specific actions (such as the Voluntary Executive Separation Program (see Note 3 – Restructuring and Other Activities beginning on page 59 of this Form 10-K), business realignments, or divestitures), we must successfully manage the transfer of critical knowledge from those individuals. We also must manage leadership development and succession planning throughout our business. To the extent that we are unable to attract, develop, retain, and protect leadership talent successfully, we could experience business disruptions and impair our ability to achieve business objectives.

Historically, where employees are covered by collective bargaining agreements with various unions, we have been successful in negotiating renewals to expiring agreements without any material disruption of operating activities. This does not assure, however, that we will be successful in our efforts to negotiate renewals of our existing collective bargaining agreements when they expire. If we were unsuccessful in those efforts, there is the potential that we could incur unanticipated delays or expenses in the programs affected by any resulting work stoppages.

### **Our estimates, forward-looking statements, and projections may prove to be inaccurate.**

The accounting for some of our most significant activities is based on judgments and estimates, which are complex and subject to many variables. For example, accounting for sales using the percentage-of-completion method requires that we assess risks and make assumptions regarding schedule, cost, technical, and performance issues for each of our thousands of contracts, many of which are long-term in nature. Another example is the goodwill asset recorded on our balance sheet which is subject to annual impairment testing. If we experience changes that negatively affect the expected cash flows of a reporting unit, we may be required to write off all or portion of the related goodwill. Changes in U.S. or foreign tax laws, including possibly with retroactive effect, and audits by tax authorities could result in unanticipated increases in our tax expense and lower profitability and cash flows. Actual financial results could differ from our judgments and estimates. Refer to “Critical Accounting Policies” in Management’s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 41, and Note 1 – Significant Accounting Policies beginning on page 55 of this Form 10-K for a complete discussion of our significant accounting policies and use of estimates.

Our future financial results likely will be different from those projected due to the inherent nature of projections, and may be better or worse than expected. Given these uncertainties, you should not rely on forward-looking statements. The forward-looking statements contained in this Form 10-K speak only as of the date of this Form 10-K. We expressly disclaim a duty to provide updates to forward-looking statements after the date of this Form 10-K to reflect the occurrence of subsequent events, changed circumstances, changes in our expectations, or the estimates and assumptions associated with them. The forward-looking statements in this Form 10-K are intended to be subject to the safe harbor protection provided by the federal securities laws.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## [Table of Contents](#)

### ITEM 2. PROPERTIES

At December 31, 2010, we operated in 545 locations (including offices, manufacturing plants, warehouses, service centers, laboratories, and other facilities) throughout the United States and internationally. Of these, we owned 43 locations aggregating approximately 30 million square feet, and leased space at 502 locations aggregating approximately 26 million square feet. We also manage or occupy various government-owned facilities under leases and various other arrangements. The U.S. Government also furnishes equipment that we use in some of our businesses.

At December 31, 2010, our business segments occupied facilities at the following major locations that housed in excess of 500,000 square feet of floor space:

- **Aeronautics** – Palmdale, California; Marietta, Georgia; Greenville, South Carolina; and Fort Worth and San Antonio, Texas.
- **Electronic Systems** – Camden, Arkansas; Orlando, Florida; Baltimore, Maryland; Eagan, Minnesota; Moorestown/Mt. Laurel, New Jersey; Albuquerque, New Mexico; Owego and Syracuse, New York; Akron, Ohio; Grand Prairie, Texas; and Manassas, Virginia.
- **Information Systems & Global Solutions** – Goodyear, Arizona; San Jose and Sunnyvale, California; Colorado Springs and Denver, Colorado; Gaithersburg and Rockville, Maryland and other locations within the Washington, D.C. metropolitan area; Valley Forge, Pennsylvania; and Houston, Texas.
- **Space Systems** – Sunnyvale, California; Denver, Colorado; and Newtown, Pennsylvania.
- **Corporate activities** – Lakeland, Florida and Bethesda, Maryland.

The following is a summary of our floor space by business segment at December 31, 2010:

<i>(Square feet in millions)</i>	<i>Owned</i>	<i>Leased</i>	<i>Government- Owned</i>	<i>Total</i>
Aeronautics	5.2	3.7	15.2	24.1
Electronic Systems	10.3	11.5	7.1	28.9
Information Systems & Global Solutions	2.6	7.9	—	10.5
Space Systems	8.6	1.6	.9	11.1
Corporate activities	2.9	.8	—	3.7
Total	29.6	25.5	23.2	78.3

Some of our owned properties, primarily classified under Corporate activities, are leased to third parties. In the area of manufacturing, most of the operations are of a job-order nature, rather than an assembly line process, and productive equipment has multiple uses for multiple products. Management believes that all of our major physical facilities are in good condition and are adequate for their intended use.

### ITEM 3. LEGAL PROCEEDINGS

We are a party to or have property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment. We believe the probability is remote that the outcome of these matters will have a material adverse effect on the Corporation as a whole, notwithstanding that the unfavorable resolution of any matter may have a material effect on our net earnings in any particular quarter. We cannot predict the outcome of legal proceedings with certainty. These matters include the proceedings summarized in Note 14 – Legal Proceedings, Commitments, and Contingencies beginning on page 78 of this Form 10-K.

From time-to-time, agencies of the U.S. Government investigate whether our operations are being conducted in accordance with applicable regulatory requirements. U.S. Government investigations of us, whether relating to government contracts or conducted for other reasons, could result in administrative, civil, or criminal liabilities, including repayments, fines, or penalties being imposed upon us, or could lead to suspension or debarment from future U.S. Government contracting. U.S. Government investigations often take years to complete and many result in no adverse action against us.

We are subject to federal and state requirements for protection of the environment, including those for discharge of hazardous materials and remediation of contaminated sites. As a result, we are a party to or have our property subject to various lawsuits or proceedings involving environmental protection matters. Due in part to their complexity and pervasiveness, such requirements have resulted in us being involved with related legal proceedings, claims, and remediation obligations. The extent of our financial exposure cannot in all cases be reasonably estimated at this time. For information regarding these matters, including current estimates of the amounts that we believe are required for remediation or clean-up

## [Table of Contents](#)

to the extent estimable, see “Critical Accounting Policies – Environmental Matters” in Management’s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 45, and Note 14 – Legal Proceedings, Commitments, and Contingencies beginning on page 78 of this Form 10-K.

### **ITEM 4. (Removed and Reserved)**

#### **ITEM 4(a). EXECUTIVE OFFICERS OF THE REGISTRANT**

Our executive officers are listed below, as well as information concerning their age at December 31, 2010, positions and offices held with the Corporation, and principal occupation and business experience over the past five years. There were no family relationships among any of our executive officers and directors. All officers serve at the pleasure of the Board of Directors.

#### **Linda R. Gooden (57), Executive Vice President – Information Systems & Global Solutions**

Ms. Gooden has served as Executive Vice President – Information Systems & Global Solutions since January 2007. She previously served as Deputy Executive Vice President – Information & Technology Services from October 2006 to December 2006, and President, Lockheed Martin Information Technology from September 1997 to December 2006.

#### **Christopher J. Gregoire (42), Vice President and Controller (Chief Accounting Officer)**

Mr. Gregoire has served as Vice President and Controller (Chief Accounting Officer) since March 2010. He previously was employed by Sprint Nextel Corporation from August 2006 to May 2009, most recently as Principal Accounting Officer and Assistant Controller, and was a partner at Deloitte & Touche LLP from September 2003 to July 2006.

#### **Ralph D. Heath (62), Executive Vice President – Aeronautics**

Mr. Heath has served as Executive Vice President – Aeronautics since January 2005.

#### **Marillyn A. Hewson (57), Executive Vice President – Electronic Systems**

Ms. Hewson has served as Executive Vice President – Electronic Systems since January 2010. She previously served as President, Systems Integration – Owego from September 2008 to December 2009; Executive Vice President – Global Sustainment for Aeronautics from February 2007 to September 2008; President, Lockheed Martin Logistics Services Company from January 2007 to February 2007; and President and General Manager, Kelly Aviation Center, L.P. from August 2004 to January 2007.

#### **Christopher E. Kubasik (49), President and Chief Operating Officer**

Mr. Kubasik has served as President and Chief Operating Officer since January 2010. He previously served as Executive Vice President – Electronic Systems from September 2007 to December 2009, and as Chief Financial Officer from February 2001 to August 2007.

#### **Maryanne R. Lavan (51), Senior Vice President, General Counsel, and Corporate Secretary**

Ms. Lavan has served as Senior Vice President and General Counsel since June 2010 and Corporate Secretary since September 2010. She previously served as Vice President – Internal Audit from February 2007 to June 2010, and Vice President – Ethics and Business Conduct from October 2003 to February 2007.

#### **Joanne M. Maguire (56), Executive Vice President – Space Systems**

Ms. Maguire has served as Executive Vice President – Space Systems since July 2006. She previously served as Vice President and Deputy of Lockheed Martin Space Systems Company from July 2003 to June 2006.

#### **John C. McCarthy (63), Vice President and Treasurer**

Mr. McCarthy has served as Vice President and Treasurer since April 2006. He previously served as Vice President of Finance and Business Operations for Aeronautics from March 2000 to March 2006.

---

[Table of Contents](#)

**Robert J. Stevens (59), Chairman and Chief Executive Officer**

Mr. Stevens has served as Chairman of the Board since April 2005 and Chief Executive Officer since August 2004, and previously served as President from October 2000 to December 2009.

**Bruce L. Tanner (51), Executive Vice President and Chief Financial Officer**

Mr. Tanner has served as Executive Vice President and Chief Financial Officer since September 2007. He previously served as Vice President of Finance and Business Operations for Aeronautics from April 2006 to August 2007, and Vice President of Finance and Business Operations for Electronic Systems from May 2002 to March 2006.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

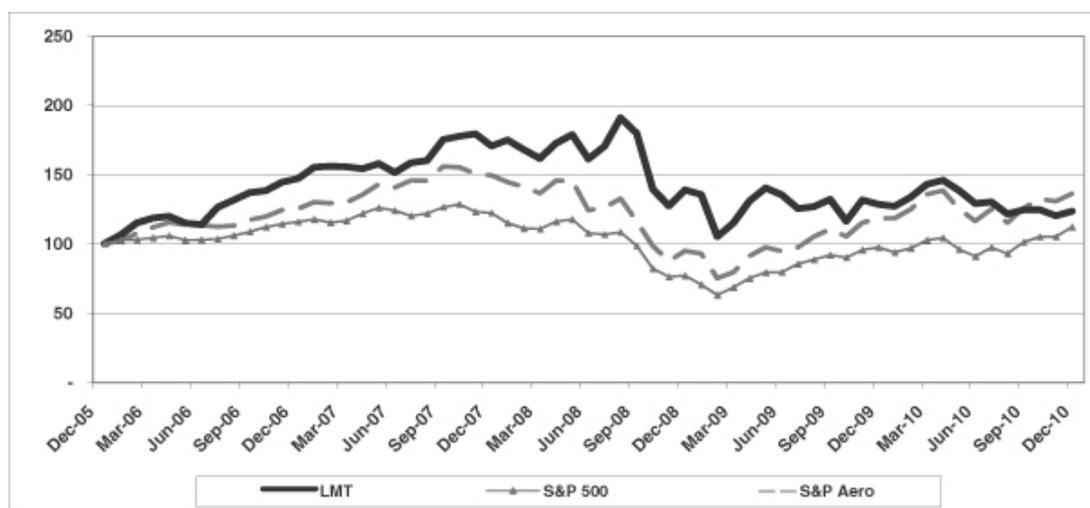
At January 31, 2011, we had 36,328 holders of record of our common stock, par value \$1 per share. Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol LMT. Information concerning the stock prices based on intra-day trading prices as reported on the NYSE composite transaction tape and dividends paid during the past two years is as follows:

**Common Stock – Dividends Paid Per Share and Market Prices**

Quarter	Dividends Paid Per Share		Market Prices (High-Low)	
	2010	2009	2010	2009
First	\$ .63	\$ .57	\$87.18 – \$73.61	\$85.90 – \$57.41
Second	.63	.57	87.06 – 74.36	87.06 – 65.21
Third	.63	.57	76.34 – 68.19	82.92 – 72.20
Fourth	.75	.63	73.70 – 67.68	79.65 – 67.39
Year	\$ 2.64	\$ 2.34	\$87.18 – \$67.68	\$87.06 – \$57.41

**Stockholder Return Performance Graph**

The following graph compares the total return on a cumulative basis of \$100 invested in Lockheed Martin common stock on December 31, 2005 to the Standard and Poor’s (S&P) Aerospace & Defense Index and the S&P 500 Index.



The S&P Aerospace & Defense Index comprises General Dynamics Corporation, Goodrich Corporation, Honeywell International, Inc., ITT Corporation, L3 Communications Holdings, Inc., Lockheed Martin Corporation, Northrop Grumman Corporation, Precision Castparts Corporation, Raytheon Company, Rockwell Collins, Inc., The Boeing Company, and United Technologies Corporation. The stockholder return performance indicated on the graph is not a guarantee of future performance.

This graph is not deemed to be “filed” with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, and should not be deemed to be incorporated by reference into any of our prior or subsequent filings under the Securities Act of 1933 or the Exchange Act.

**Issuer Purchases of Equity Securities**

The following table provides information about our repurchases of common stock during the three-month period ended December 31, 2010.

<i>Period</i>	<i>Total Number of Shares Purchased</i>	<i>Average Price Paid Per Share</i>	<i>Total Number of Shares Purchased as Part of Publicly Announced Programs <sup>(a)</sup></i>	<i>Amount Available for Future Share Repurchases Under the Programs (in millions) <sup>(b)</sup></i>
October (September 27, 2010 – October 31, 2010)	1,974,035	\$ 70.94	1,974,035	\$ —
November (November 1, 2010 – November 28, 2010)	4,283,400	69.77	4,283,400	2,701
December (November 29, 2010 – December 31, 2010)	6,893,646	69.19	6,893,646	2,224

<sup>(a)</sup> We repurchased a total of 1,974,035 shares of our common stock for approximately \$140 million during the quarter ended December 31, 2010 under a share repurchase program that we announced in October 2002, and 11,177,046 shares for approximately \$776 million under a new share repurchase program that was authorized in October 2010 as described in (b) below.

<sup>(b)</sup> In October 2010, our Board of Directors approved a new share repurchase program for the repurchase of our common stock from time-to-time, authorizing an amount available for share repurchases of \$3 billion. Under the program, which became effective November 1, 2010, management has discretion to determine the dollar amount of shares to be repurchased and the timing of any repurchases in compliance with applicable law and regulation. In connection with their approval of the new share repurchase program, our Board of Directors terminated our previous share repurchase program, which was substantially complete.

[Table of Contents](#)

**ITEM 6. SELECTED FINANCIAL DATA**

<i>(In millions, except per share data)</i>	2010	2009	2008	2007	2006
<b>OPERATING RESULTS</b>					
Net Sales	\$45,803	\$43,995	\$41,372	\$40,726	\$39,076
Operating Profit <sup>(a)</sup>	4,097	4,415	5,049	4,462	3,726
Earnings from Continuing Operations <sup>(a)</sup>	2,645	2,999	3,167	3,002	2,500
Net Earnings <sup>(b)</sup>	2,926	3,024	3,217	3,033	2,529
<b>EARNINGS PER COMMON SHARE</b>					
Earnings from Continuing Operations					
Basic	\$ 7.26	\$ 7.79	\$ 7.92	\$ 7.22	\$ 5.84
Diluted <sup>(a)</sup>	7.18	7.71	7.74	7.03	5.73
Net Earnings					
Basic	8.03	7.86	8.05	7.29	5.91
Diluted <sup>(b)</sup>	7.94	7.78	7.86	7.10	5.80
<b>CASH DIVIDENDS PER COMMON SHARE</b>					
	\$ 2.64	\$ 2.34	\$ 1.83	\$ 1.47	\$ 1.25
<b>BALANCE SHEET</b>					
Cash, Cash Equivalents and Short-Term Investments	\$ 2,777	\$ 2,737	\$ 2,229	\$ 2,981	\$ 2,293
Total Current Assets	12,851	12,477	10,683	10,940	10,164
Goodwill	9,605	9,948	9,526	9,387	9,250
Total Assets <sup>(c)</sup>	35,067	35,111	33,439	28,926	28,231
Total Current Liabilities	11,157	10,703	10,542	10,037	9,553
Long-Term Debt, Net (Including Current Maturities)	5,019	5,052	3,563	4,303	4,405
Total Liabilities <sup>(c)</sup>	31,359	30,982	30,574	19,121	21,347
Stockholders' Equity <sup>(c)</sup>	3,708	4,129	2,865	9,805	6,884
<b>COMMON SHARES AT YEAR-END</b>					
	346	373	393	409	421
<b>CASH FLOW DATA</b>					
Cash Provided by Operating Activities	\$ 3,547	\$ 3,173	\$ 4,421	\$ 4,238	\$ 3,765
Cash Used for Investing Activities	(319)	(1,518)	(907)	(1,205)	(1,655)
Cash Used for Financing Activities	(3,363)	(1,476)	(3,938)	(2,300)	(2,460)
<b>NEGOTIATED BACKLOG</b>					
	\$78,200	\$77,200	\$80,100	\$75,900	\$75,200

<sup>(a)</sup> Operating profit, earnings from continuing operations, and diluted earnings per share from continuing operations were affected by aggregate adjustments as follows:

<i>(In millions, except per share data)</i>	Operating profit	Earnings From Continuing Operations	Diluted Earnings Per Share From Continuing Operations
2010	\$ (220)	\$ (239)	\$ (.64)
2009	—	69	.18
2008	193	126	.31
2007	71	105	.25
2006	230	201	.45

For information on the adjustments in 2010 and 2008, see Note 3 to the financial statements. For information on the adjustment in 2009, see Note 9 to the financial statements.

<sup>(b)</sup> Net earnings in 2010 included an increase of \$184 million (\$.50 per share) related to a gain on the sale of Enterprise Integration Group (EIG), and a net increase of \$73 million (\$.20 per share) associated with certain adjustments related to the planned sale of Pacific Architects and Engineers (PAE).

<sup>(c)</sup> The increase in assets and liabilities and decrease in stockholders' equity from 2007 to 2008 primarily was due to the annual remeasurement of the funded status of our postretirement benefit plans at December 31, 2008, which included the effects of the downward market conditions in 2008.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

***Management Overview***

Lockheed Martin is a global security company that principally is engaged in the research, design, development, manufacture, integration, and sustainment of advanced technology systems and products. We provide a broad range of management, engineering, technical, scientific, logistic, and information services. We serve both domestic and international customers with products and services that have defense, civil, and commercial applications, with our principal customers being agencies of the U.S. Government. In 2010, 84% of our \$45.8 billion in net sales were made to the U.S. Government. Approximately 60% of our net sales were made to the Department of Defense (DoD), with approximately 24% attributable to non-DoD agencies. Sales to foreign governments (including foreign military sales funded, in whole or in part, by the U.S. Government) amounted to 15% of net sales in 2010. The remainder of our net sales was attributable to commercial and other customers. Our main areas of focus are in defense, space, intelligence, homeland security, and government information technology.

We operate in four principal business segments: Aeronautics, Electronic Systems, Information Systems & Global Solutions (IS&GS), and Space Systems. We organize our business segments based on the nature of the products and services offered.

We are operating in an environment that is characterized by both increasing complexity in the global security environment, as well as continuing economic pressures in the United States and globally. A significant component of our strategy in this environment is to focus on core program execution, improving the quality and predictability of the delivery of our products and services, and placing more security capability into the hands of our customers at affordable prices. We also are focused on cost reduction, through programs like our recent Voluntary Executive Separation Program (VESP) and facility reduction initiatives, to further enhance the affordability of our products and services.

While we expect our sales to increase in the low single digits for 2011, growth rates are slowing for our company and across the industry as compared to prior years as our customers are preparing to meet new security challenges without the benefit of increased resources in any given fiscal year. We expect our segment operating profit for 2011 to be consistent with 2010 as margins face pressure in this environment. Despite the challenges we face, we expect to generate strong operating cash flows, which allows us to continue to invest in technologies to fulfill new mission requirements for our customers, invest in our people so that we have the professional and leadership skills necessary to be successful in this environment, and return at least 50% of free cash flow<sup>1</sup> to investors in the form of share repurchases and dividends.

***Industry Considerations***

**U.S. Government Business**

**Budget Priorities**

The U.S. Government continues to focus on developing and implementing spending, tax, and other initiatives to stimulate the economy, create jobs, and reduce the deficit. The Administration is attempting to balance decisions regarding defense, homeland security, and other federal spending priorities with the cost of these initiatives and increased deficit spending, particularly in the longer term. Although some specific priorities and initiatives may change from year to year, the investments and acquisitions we have made have been focused on aligning our businesses to address what we believe are the most critical national priorities and mission areas. The possibility remains, however, that one or more of our programs could be reduced, extended, or terminated as a result of the Administration's continuing assessment of priorities.

The Administration's spending priorities were released on February 14, 2011 with the submission of the President's Budget Request for fiscal year 2012. Every year, Congress must approve or revise the proposals contained in the President's annual budget request through enactment of appropriations bills and other policy legislation, which then require final Presidential approval. The outcome of the federal budget process has a direct effect on our business.

<sup>1</sup> We define free cash flow as cash from operations as determined under U.S. generally accepted accounting principles (GAAP), less the amount identified as expenditures for property, plant and equipment as presented on our Statements of Cash Flows.

## Department of Defense Business

The DoD base budget has seen consistent growth over the past ten years, enabling it to grow from \$300 billion at the start of the last decade to \$553 billion in the President's baseline budget request for fiscal year 2012. The fiscal year 2012 request represents nominal growth of 5.1% over the fiscal year 2011 baseline budget of \$526 billion. This 2011 baseline budget assumes that the continuing resolution currently in place (see discussion below) is extended through the end of fiscal year 2011. Preliminary insights into national security funding priorities for fiscal year 2012 and beyond were revealed on January 6, 2011 by Secretary of Defense Robert Gates. Specifically, his defense spending proposal reflected a slight increase in nominal growth over the next few years.

To date, Congress has funded U.S. military operations in Afghanistan and Iraq, and other unforeseeable contingency or peacekeeping operations, through a separate Overseas Contingency Operations (OCO) funding outside of the base DoD budget. The OCO funding for fiscal year 2011 totaled \$159 billion, and the Administration requested \$118 billion in fiscal year 2012. Our sales historically have not been significantly dependent on overseas contingency or supplemental funding requests, and therefore we continue to focus our attention on the DoD's base budget for support and funding of our programs.

In December 2010, Congress passed a continuing resolution funding measure for fiscal year 2011 to finance all U.S. Government activities through March 4, 2011. Under this continuing resolution, partial-year funding at amounts consistent with appropriated levels for fiscal year 2010 are available, subject to certain restrictions, but new spending initiatives are not authorized. Our key programs continue to be supported and funded despite the continuing resolution financing mechanism. However, during periods covered by continuing resolutions (or until the regular appropriation bills are passed), we may experience delays in procurement of products and services due to lack of funding, and those delays may affect our sales and profit during the period. The current continuing resolution has not had a material effect on our results of operations, financial position, or cash flows. The arrival of a new Congress in January 2011 with the House of Representatives and Senate under control of different political parties creates the potential for some uncertainty as to whether the government will continue to operate under a continuing resolution for the remainder of the fiscal year or will be able to enact appropriations legislation.

We believe our broad mix of programs and capabilities continues to position us favorably to support the current and future needs of the DoD. As the DoD increases its emphasis on affordability in the current fiscal environment and continues to respond to the increasingly complex and dynamic global security environment, many of our products remain well-positioned to meet the needs of the military services. For example, while Secretary Gates proposed changes to our F-35 program which will affect the aircraft's development and transition to production (see the F-35 discussion under the caption "Other Business Considerations" in this section), the aircraft remains a national priority. Additionally, the U.S. Navy plans to evolve the Aegis air and missile defense system through modernization programs to derive maximum utility over the long service lives of these systems. The Navy also recently decided to procure up to ten additional Littoral Combat Ships from us over the next five years.

The need for more affordable logistics and sustainment, expansive use of information technology and knowledge-based solutions, and vastly improved levels of network and cybersecurity, all appear to continue to be national priorities. To address these priorities, we have been growing our portfolio in these areas, diversifying our business, and expanding into adjacent businesses and programs that include surface naval vessels, rotary wing aviation, and land vehicles.

We have expanded production of the C-130J Super Hercules tactical airlifter to meet the needs of the U.S. Government and international customers. Despite recent proposed changes, we continue to prepare for increased production of the F-35 Lightning II Joint Strike Fighter for the U.S. Navy, Air Force, and Marine Corps, and international partners in future years. This program continues to be a significant element of a broader U.S. effort to build the capacity of alliance partners throughout the world. In the areas of space-based intelligence and information superiority, we are the prime contractor on programs such as the Global Positioning Satellite program, Mobile User Objective System, the Advanced Extremely High Frequency system, the Space-Based Infrared System-High, and classified programs.

Our products are represented in almost every aspect of land, sea, air, and space-based missile defense, including the Aegis, the Patriot Advanced Capability (PAC) missile program, and the Terminal High Altitude Area Defense (THAAD) transportable defensive missile system. We continue to perform on contracts to develop and deliver essential munitions, missile, and other systems, such as Hellfire, Guided Multiple Launch Rocket Systems, and EQ-36 radar systems. We also have unmanned systems capabilities, including air, ground, and underwater systems.

## [Table of Contents](#)

In the area of command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) programs, our capabilities include the Airborne Maritime Fixed Joint Tactical Radio System, the Warfighter Information Network – Tactical, the Combatant Commanders Integrated Command and Control System, and the Global Communications Support System – Air Force.

We have a significant presence in the support and modernization of the DoD's information technology systems. We see opportunities for expansion of our sustainment and logistical support activities to enhance the longevity and cost-effectiveness of the systems procured by our customers, and for improving global supply chain management.

### **Non-Department of Defense Business**

Our experience in the defense arena, together with our core information technology and services expertise, has enabled us to provide products and services to a number of government agencies, including the Departments of Homeland Security, Justice, Commerce, Health and Human Services, Transportation, and Energy, the U.S. Postal Service, the Social Security Administration, the Federal Aviation Administration, the National Aeronautics and Space Administration (NASA), the Environmental Protection Agency (EPA), the National Archives, and the Library of Congress.

All non-defense agencies also are operating under a continuing resolution that requires them to remain at fiscal year 2010 funding levels. In addition, the President's budget proposes a three-year freeze in certain civil agency budgets, including agencies to which we provide products and services. We believe our key programs will continue to be supported in the budgets of the various agencies with which we do business.

We have continued to expand our capabilities in critical intelligence, knowledge management, and e-Government solutions for our customers, including the Social Security Administration and the Centers for Medicare and Medicaid Services (CMS). We also provide program management, business strategy and consulting, complex systems development and maintenance, complete life-cycle software support, information assurance, and enterprise solutions. In the civil arena, as with our defense business, we have not seen a significant effect on our business from the Administration's stated policy of in-sourcing. We believe that there will be continued demand by federal and civil government agencies for upgrading and investing in new information technology systems and solutions, but at a somewhat slower pace in the near term.

Consistent with our DoD business, more affordable logistics and sustainment, a more expansive use of information technology and knowledge-based solutions, and improved levels of network and cybersecurity all appear to be priorities in our non-DoD business as well. Homeland security, critical infrastructure protection, and improved service levels for civil government agencies also appear to be high customer priorities. The continuing strong emphasis on homeland security may increase demand for our capabilities in areas such as air traffic management, ports, waterways and cargo security, biohazard detection systems for postal equipment, employee identification and credential verification systems, information systems security, and other global security systems solutions.

### **Other Business Considerations**

#### ***International Business***

We remain committed to growth in our sales to international customers. We conduct business with foreign governments primarily through Aeronautics and Electronic Systems. Our international sales are composed of "foreign military sales" through the U.S. Government and direct commercial contracts. In Aeronautics, the U.S. Government and eight foreign government partners are working together on the design, testing, production, and sustainment of the F-35 Lightning II, while other countries such as Israel have recently selected the F-35 as their next generation combat aircraft. We expect international deliveries of the F-35 to begin in 2012. The F-16 Fighting Falcon has been selected by 25 countries, with 53 follow-on buys from 14 countries. We continue to expand the C-130J Super Hercules air mobility aircraft's international footprint with customers in 15 countries including recent orders from Israel, Kuwait, Korea, and Tunisia. In global sustainment, we are leveraging our value as the original equipment manufacturer (OEM) for our major platforms and have set up new production capabilities to provide service life extension, including new wings and support for Norway's P-3 fleet. We have also received awards from the U.S. and Canadian governments to upgrade their P-3 aircraft.

With regard to the Aegis Weapon System, our Electronic Systems segment performs activities in the development, production, ship integration and test, and lifetime support for ships of international customers such as Japan, Spain, Korea, Norway, and Australia. The system also has been selected to be used as a ground-based missile defense system in Europe, referred to as "Aegis Ashore." This segment has contracts with the Canadian Government for the upgrade and support of

## [Table of Contents](#)

combat systems on Halifax class frigates. The new Littoral Combat Ship is also generating interest from potential international customers. Electronic Systems also produces the PAC-3 missile, an advanced defensive missile designed to intercept incoming airborne threats, for international customers including Japan, Germany, the Netherlands, Taiwan, and the United Arab Emirates (UAE). International customers have also expressed interest in our THAAD defensive missile system.

To the extent our contracts and business arrangements with international partners include operations in foreign countries, other risks are introduced into our business, including changing economic conditions, fluctuations in relative currency values, regulation by foreign countries, and the potential for deterioration of political relations.

### ***Status of the F-35 Program***

The System Development and Demonstration (SDD) portion of the F-35 program has experienced schedule delays, work scope changes, and cost increases. In the second quarter of 2010, the DoD recertified the F-35 program after completing a legally required review of the program's priority, capability, cost, and management structure in accordance with the Nunn-McCurdy process established under federal law. The Nunn-McCurdy process requires notification to the U.S. Congress if DoD program cost estimates exceed specified threshold levels, and includes a requirement that a program be terminated if cost estimates increase by 50% above the original program baseline, unless the DoD makes prescribed findings about the program. As part of that process, the DoD certified that continuation of the F-35 program is essential to national security, among other required findings.

In connection with the recertification, the DoD tasked the F-35 program executive officer to complete a technical baseline review which addressed program requirements, schedule, and cost. On January 6, 2011, the Secretary of Defense outlined the recommendations of the technical baseline review. Those recommendations included adding funding to the F-35 development program and extending development through 2016. These funds are to be used for additional development scope, for testing and risk retirement activities to better position the program for production, and to correct prior estimates.

The Secretary of Defense also identified the U.S. Air Force Conventional Take-off and Landing (CTOL) version and the Navy carrier version, which represent over 85 percent of the planned domestic production run, as proceeding satisfactorily in development. Testing challenges and delays on the short takeoff and vertical landing (STOVL) variant resulted in a decision to decouple STOVL testing from the other models and to move the development of the STOVL aircraft to the back of the overall Joint Strike Fighter (JSF) production sequence. We believe that these actions will better position the STOVL variant to demonstrate improved reliability over the next two years.

Given the size and complexity of the F-35 program, we anticipate that there will be additional reviews related to program schedule, cost, requirements, and aircraft quantities as part of the DoD, Congressional, and international partners' oversight and budgeting processes. Current program challenges include completion of the flight testing, supply chain performance, and software development. The SDD portion of the F-35 program has \$586 million of fee remaining. Any portion of the remaining fee that we or our partners receive is dependent upon completion of milestones, most of which have not yet been determined.

Although not exclusively related to the F-35 program, on October 4, 2010, the Defense Contracting Management Agency ("DCMA") withdrew its prior validation and determination of compliance of the earned value management system (EVMS) at our Fort Worth, Texas location. EVMS is a tool for managing cost and schedule performance on complex programs. To re-establish EVMS compliance at Fort Worth, we need to demonstrate corrective actions have been implemented to address prior DCMA audit findings on EVMS affecting the F-35 and other Aeronautics programs which are managed at that location. The DCMA may choose to re-audit our EVMS system at any time, but we understand that the DCMA will do so once a performance history on the new SDD baseline is established. The new SDD baseline may not be established until after the initial baseline review is completed in late 2011.

On October 7, 2010, the Israeli Government signed a letter of offer and acceptance with the U.S. Government for the procurement of F-35 aircraft. Israel is expected to be the first country to receive the F-35 through the U.S. Government's foreign military sales process.

### ***Portfolio Shaping Activities***

We continuously strive to strengthen our portfolio of products and services to meet the current and future needs of our customers. We accomplish this internally through our independent research and development activities, and through acquisition, divestiture, and internal realignment activities.

## [Table of Contents](#)

We selectively pursue the acquisition of businesses and investments that complement our current portfolio and allow access to new customers or technologies. We have made a number of niche acquisitions of businesses and investments in affiliates during the past several years. We also may explore the divestiture of businesses. If we were to decide to sell a business, the resulting gains, if any, would be recorded when the transactions are completed or as otherwise required under GAAP and losses, if any, would be recorded when the carrying value of the related business is determined to be impaired. We also undertake internal realignment activities to adjust our portfolio of businesses to address changes in customer demand for our products and services.

### **Divestitures**

In June 2010, we announced plans to divest Pacific Architects and Engineers, Inc. (PAE) and most of our Enterprise Integration Group (EIG), two businesses within our IS&GS reporting segment (see Note 2). PAE's and EIG's operating results are included in discontinued operations on our Statements of Earnings for all periods presented, and PAE's assets and liabilities are classified as held for sale on our 2010 Balance Sheet. In November 2010, we closed on the sale of EIG. Our decision to divest EIG was based on our analysis of the U.S. Government's increased concerns about perceived organizational conflicts of interest within the defense contracting community. EIG provides systems engineering, architecture, and integration services and support to a broad range of government customers.

On February 22, 2011, we announced that we entered into a definitive agreement to sell PAE. We expect the transaction will close in the second quarter of 2011, subject to satisfaction of closing conditions. The plan to divest PAE is a result of changes in customer priorities. When we acquired the business, we envisioned it as an entry point to a new customer set that would need additional services, primarily in the areas of information technology and systems integration. Those customers, however, are seeking a different mix of services, such as the construction of facilities and provision of physical security, which does not fit with our long-term strategy.

### **Realignment Activities**

In 2010, Electronic Systems realigned its lines of business which now operate as Mission Systems & Sensors (MS2), Missiles & Fire Control (M&FC), and Global Training & Logistics (GT&L). The realignment included the movement of two IS&GS businesses, Readiness & Stability Operations (RSO) and Savi Technology, Inc., to Electronic Systems (see Note 5). The realignment resulted in the combination of our ground vehicles programs, which were previously reported in the former Platforms & Training (P&T) line of business and included the Joint Light Tactical Vehicle program, with M&FC. We also realigned RSO and Savi Technology, Inc. with Electronic Systems' simulation, training and support business (previously included in the former P&T line of business) to form GT&L. We combined the remaining elements of the former P&T line of business with the former Maritime Systems & Sensors line of business to form MS2. These realignment activities had no effect on our consolidated results of operations, financial position, or cash flows. All comparative financial information and related discussions of Electronic Systems and IS&GS in this Form 10-K reflects these realignment activities.

### **Results of Operations**

Since our operating cycle is long-term and involves many types of design, development, and production (DD&P) contracts with varying production delivery schedules, the results of operations of a particular year, or year-to-year comparisons of recorded sales and profits, may not be indicative of future operating results. The following discussions of comparative results among periods should be viewed in this context. All per share amounts cited in this discussion are presented on a "per diluted share" basis.

<i>(In millions, except per share data)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
<b>Operating Results</b>			
Net Sales	\$45,803	\$43,995	\$41,372
Operating Profit	4,097	4,415	5,049
Interest Expense	(345)	(308)	(332)
Other Non-Operating Income (Expense), Net	74	123	(91)
Income Tax Expense	(1,181)	(1,231)	(1,459)
Earnings from Continuing Operations	2,645	2,999	3,167
Earnings from Discontinued Operations	281	25	50
Net Earnings	\$ 2,926	\$ 3,024	\$ 3,217
<b>Diluted Earnings Per Common Share</b>			
Continuing Operations	\$ 7.18	\$ 7.71	\$ 7.74
Discontinued Operations	.76	.07	.12
Total	\$ 7.94	\$ 7.78	\$ 7.86

## [Table of Contents](#)

The following discussion of operating results provides an overview of our operations by focusing on key elements in our Statements of Earnings. The “Discussion of Business Segments” section that follows describes the contributions of each of our business segments to our consolidated net sales and operating profit for 2010, 2009, and 2008. We follow an integrated approach for managing the performance of our business, and focus the discussion of our results of operations around major products and lines of business versus distinguishing between products and services. Product sales are predominantly generated in the Aeronautics, Electronic Systems, and Space Systems segments, while most of our services sales are generated in our IS&GS segment.

### **Continuing Operations**

For 2010, net sales were \$45.8 billion, a 4% increase over 2009. Net sales for 2009 were \$44.0 billion, a 6% increase over 2008 net sales of \$41.4 billion. Net sales increased during 2010 in all segments except Space Systems as compared to 2009. Net sales increased during 2009 in all segments as compared to 2008 (see the Discussion of Business Segments).

Our operating profit for 2010 was \$4.1 billion, a decrease of 7% compared to operating profit of \$4.4 billion in 2009. The decline in operating profit of \$318 million primarily was attributable to the effects of charges, net of state income tax benefits, of \$178 million related to the VESP and \$42 million related to facilities consolidation within the MS2 line of business in Electronic Systems (see Note 3). Also contributing to the decline was an increase of \$71 million in other unallocated Corporate costs attributable to various Corporate activities.

Our operating profit for 2009 was \$4.4 billion, a decrease of 12% compared to operating profit of \$5.0 billion 2008. In 2009, operating profit was negatively affected by the FAS/CAS pension adjustment (see Note 5 for a description of this adjustment), which was an expense of \$456 million in 2009 as compared to income of \$128 million in 2008 due to the negative actual return on plan assets in 2008 and a lower discount rate at December 31, 2008. In addition, operating profit was lower due to recognition of a deferred gain of \$108 million in 2008 from the sale of our ownership interest in Lockheed Khrunichev Energia International, Inc. (LKEI) and International Launch Services, Inc. (ILS) in 2006 (see Note 3); earnings of \$85 million recorded in 2008 associated with reserves related to various land sales that were no longer required (see Note 3); and a \$24 million loss on the 2009 sale of a foreign subsidiary. These declines more than offset increased operating profit at the Aeronautics, Electronic Systems and Space Systems business segments.

Interest expense for 2010 was \$345 million, or \$37 million higher than 2009. The increase mainly was driven by interest expense on the \$1.5 billion of long-term notes issued in the fourth quarter of 2009. Interest expense for 2009 was \$308 million, or \$24 million lower than 2008. The decrease mainly was driven by the August 2008 redemption of our \$1.0 billion of floating rate convertible debentures, partially offset by increases resulting from the fourth quarter 2009 issuance of \$1.5 billion of long-term notes and the first quarter 2008 issuance of \$500 million of long-term notes.

Other non-operating income (expense), net was income of \$74 million and \$123 million in 2010 and 2009, and expense of \$91 million in 2008. The changes between periods primarily reflect gains (losses) on marketable securities held to fund certain non-qualified employee benefit obligations.

Our effective income tax rates from continuing operations were 30.9% for 2010, 29.1% for 2009, and 31.5% for 2008. These rates were lower than the statutory rate of 35% for all periods due to tax benefits for U.S. manufacturing activities, the deduction of dividends related to certain of our defined contribution plans with an employee stock ownership plan feature, and the research and development (R&D) tax credit. The 2010 effective tax rate was affected by the enactment of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, which eliminated the tax deduction for company-paid retiree prescription drug expenses to the extent they are reimbursed under Medicare Part D, beginning in 2013. As a result, the Corporation recorded additional income tax expense of \$96 million in 2010. The rate for 2010 also included additional tax benefits related to U.S. manufacturing activities primarily due to an increase in qualified production activity income and an increase in the U.S. manufacturing activity deduction rate from 6% to 9%. The 2009 effective tax rate reflected a reduction of income tax expense of \$69 million primarily arising from the resolution of IRS examinations of the years 2005 through 2007 and 2008.

We reported net earnings from continuing operations of \$2.6 billion (\$7.18 per share) in 2010, \$3.0 billion (\$7.71 per share) in 2009, and \$3.2 billion (\$7.74 per share) in 2008. Both net earnings from continuing operations and earnings per share were affected by the factors discussed above. In addition, earnings per share has benefitted from the significant number of shares repurchased under our share repurchase programs (see Note 12). The effect of those repurchases has been partially offset by common stock issued under our stock-based compensation and defined contribution plans.

## [Table of Contents](#)

### Discontinued Operations

Discontinued operations included the operating results for PAE and EIG for all periods presented. We reported net earnings from discontinued operations of \$281 million (\$.76 per share) in 2010, \$25 million (\$.07 per share) in 2009, and \$50 million (\$.12 per share) in 2008 (see Note 2).

Earnings from discontinued operations for 2010 included a gain, net of income taxes, of \$184 million (\$.50 per share) from the sale of EIG. Additionally, as a result of our decision to sell PAE in 2010, we recorded a \$182 million deferred tax asset which reflects the federal and state tax benefits that we expect to realize on the sale, because our tax basis is higher than our book basis. Earnings from discontinued operations also included an impairment charge of \$109 million related to the planned sale of PAE, as the carrying value of the business exceeded the expected net proceeds from the sale transaction. In total, these items associated with PAE increased 2010 earnings from discontinued operations by \$73 million (\$.20 per share).

### Discussion of Business Segments

We operate in four principal business segments: Aeronautics, Electronic Systems, IS&GS, and Space Systems. We organize our business segments based on the nature of the products and services offered.

The following table presents net sales and operating profit of our four business segments. Net sales exclude intersegment revenue, as these activities are eliminated in consolidation. Intercompany transactions are generally negotiated and accounted for under terms and conditions similar to other government and commercial contracts. Operating profit of the business segments includes the equity earnings or losses from investees in which certain of our business segments hold equity interests, because the activities of the investees are closely aligned with the operations of those segments.

Operating profit of the business segments excludes the FAS/CAS pension adjustment discussed under the caption "Postretirement Benefit Plans" in the section on Critical Accounting Policies; expense for certain stock-based compensation programs including costs for stock options and restricted stock units; the effects of items not considered part of management's evaluation of segment operating performance, such as the charges related to the VESP in 2010 and the MS2 consolidation plan announced in 2010 (see Note 3); gains or losses from divestitures; the effects of legal settlements; Corporate costs not allocated to the business segments; and other miscellaneous Corporate activities. The items other than the charges related to the VESP and the MS2 consolidation plan are included in "Other unallocated Corporate income (expense), net" in the following table which reconciles operating profit from the business segments to operating profit in our Statements of Earnings. The charges related to the VESP and MS2 consolidation plan are presented together as a separate reconciling item.

<i>(In millions)</i>	2010	2009	2008
<b>Net Sales</b>			
Aeronautics	\$13,235	\$12,201	\$11,473
Electronic Systems	14,363	13,532	12,803
Information Systems & Global Solutions	9,959	9,608	9,069
Space Systems	8,246	8,654	8,027
Total	\$45,803	\$43,995	\$41,372
<b>Operating Profit</b>			
Aeronautics	\$ 1,502	\$ 1,577	\$ 1,433
Electronic Systems	1,712	1,660	1,583
Information Systems & Global Solutions	890	895	919
Space Systems	972	972	953
Total business segments	\$ 5,076	\$ 5,104	4,888
VESP and other charges	(220)	—	—
Other unallocated Corporate income (expense), net	(759)	(689)	161
Total	\$ 4,097	\$ 4,415	\$ 5,049

The following segment discussions also include information relating to negotiated backlog for each segment. Total negotiated backlog was approximately \$78.2 billion, \$77.2 billion, and \$80.1 billion at December 31, 2010, 2009, and 2008. These amounts included both funded backlog (unfilled firm orders for which funding has been both authorized and appropriated by the customer – Congress in the case of U.S. Government agencies) and unfunded backlog (firm orders for

## [Table of Contents](#)

which funding has not yet been appropriated). Negotiated backlog does not include unexercised options or task orders to be issued under indefinite-delivery, indefinite-quantity (IDIQ) contracts. Funded backlog was approximately \$49.7 billion at December 31, 2010.

We use the percentage-of-completion method of accounting for our long-term design, development and production contracts, which we refer to as products in our Statements of Earnings. Under this method of accounting, we record sales on contracts based upon our progress towards completion on a particular contract as well as our estimate of the profit to be earned at completion.

Changes in volume refer to increases or decreases in sales resulting from varying production activity levels, deliveries, or service levels on individual contracts. Volume changes typically include a corresponding change in operating profit based on the estimate of profit at completion for a particular contract. For example, if the cost volume on a cost-reimbursement-type contract increased or decreased compared with a prior period, sales and operating profit for that contract will also be increased or decreased.

Changes in performance refer to increases or decreases in the estimated profit booking rates on our contracts for products. Performance changes usually relate to revisions in the total estimated costs at completion that reflect improved or deteriorated operating or award fee performance on a particular contract. Such changes in estimated profit booking rates are recognized in the current period and reflect the inception-to-date effect of such changes. For example, if we increase the estimated profit booking rate on a cost reimbursable contract, the increase in sales and operating profit for that contract will reflect a higher return on sales in the current period due to the recognition of the higher booking rate on both current period costs as well as previously incurred costs. Accordingly, such changes in the estimated profit booking rates may affect the comparison of segment operating results.

For our services contracts, changes in volume are reflective of increases or decreases in the level of services being provided under each contract. Performance refers to changes in the levels of operating profit. Sales are recognized as the services are performed, typically on a straight-line basis. Award and incentive fees related to the performance on these contracts are recognized when communicated to us by the customer. Costs associated with these contracts are expensed as incurred. Accordingly, the timing for recognizing the effect of costs and award and incentive fees on our services contracts may affect the comparison of segment operating results.

The Aeronautics segment generally includes fewer programs that have much larger sales and operating results than programs included in the other segments. Due to the large number of comparatively smaller programs in the remaining segments, the discussion of the results of operations of those business segments focuses on lines of business within the segment rather than on specific programs. The following tables of financial information and related discussion of the results of operations of our business segments are consistent with the presentation of segment information in Note 5 to the financial statements. We have a number of programs that are classified by the U.S. Government and cannot be specifically described. The operating results of these classified programs are included in our consolidated and business segment results, and are subjected to the same oversight and internal controls as our other programs.

### Aeronautics

Our Aeronautics business segment is engaged in the research, design, development, manufacture, integration, sustainment, support, and upgrade of advanced military aircraft, including combat and air mobility aircraft, unmanned air vehicles, and related technologies. Key Combat Aircraft programs include the F-35 Lightning II, F-16 Fighting Falcon, and F-22 Raptor fighter aircraft. Key Air Mobility programs include the C-130J Super Hercules and the C-5M Super Galaxy. Aeronautics provides logistics support, sustainment, and upgrade modification services for its aircraft. Aeronautics' operating results included the following:

<i>(In millions)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
Net sales	\$13,235	\$12,201	\$11,473
Operating profit	1,502	1,577	1,433
Operating margin	11.3%	12.9%	12.5%
Backlog at year-end	27,500	26,700	27,200

Net sales for Aeronautics increased by 8% in 2010 compared to 2009. Sales increased in all three lines of business during the year. The \$800 million increase in Air Mobility primarily was attributable to higher volume on C-130 programs, including deliveries and support activities, as well as higher volume on the C-5 Reliability Enhancement and Re-engining

## [Table of Contents](#)

Program (RERP). There were 25 C-130J deliveries in 2010 compared to 16 in 2009. The \$179 million increase in Combat Aircraft principally was due to higher volume on F-35 production contracts, which partially was offset by lower volume on the F-35 SDD contract and a decline in volume on F-16, F-22 and other combat aircraft programs. There were 20 F-16 deliveries in 2010 compared to 31 in 2009. The \$55 million increase in Other Aeronautics Programs mainly was due to higher volume on P-3 and advanced development programs, which partially were offset by a decline in volume on sustainment activities.

Net sales for Aeronautics increased by 6% in 2009 compared to 2008. During the year, sales increased in all three lines of business. The increase of \$296 million in Air Mobility's sales primarily was attributable to higher volume on the C-130 programs, including deliveries and support activities. There were 16 C-130J deliveries in 2009 and 12 in 2008. Combat Aircraft sales increased \$316 million principally due to higher volume on the F-35 program and increases in F-16 deliveries, which partially were offset by lower volume on F-22 and other combat aircraft programs. There were 31 F-16 deliveries in 2009 compared to 28 in 2008. The \$116 million increase in Other Aeronautics Programs mainly was due to higher volume on P-3 programs and advanced development programs, which partially were offset by declines in sustainment activities.

Operating profit for the segment decreased by 5% in 2010 compared to 2009. A decline in operating profit in Combat Aircraft partially was offset by increases in Other Aeronautics Programs and Air Mobility. The \$149 million decrease in Combat Aircraft's operating profit primarily was due to lower volume and a decrease in the level of favorable performance adjustments on the F-22 program, the F-35 SDD contract and F-16 and other combat aircraft programs in 2010. These decreases more than offset increased operating profit resulting from higher volume and improved performance on F-35 production contracts in 2010. The \$35 million increase in Other Aeronautics Programs mainly was attributable to higher volume and improved performance on P-3 and advanced development programs as well as an increase in the level of favorable performance adjustments on sustainment activities in 2010. The \$19 million increase in Air Mobility operating profit primarily was due to higher volume and improved performance in 2010 on C-130J support activities, which more than offset a decrease in operating profit due to a lower level of favorable performance adjustments on C-130J deliveries in 2010. The remaining change in operating profit is attributable to an increase in other income, net between the comparable periods.

Aeronautics' 2010 operating margins have decreased when compared to 2009. The operating margin decrease reflects the life cycles of our significant programs. Specifically, Aeronautics is performing more development and initial production work on the F-35 program and is performing less work on more mature programs such as the F-22 and F-16. Development and initial production contracts yield lower profits than mature full rate programs. Accordingly, while net sales increased in 2010 relative to 2009, operating profit decreased and consequently operating margins have declined.

Operating profit for the segment increased 10% in 2009 compared to 2008. The growth in operating profit primarily was due to increases in Air Mobility and Other Aeronautics Programs. The \$70 million increase in Air Mobility's operating profit primarily was due to the higher volume on C-130J deliveries and C-130 support programs. In Other Aeronautics Programs, operating profit increased \$120 million, which mainly was attributable to improved performance in sustainment activities and higher volume on P-3 programs. Additionally, the increase in operating profit included the favorable restructuring of a P-3 modification contract in 2009. Combat Aircraft's operating profit decreased \$22 million during the year primarily due to a reduction in the level of favorable performance adjustments on F-16 programs in 2009 compared to 2008 and lower volume on other combat aircraft programs. These decreases more than offset increased operating profit resulting from higher volume and improved performance on the F-35 program and an increase in the level of favorable performance adjustments on the F-22 program in 2009 compared to 2008. The remaining change in operating profit is attributable to a decrease in other income, net, between the comparable periods.

Backlog increased in 2010 compared to 2009 mainly due to orders exceeding sales on the C-130J, F-35 and C-5 programs, which partially were offset by higher sales volume compared to new orders on the F-22 program in 2010. Backlog decreased in 2009 compared to 2008 mainly due to sales exceeding orders on the F-22 and F-35 programs, which partially were offset by orders exceeding sales on the C-130J and C-5 programs.

We expect Aeronautics will have sales growth in the upper single digit percentage range for 2011 as compared to 2010. This increase primarily is driven by growth on F-35 Low Rate Initial Production (LRIP) contracts, C-130J and C-5 RERP programs that will more than offset a decline on the F-22 program. Operating profit is projected to increase at a mid single digit percentage rate above 2010 levels, resulting in a decline in operating margins between the years. Similar to the relationship of operating margins from 2009 to 2010 discussed above, the expected operating margin decrease from 2010 to 2011 reflects the trend of Aeronautics performing more development and initial production work on the F-35 program and is performing less work on more mature programs such as the F-22 and F-16, even though sales are expected to increase in 2011 relative to 2010.

## Electronic Systems

Our Electronic Systems business segment manages complex programs and designs, develops, produces, and integrates hardware and software solutions to ensure the mission readiness of armed forces and government agencies worldwide. The segment's three lines of business are Mission Systems & Sensors (MS2), Missiles & Fire Control (M&FC), and Global Training & Logistics (GT&L). With such a broad portfolio of programs to provide products and services, many of its activities involve a combination of both development and production contracts with varying delivery schedules. Some of its more significant programs, including the THAAD system, the Aegis Weapon System, and the Littoral Combat Ship program, demonstrate the diverse products and services Electronic Systems provides. Electronic Systems' operating results included the following:

<i>(In millions)</i>	2010	2009	2008
Net sales	<b>\$14,363</b>	\$13,532	\$12,803
Operating profit	<b>1,712</b>	1,660	1,583
Operating margin	<b>11.9%</b>	12.3%	12.4%
Backlog at year-end	<b>23,200</b>	23,100	23,500

Net sales for Electronic Systems increased by 6% in 2010 compared to 2009. Sales increased in all three lines of business during the year. The \$421 million increase at GT&L primarily was due to growth on readiness and stability operations, which partially was offset by lower volume on simulation & training programs. The \$316 million increase at M&FC primarily was due to higher volume on tactical missile and air defense programs, which partially was offset by a decline in volume on fire control systems. The \$94 million increase at MS2 mainly was due to higher volume on surface naval warfare, ship & aviation systems, and radar systems programs, which partially was offset by lower volume on undersea warfare programs.

Net sales for Electronic Systems increased by 6% in 2009 compared to 2008. Sales increases in M&FC and GT&L more than offset a decline in MS2. The \$429 million increase in sales at M&FC primarily was due to growth on tactical missile programs and fire control systems. The \$355 million increase at GT&L primarily was due to growth on simulation and training activities and readiness and stability operations. The increase in simulation and training also included sales from the first quarter 2009 acquisition of Universal Systems and Technology, Inc. The \$55 million decrease at MS2 mainly was due to lower volume on ship & aviation systems and undersea warfare programs, which partially were offset by higher volume on radar systems and surface naval warfare programs.

Operating profit for the segment increased by 3% in 2010 compared to 2009. Operating profit increases at M&FC and GT&L more than offset a decline at MS2. The \$73 million increase at M&FC mainly was due to higher volume and improved performance on certain tactical missile programs and higher volume on air defense programs. The \$23 million increase at GT&L primarily was attributable to higher volume on readiness and stability operations and improved performance on simulation and training programs. These increases more than offset declines due to lower volume and performance on other logistics programs and the absence in 2010 of a benefit recognized in the first quarter of 2009 from favorably resolving a contract matter at simulation & training programs. The \$44 million decrease in operating profit at MS2 mainly was due to lower volume and performance on undersea warfare programs and a decrease in the level of favorable performance adjustments on surface naval warfare programs in 2010. These declines partially were offset by higher volume and improved performance on ship & aviation systems and radar systems programs in 2010.

Operating profit for the segment increased by 5% in 2009 compared to 2008. In 2009, increases in operating profit at M&FC and GT&L more than offset declines at MS2. Operating profit increased \$110 million at M&FC mainly due to higher volume and improved performance on fire control systems and tactical missile programs. The increase in operating profit of \$34 million at GT&L primarily was due to higher volume and improved performance on simulation and training programs and readiness and stability operations. Additionally, the increase included a benefit recognized in 2009 from favorably resolving a simulation and training contract matter. These increases partially were offset by lower volume and performance on other logistics programs. There was a \$67 million decrease in operating profit at MS2, which primarily was attributable to lower volume on ship & aviation programs and a reduction in the level of favorable performance adjustments on ship & aviation systems and undersea warfare programs in 2009 compared to 2008.

Backlog increased in 2010 compared to 2009 primarily from increased orders for air defense and tactical missile programs at M&FC and readiness and stability operations at GT&L. These increases partially were offset by higher sales volume on ship & aviation systems and surface naval warfare programs at MS2. Backlog decreased in 2009 compared to

## [Table of Contents](#)

2008 due to the U.S. Government's exercise of the termination for convenience clause on the VH-71 Presidential Helicopter Program at MS2, which resulted in a \$985 million reduction. This decline more than offset increased orders on air defense and tactical missile programs at M&FC and simulation and training activities at GT&L.

We expect Electronic Systems' sales to decline in 2011 in the low single digit percentage range as compared to 2010. The decline primarily is due to our completion of the persistent threat detection system (PTDS) program in 2010, coupled with the delayed timing of awards such as the Littoral Combat Ship and certain missile defense contracts. We expect the decline to be partially offset by growth in readiness and stability contracts. Operating profit is expected to decline in line with sales, with operating margins expected to be similar to those in 2010.

### Information Systems & Global Solutions

Our IS&GS business segment provides management services, Information Technology (IT) solutions, and advanced technology expertise across a broad spectrum of applications to U.S. Government and other customers. The segment operates in the Civil, Defense, and Intelligence lines of business. IS&GS' key programs and activities include the En-Route Automation Modernization (ERAM) program, the Airborne Maritime Fixed Joint Tactical Radio System (JTRS) program, the Hanford Mission Support contract, and the Decennial Response Integration System (DRIS 2010) program. The DRIS 2010 program substantially was completed in 2010. IS&GS' programs also include a large number of IDIQ and task order types of contracts across each of its lines of business. IS&GS' operating results included the following:

<i>(In millions)</i>	2010	2009	2008
Net sales	<b>\$9,959</b>	\$ 9,608	\$ 9,069
Operating profit	<b>890</b>	895	919
Operating margin	<b>8.9%</b>	9.3%	10.1%
Backlog at year-end	<b>9,700</b>	10,600	11,500

Net sales for IS&GS increased by 4% in 2010 compared to 2009. Sales increased in Civil and Defense but declined in Intelligence during the year. Civil increased \$437 million principally due to higher volume on enterprise civilian services. Defense sales increased \$20 million primarily due to higher volume on mission and combat systems activities. The \$106 million decline in Intelligence programs mainly was due to lower volume on security solutions.

Net sales for IS&GS increased by 6% in 2009 compared to 2008. Sales increased in all three lines of business during the year. Net sales at Civil increased by \$324 million principally due to higher volume on enterprise civilian services. Defense sales increased \$192 million primarily due to higher volume on mission and combat systems activities. The \$23 million increase in Intelligence mainly was due to higher volume on security solutions.

Operating profit for the segment decreased by 1% in 2010 compared to 2009. For the year, operating profit declines in Defense more than offset an increase in Civil, while operating profit at Intelligence essentially was unchanged. The \$27 million decrease in operating profit at Defense primarily was attributable to a decrease in the level of favorable performance adjustments on mission and combat systems activities in 2010. The \$19 million increase in Civil principally was due to higher volume on enterprise civilian services.

Operating profit for the segment decreased by 3% in 2009 compared to 2008. Operating profit declines in Civil and Intelligence partially were offset by growth in Defense. The decrease of \$29 million in Civil's operating profit primarily was attributable to a reduction in the level of favorable performance adjustments on enterprise civilian services programs in 2009 compared to 2008. The decrease in operating profit of \$27 million at Intelligence mainly was due to a reduction in the level of favorable performance adjustments on security solution activities in 2009 compared to 2008. The increase in Defense's operating profit of \$29 million mainly was due to volume and improved performance in mission and combat systems.

The decrease in backlog during 2010 compared to 2009 mainly was due to higher sales volume on enterprise civilian service programs at Civil, including volume associated with the DRIS 2010 program, and mission and combat system programs at Defense. Backlog decreased in 2009 compared to 2008 due to U.S. Government's exercise of the termination for convenience clause on the TSAT Mission Operations System (TMOS) contract at Defense, which resulted in a \$1.6 billion reduction in orders. This decline more than offset increased orders on enterprise civilian services programs at Civil.

We expect IS&GS will experience a low single digit percentage decrease in sales for 2011 as compared to 2010. This decline primarily is due to completion of most of the work associated with the DRIS 2010 program. Operating profit in 2011 is expected to decline in relationship to the decline in sales volume, while operating margins are expected to be comparable between the years.

## Space Systems

Our Space Systems business segment is engaged in the design, research and development, engineering, and production of satellites, strategic and defensive missile systems, and space transportation systems, including activities related to the planned replacement of the Space Shuttle. Government satellite programs include the Advanced Extremely High Frequency (AEHF) system, the Mobile User Objective System (MUOS), the Global Positioning Satellite III (GPS III) system, the Space-Based Infrared System (SBIRS), and the Geostationary Operational Environmental Satellite R-Series (GOES-R). Strategic and missile defense programs include the targets and countermeasures program and the fleet ballistic missile program. Space transportation includes the NASA Orion program and, through ownership interests in two joint ventures, expendable launch services (United Launch Alliance, or ULA) and Space Shuttle processing activities for the U.S. Government (United Space Alliance, or USA). The Space Shuttle is expected to complete its final flight mission in 2011 and our involvement with its launch and processing activities will end at that time. Space Systems' operating results included the following:

<i>(In millions)</i>	2010	2009	2008
Net sales	\$ 8,246	\$ 8,654	\$ 8,027
Operating profit	972	972	953
Operating margin	11.8%	11.2%	11.9%
Backlog at year-end	17,800	16,800	17,900

Net sales for Space Systems decreased by 5% in 2010 compared to 2009. Sales declined in all three lines of business during the year. The \$253 million decrease in Space Transportation principally was due to lower volume on the space shuttle external tank, commercial launch vehicle activity and other human space flight programs, which partially were offset by higher volume on the Orion program. There were no commercial launches in 2010 compared to one commercial launch in 2009. Strategic & Defensive Missile Systems (S&DMS) sales declined \$147 million principally due to lower volume on defensive missile programs. The \$8 million sales decline in Satellites primarily was attributable to lower volume on commercial satellites, which partially were offset by higher volume on government satellite activities. There was one commercial satellite delivery in 2010 and one commercial satellite delivery in 2009.

Net sales for Space Systems increased 8% in 2009 compared to 2008. During the year, sales growth at Satellites and Space Transportation offset a decline in S&DMS. The sales growth of \$707 million in Satellites was due to higher volume in government satellite activities, which partially was offset by lower volume in commercial satellite activities. There was one commercial satellite delivery in 2009 and two deliveries in 2008. The increase in sales of \$21 million in Space Transportation primarily was due to higher volume on the Orion program, which more than offset a decline in the space shuttle's external tank program. There was one commercial launch in both 2009 and 2008. S&DMS' sales decreased by \$102 million mainly due to lower volume on defensive missile programs, which more than offset growth in strategic missile programs.

Operating profit for the segment was unchanged for 2010 compared to 2009. Growth in Space Transportation's operating profit was more than offset by a decline in Satellites' operating profit. S&DMS operating profit was relatively unchanged between periods. The \$21 million increase in Space Transportation mainly was attributable to higher equity earnings on the ULA and USA joint ventures and higher volume on the Orion program, which partially were offset by lower volume on the space shuttle's external tank program. Satellites' operating profit decreased \$23 million primarily due to lower volume and performance on commercial satellite programs, which partially was offset by higher volume and improved performance on government satellite programs in 2010. Equity earnings represented 27% of operating profit at Space Systems in 2010, compared to 22% in 2009.

Operating profit for the segment increased 2% in 2009 compared to 2008. During the year, operating profit growth at Satellites more than offset declines at Space Transportation and S&DMS. In Satellites, the operating profit increase of \$88 million mainly was due to higher volume on government satellite activities, which partially was offset by lower volume in commercial satellite activities. The decrease of \$46 million in Space Transportation's operating profit mainly was attributable to the absence in 2009 of a benefit recognized in 2008 from the successful negotiations of a terminated commercial launch vehicle contract, lower volume on the space shuttle external tank program, and lower equity earnings in 2009 on the ULA joint venture. The decrease in S&DMS' operating profit of \$19 million primarily was attributable to a lower volume on defensive missile programs and a reduction in the level of favorable performance adjustments in 2009 compared to 2008 on strategic missile programs. Total equity earnings recognized by Space Systems, which includes ULA and USA, represented 22% of the segment's operating profit in 2009 compared to 24% in 2008.

## [Table of Contents](#)

Backlog increased in 2010 compared to 2009 mainly due to orders exceeding sales on government satellite programs in Satellites and strategic missile programs in S&DMS, which more than offset higher sales volume compared to new orders on the Orion program in Space Transportation in 2010. The decrease in backlog during 2009 compared to 2008 was primarily attributable to declines in orders and higher sales volume on the Orion program in Space Transportation and on government satellite programs in Satellites.

We expect Space Systems' sales for 2011 will be comparable with the 2010 results. Sales are expected to decline due to the end of our production of the external tank for the space shuttle, offset by growth in satellite activities. Segment operating profit is expected to be down slightly primarily due to lower anticipated levels of equity earnings from our ownership interest in USA, which provides processing activities for the space shuttle. USA's activities will be winding down as the space shuttle's last flight will be in 2011. Segment operating margin is expected to slightly decline due to the lower equity earnings.

### Unallocated Corporate Income (Expense), Net

The following table shows the components of unallocated Corporate income (expense), net, including the CAS expense that is included as expense in the segments' operating results, the related FAS pension expense, and the resulting FAS/CAS pension adjustment.

<i>(In millions)</i>	<b>2010</b>	<b>2009</b>	<b>2008</b>
VESP and other charges <sup>(a)</sup>	<b>\$ (220)</b>	<b>\$ —</b>	<b>\$ —</b>
Other unallocated Corporate income (expense), net:			
FAS/CAS pension adjustment:			
FAS pension expense	<b>(1,442)</b>	(1,036)	(462)
Less: CAS expense	<b>(988)</b>	(580)	(590)
FAS/CAS pension adjustment – income (expense)	<b>(454)</b>	(456)	128
Other items not considered in segment operating performance	—	—	193
Stock compensation expense	<b>(168)</b>	(154)	(155)
Other, net	<b>(137)</b>	(79)	(5)
Total other unallocated Corporate income (expense), net	<b>(759)</b>	(689)	161
	<b>\$ (979)</b>	<b>\$ (689)</b>	<b>\$ 161</b>

<sup>(a)</sup> Includes the \$178 million charge associated with the VESP for qualifying company executives we announced in July 2010 and the \$42 million charge associated with the MS2 facilities consolidation (see Note 3). The approximate amounts of the VESP attributable to our business segments were as follows: Aeronautics – \$25 million; Electronic Systems – \$38 million; IS&GS – \$42 million; and Space Systems – \$41 million. The remaining \$32 million was attributable to Corporate.

FAS pension expense increased in 2010 compared to 2009, and in 2009 compared to 2008, due to the 25 basis point decrease in the discount rate each year and continued amortization of the actuarial losses incurred in 2008 as a result of the significant negative return on plan assets compared to our 8.5% long-term rate of return assumption (see the related discussion in Critical Accounting Policies under the caption "Postretirement Benefit Plans").

Certain items are excluded from segment results as part of senior management's evaluation of segment operating performance consistent with the management approach permitted by GAAP, such as the charges related to the VESP and the MS2 consolidation of facilities in 2010 (see Note 3); gains or losses from divestitures; the effects of legal settlements; Corporate costs not allocated to the business segments; and other miscellaneous Corporate activities. The charges related to the VESP and the MS2 consolidation of facilities are presented together on a separate line item in the table above. On a combined basis, these items decreased net earnings for 2010 by \$143 million (\$.38 per share). All such items for 2008 are included in "Other items not considered in segment operating performance" in the table above and consisted of: \$108 million related to the recognition of a deferred gain recorded in connection with the sale of Lockheed Khronichev Energia International, Inc. (LKEI) and International Launch Services, Inc. (ILS) and \$85 million related to the elimination or reserves associated with various land sales (see Note 3). On a combined basis, these items increased net earnings for 2008 by \$126 million (\$.31 per share). In 2009, there were no such items included in unallocated Corporate income (expense), net.

The change in the "Other, net" component of unallocated Corporate income (expense), net, between the periods primarily was due to higher expense associated with a number of Corporate activities.

## Liquidity and Cash Flows

Our access to capital resources that provide liquidity has not been materially affected by the changing economic and market conditions over the past few years. We continually monitor changes in such conditions so that we can timely respond to any related developments. We have generated strong operating cash flows which have been the primary source of funding for our operations, debt service and repayments, capital expenditures, share repurchases, dividends, acquisitions, and postretirement benefit plan funding. We have accessed the capital markets on limited occasions, as needed or when opportunistic. We issued \$728 million of notes in exchange for \$611 million of our then outstanding debt securities in 2010 (see Note 10), \$1.5 billion of debt securities in 2009, and \$500 million of debt securities in 2008.

We expect our cash from operations to continue to be sufficient to support our operations and anticipated capital expenditures for the foreseeable future. We have financing resources available to fund potential cash outflows that are less predictable or more discretionary, as discussed under Capital Structure, Resources, and Other. We have access to the credit markets, if needed, for liquidity or general corporate purposes, including letters of credit to support customer advance payments and for other trade finance purposes such as guaranteeing our performance on particular contracts.

Cash received from customers, either from the payment of invoices for work performed or for advances in excess of costs incurred, is our primary source of cash. We generally do not begin work on contracts until funding is appropriated by the customer. Billing timetables and payment terms on our contracts vary based on a number of factors, including the contract type. We generally bill and collect cash more frequently under cost-reimbursable and time-and-materials contracts, which together represent approximately 60% of the revenues we recorded in 2010, as we are authorized to bill as the costs are incurred or work is performed. In contrast to cost-reimbursable contracts, for fixed-price contracts we generally do not bill until milestones, including deliveries, are achieved. A number of our fixed-price contracts may provide for performance-based payments which allow us to bill and collect cash as we perform on the contract. The U.S. Government recently has indicated that it would consider progress payments as the baseline for negotiating consideration for different payment terms on contracts, such as performance-based payments. The use of progress payments could delay the collection of receivables on certain of our contracts in future periods. Fixed-price contracts represented approximately 40% of the revenues we recorded in 2010.

The majority of our capital expenditures for 2010 and those planned for 2011 can be divided into the categories of facilities infrastructure, equipment, and information technology (IT). Expenditures for facilities infrastructure and equipment are generally incurred to support new and existing programs across all of our business segments. For example, we have projects underway in our Aeronautics business segment for facilities and equipment to support production of the F-35 combat aircraft. In addition, we have projects underway to modernize certain of our facilities. We also incur capital expenditures for IT to support programs and general enterprise IT infrastructure.

We have a balanced cash deployment and disciplined growth strategy to enhance shareholder value and position ourselves to take advantage of new business opportunities when they arise. Consistent with that strategy, we have invested in our business, including capital expenditures and independent research and development, repurchased shares, increased our dividends, made selective acquisitions of businesses, and managed our debt levels. The following table provides a summary of our cash flow information and the subsequent discussion provides an overview of our execution of this strategy.

<i>(In millions)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
Net Cash Provided by Operating Activities	\$ 3,547	\$ 3,173	\$ 4,421
Net Cash Used for Investing Activities	(319)	(1,518)	(907)
Net Cash Used for Financing Activities	(3,363)	(1,476)	(3,938)

### Operating Activities

Net cash provided by operating activities increased by \$374 million to \$3,547 million in 2010 as compared to 2009. The increase primarily was attributable to an improvement in our operating working capital balances of \$570 million as discussed below, and \$187 million related to lower net income tax payments, as compared to 2009. Partially offsetting these improvements was a net reduction in cash from operations of \$350 million related to our defined benefit pension plan. This reduction was the result of increased contributions to the pension trust of \$758 million as compared to 2009, partially offset by an increase in the CAS costs recovered on our contracts.

Operating working capital accounts consists of receivables, inventories, accounts payable, and customer advances and amounts in excess of costs incurred. The improvement in cash provided by operating working capital was due to a decline in 2010 accounts receivable balances compared to 2009, and an increase in 2010 customer advances and amounts in excess of

## [Table of Contents](#)

costs incurred balances compared to 2009. These improvements partially were offset by a decline in accounts payable balances in 2010 compared to 2009. The decline in accounts receivable primarily was due to higher collections on various programs at Electronic Systems, IS&GS, and Space Systems business areas. The increase in customer advances and amounts in excess of costs incurred primarily was attributable to an increase on government and commercial satellite programs at Space Systems and air mobility programs at Aeronautics, partially offset by a decrease on various programs at Electronic Systems. The decrease in accounts payable was attributable to the timing of accounts payable activities across all segments.

Net cash provided by operating activities decreased by \$1,248 million to \$3,173 million in 2009 as compared to 2008. The decline primarily was attributable to an increase in our contributions to the defined benefit pension plan of \$1,373 million as compared to 2008 and an increase in our operating working capital accounts of \$147 million. Partially offsetting these items was the impact of lower net income tax payments in 2009 as compared to 2008 in the amount of \$319 million.

The decline in cash provided by operating working capital primarily was due to growth of receivables on various programs in the MS2 and GT&L lines of business at Electronic Systems and an increase in inventories on Combat Aircraft programs at Aeronautics, which partially were offset by increases in customer advances and amounts in excess of costs incurred on Government Satellite programs at Space Systems and the timing of accounts payable activities.

### **Investing Activities**

*Capital expenditures* – The majority of our capital expenditures relate to facilities infrastructure and equipment that are incurred to support new and existing programs across all of our business segments. We also incur capital expenditures for IT to support programs and general enterprise IT infrastructure. Capital expenditures for property, plant and equipment amounted to \$820 million in 2010, \$852 million in 2009, and \$926 million in 2008. We expect that our operating cash flows will continue to be sufficient to fund our annual capital expenditures over the next few years.

*Acquisitions, divestitures and other activities* – Acquisition activities include both the acquisition of businesses and investments in affiliates. Amounts paid in 2010 of \$148 million primarily related to investments in affiliates. We paid \$435 million in 2009 for acquisition activities, compared with \$233 million in 2008. In 2010, we received proceeds of \$798 million from the sale of EIG, net of \$17 million in transaction costs (see Note 2). There were no material divestiture activities in 2009 and 2008. During 2010, we increased our short-term investments by \$171 million compared to an increase of \$279 million in 2009.

### **Financing Activities**

*Share activity and dividends* – During 2010, 2009, and 2008, we repurchased 33.0 million, 24.9 million, and 29.0 million shares of our common stock for \$2,483 million, \$1,851 million, and \$2,931 million. Of the shares we repurchased in 2010, 0.9 million shares for \$63 million were repurchased in December but settled and were paid for in January 2011. In October 2010, our Board of Directors approved a new share repurchase program for the repurchase of our common stock from time-to-time, up to an authorized amount of \$3.0 billion (see Note 12). Under the program, we have discretion to determine the dollar amount of shares to be repurchased and the timing of any repurchases in compliance with applicable law and regulation. We repurchased a total of 11.2 million shares under the program for \$776 million, and as of December 31, 2010, there remained \$2,224 million available for additional share repurchases. In connection with their approval of the new share repurchase program, our Board terminated our previous share repurchase program.

Cash received from the issuance of our common stock in connection with stock option exercises during 2010, 2009, and 2008 totaled \$59 million, \$40 million, and \$250 million. Those activities resulted in the issuance of 1.4 million shares, 1.0 million shares, and 4.7 million shares during the respective periods.

Shareholders were paid cash dividends of \$969 million in 2010, \$908 million in 2009, and \$737 million in 2008. We have increased our quarterly dividend rate in each of the last three years. We declared quarterly dividends of: \$.63 per share during each of the first three quarters of 2010 and \$.75 per share for the last quarter; \$.57 per share during each of the first three quarters of 2009 and \$.63 per share for the last quarter; and \$.42 per share during each of the first three quarters of 2008 and \$.57 per share for the last quarter.

*Issuance and repayment of long-term debt* – In connection with the debt exchange completed in May 2010 (see Note 10), we paid a total of \$47 million for a portion of the premium associated with the transaction and related expenses incurred with third parties. We issued a total of \$1.5 billion of long-term notes in 2009 (see Note 10) and \$500 million of long-term notes in 2008. There were no repayments of long-term debt in 2010, and there are no scheduled maturity payments due prior

## [Table of Contents](#)

to 2013. In 2009, we paid \$242 million in repayments of long-term debt based on scheduled maturities. In 2008, we paid a total of \$1.0 billion representing the principal amount of our floating rate convertible debentures that were delivered for conversion or otherwise redeemed. We also paid another \$103 million during 2008 related to other repayments of long-term debt based on scheduled maturities.

### **Capital Structure, Resources, and Other**

At December 31, 2010, we held cash and cash equivalents of \$2.3 billion and short-term investments of \$516 million. Our long-term debt, net of unamortized discounts, amounted to \$5.0 billion. As of the end of 2010, our long-term debt bears interest at fixed rates and mainly is in the form of publicly-issued notes and debentures.

We issued \$728 million of new 5.72% Notes due 2040 (the New Notes) in May 2010 in exchange for \$611 million of our then outstanding debt securities (see Note 10). We paid a premium of \$158 million, of which \$117 million was in the form of New Notes and \$41 million was paid in cash, which was recorded as a discount and will be amortized as additional interest expense over the life of the New Notes using the effective interest method. The New Notes are included on our Balance Sheet net of the unamortized discount.

In November 2009, we issued a total of \$1.5 billion of long-term notes in a registered public offering (see Note 10), \$900 million of which are due in 2019 and have a fixed coupon interest rate of 4.25%, and \$600 million of which are due in 2039 and have a fixed coupon interest rate of 5.50%.

Our stockholders' equity was \$3.7 billion at December 31, 2010, a decrease of \$421 million from December 31, 2009. The decrease primarily was due to the repurchase of 33.0 million common shares for \$2.5 billion; the payment of \$969 million of dividends during the year; and adjustments related to our postretirement benefit plans at December 31 (see Note 11) which on a net basis increased the accumulated other comprehensive loss by \$430 million. These decreases partially were offset by net earnings of \$2.9 billion and employee stock activity of \$520 million. As we repurchase our common shares, we reduce common stock for the \$1 of par value of the shares repurchased, with the remainder of the purchase price over par value recorded as a reduction of additional paid-in capital. Due to the volume of repurchases made under our share repurchase programs, additional paid-in capital was reduced to zero, with the remainder of the excess of purchase price over par value of \$1.9 billion recorded as a reduction of retained earnings.

At December 31, 2010, we had in place with a group of banks a \$1.5 billion revolving credit facility which expires in June 2012. There were no borrowings outstanding under the facility during the year ended December 31, 2010. Borrowings under the credit facility would be unsecured and bear interest at rates based, at our option, on the Eurodollar rate or a bank defined Base Rate. Each bank's obligation to make loans under the credit facility is subject to, among other things, our compliance with various representations, warranties and covenants, including covenants limiting our ability and the ability of certain of our subsidiaries to encumber our assets, and a covenant not to exceed a maximum leverage ratio. The leverage ratio covenant excludes the adjustments recognized in stockholders' equity related to our postretirement benefit plans. As of December 31, 2010, we were in compliance with all covenants contained in the credit facility agreement.

We have agreements in place with banking institutions to provide for the issuance of commercial paper. There were no commercial paper borrowings outstanding during the year ended December 31, 2010. If we were to issue commercial paper, the borrowings would be supported by the \$1.5 billion revolving credit facility. We also have an effective shelf registration statement on Form S-3 on file with the Securities and Exchange Commission to provide for the issuance of an indeterminate amount of debt securities.

We actively seek to finance our business in a manner that preserves financial flexibility while minimizing borrowing costs to the extent practicable. We review changes in financial market, and economic conditions to manage the types, amounts, and maturities of our indebtedness. We may at times refinance existing indebtedness, vary our mix of variable-rate and fixed-rate debt, or seek alternative financing sources for our cash and operational needs.

Return on invested capital (ROIC) declined by 200 basis points during 2010 to 17.9%. The decline was primarily driven by the issuance of \$1.5 billion in debt securities in November 2009 and lower net earnings in 2010 compared to 2009. We define ROIC as net earnings plus after-tax interest expense divided by average invested capital (stockholders' equity plus debt), after adjusting stockholders' equity by adding back amounts related to postretirement benefit plans. We believe that reporting ROIC provides investors with greater visibility into how effectively we use the capital invested in our operations. We use ROIC as one of the inputs in our evaluation of multi-year investment decisions and as a long-term performance measure. We also use ROIC as a factor in evaluating management performance under certain of our incentive compensation plans.

## Table of Contents

ROIC is not a measure of financial performance under U.S. generally accepted accounting principles, and may not be defined and calculated by other companies in the same manner. ROIC should not be considered in isolation or as an alternative to net earnings as an indicator of performance. ROIC for 2010, 2009 and 2008 was calculated as follows:

<i>(In millions)</i>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Net earnings	<b>\$ 2,926</b>	\$ 3,024	\$ 3,217
Interest expense (multiplied by 65%) <sup>1</sup>	<b>224</b>	200	216
Return	<b>\$ 3,150</b>	\$ 3,224	\$ 3,433
Average debt <sup>2,5</sup>	<b>\$ 5,032</b>	\$ 4,054	\$ 4,346
Average equity <sup>3,5</sup>	<b>3,904</b>	3,155	8,236
Average benefit plan adjustments <sup>4,5</sup>	<b>8,650</b>	8,960	3,256
Average invested capital	<b>\$17,586</b>	\$16,169	\$15,838
Return on invested capital	<b>17.9%</b>	19.9%	21.7%

<sup>1</sup> Represents after-tax interest expense utilizing the federal statutory rate of 35%. Interest expense is added back to net earnings as it represents the return to debt holders. Debt is included as a component of average invested capital.

<sup>2</sup> Debt consists of long-term debt, including current maturities of long-term debt, and short-term borrowings (if any).

<sup>3</sup> Equity includes non-cash adjustments, primarily related to benefit plan adjustments as discussed in Note 4 below.

<sup>4</sup> Average benefit plan adjustments reflect the cumulative value of entries identified in our Statements of Stockholders' Equity related to adjustments to recognize the funded status of our benefit plans. The total of annual benefit plan adjustments to equity were: 2010 – \$(430) million; 2009 – \$495 million; and 2008 – \$(7,253) million. As these entries are recorded in the fourth quarter, the value added back to our average equity in a given year is the cumulative impact of all prior year entries plus 20% of the current year entry value. The cumulative impact of benefit plan adjustments through December 31, 2007 was \$(1,806) million.

<sup>5</sup> Yearly averages are calculated using balances at the start of the year and at the end of each quarter.

### Contractual Commitments and Off-Balance Sheet Arrangements

At December 31, 2010, we had contractual commitments to repay debt, make payments under operating leases, settle obligations related to agreements to purchase goods and services, and settle tax and other liabilities. Capital lease obligations were negligible. Payments due under these obligations and commitments are as follows:

<i>(In millions)</i>	<i>Payments Due By Period</i>				
	<i>Total</i>	<i>Less Than 1 Year</i>	<i>Years 2 and 3</i>	<i>Years 4 and 5</i>	<i>After 5 Years</i>
Long-term debt <sup>(a)</sup>	\$ 5,524	\$ —	\$ 650	\$ —	\$ 4,874
Interest payments	5,913	332	648	600	4,333
Other liabilities	2,483	446	400	287	1,350
Operating lease obligations	1,299	300	416	259	324
Purchase obligations:					
Operating activities	22,461	12,212	7,501	1,917	831
Capital expenditures	237	124	113	—	—
Total contractual cash obligations	<b>\$37,917</b>	<b>\$ 13,414</b>	<b>\$ 9,728</b>	<b>\$ 3,063</b>	<b>\$11,712</b>

<sup>(a)</sup> The total amount of long-term debt excludes the unamortized discount of \$505 million (see Note 10).

Generally, our long-term debt obligations are subject to, along with other things, compliance with certain covenants, including covenants limiting our ability and the ability of certain of our subsidiaries to encumber our assets. As of December 31, 2010, we were in compliance with all covenants contained in our debt agreements. Interest payments include interest related to the outstanding debt through maturity.

Amounts related to other liabilities represent the contractual obligations for certain long-term liabilities recorded as of December 31, 2010. Such amounts mainly include expected payments under deferred compensation plans, non-qualified pension plans, environmental liabilities, and business acquisition agreements. Obligations related to environmental liabilities represent our estimate of obligations for sites at which we are performing remediation activities, excluding amounts reimbursed by the U.S. Government in its capacity as a potentially responsible party. The amounts also include liabilities related to unrecognized tax benefits (see Note 9). We estimated the timing of tax payments based on the expected completion of the related examinations by the applicable taxing authorities and resolution of issues pending in the Internal Revenue Service Appeals Division.

## [Table of Contents](#)

Purchase obligations related to operating activities include agreements and requirements contracts that give the supplier recourse to us for cancellation or nonperformance under the contract or contain terms that would subject us to liquidated damages. Such agreements and contracts may, for example, be related to direct materials, obligations to subcontractors, and outsourcing arrangements. Total purchase obligations in the preceding table include approximately \$20.2 billion related to contractual commitments entered into as a result of contracts we have with our U.S. Government customers. The U.S. Government generally would be required to pay us for any costs we incur relative to these commitments if they were to terminate the related contracts “for convenience” under the FAR, subject to available funding. This also would be true in cases where we perform subcontract work for a prime contractor under a U.S. Government contract. The termination for convenience language also may be included in contracts with foreign, state, and local governments. We also have contracts with customers that do not include termination for convenience provisions, including contracts with commercial customers.

Purchase obligations in the preceding table for capital expenditures generally include amounts for facilities and equipment related to customer contracts.

We also may enter into industrial cooperation agreements, sometimes referred to as offset agreements, as a condition to obtaining orders for our products and services from certain customers in foreign countries. These agreements are designed to enhance the social and economic environment of the foreign country by requiring the contractor to promote investment in the country. Offset agreements may be satisfied through activities that do not require us to use cash, including transferring technology, providing manufacturing and other consulting support to in-country projects, and the purchase by third parties (*e.g.*, our vendors) of supplies from in-country vendors. These agreements also may be satisfied through our use of cash for such activities as purchasing supplies from in-country vendors, providing financial support for in-country projects, and building or leasing facilities for in-country operations. We typically do not commit to offset agreements until orders for our products or services are definitive. The amounts ultimately applied against our offset agreements are based on negotiations with the customer and typically require cash outlays that represent only a fraction of the original amount in the offset agreement. At December 31, 2010, we had outstanding offset agreements totaling \$9.3 billion, primarily related to our Aeronautics segment, some of which extend through 2025. To the extent we have entered into purchase obligations at December 31, 2010 that also satisfy offset agreements, those amounts are included in the preceding table. Offset programs usually extend over several years and may provide for penalties in the event we fail to perform in accordance with offset requirements. We historically have not been required to pay material penalties.

In connection with our ownership of United Launch Alliance, L.L.C. (ULA), we and The Boeing Company (Boeing) each committed to provide up to \$200 million in financial support to ULA, as required, until at least December 1, 2011. We had a revolving credit agreement with ULA in place through September 26, 2010. No amounts were drawn on the credit agreement.

On September 27, 2010, ULA entered into with a group of banks its own \$400 million revolving credit agreement which expires in October 2013. At the same time, the revolving credit agreement we and Boeing had in place was terminated. The new revolving credit agreement satisfies Boeing’s and our commitment to provide financial support of up to \$200 million each to ULA, so long as the total amount of the new agreement remains at \$400 million or above until at least December 1, 2011.

We and Boeing have received distributions totaling \$232 million each which are subject to agreements between us, Boeing, and ULA whereby, if ULA does not have sufficient cash resources or credit capacity to make payments under the inventory supply agreement it has with Boeing, both we and Boeing would provide to ULA, in the form of an additional capital contribution, the level of funding required for ULA to make those payments. Any such capital contributions would not exceed the amount of the distributions subject to the agreements. We currently believe that ULA will have sufficient operating cash flows and credit capacity to meet its obligations, so that we will not be required to make a contribution under these agreements.

In addition, we, Boeing, and ULA have cross-indemnifications in place with ULA related to financial support arrangements (*e.g.*, letters of credit, surety bonds, or foreign exchange contracts) and guarantees by us and Boeing of the performance and financial obligations of ULA under certain launch service contracts. We believe ULA will be able to fully perform its obligations, as it has done through December 31, 2010, and that it will not be necessary to make payments under the cross-indemnities.

## [Table of Contents](#)

We have entered into standby letters of credit, surety bonds, and third-party guarantees with financial institutions and other third parties primarily relating to advances received from customers and/or the guarantee of future performance on certain of our contracts. In some cases, we may guarantee the contractual performance of third parties such as joint venture partners. At December 31, 2010, we had the following outstanding letters of credit, surety bonds, and guarantees:

<i>(In millions)</i>	<i>Commitment Expiration By Period</i>				
	<i>Total Commitment</i>	<i>Less Than 1 Year <sup>(a)</sup></i>	<i>Years 2 and 3 <sup>(a)</sup></i>	<i>Years 4 and 5 <sup>(a)</sup></i>	<i>After 5 Years <sup>(a)</sup></i>
Standby letters of credit	\$ 2,742	\$ 2,388	\$ 194	\$ 130	\$ 30
Surety bonds	403	398	5	—	—
Guarantees	1,030	1	59	180	790
Total commitments	\$ 4,175	\$ 2,787	\$ 258	\$ 310	\$ 820

<sup>(a)</sup> Approximately \$2,190 million, \$40 million, \$6 million, and \$3 million of standby letters of credit in the “Less Than 1 Year,” “Years 2 and 3,” “Years 4 and 5,” and “After 5 Years” periods, and approximately \$40 million of surety bonds in the “Less Than 1 Year” period, are expected to renew for additional periods until completion of the contractual obligation.

Included in the table above is approximately \$267 million representing letter of credit amounts for which related obligations or liabilities are also recorded on the Balance Sheet, either as reductions of inventories, as customer advances and amounts in excess of costs incurred, or as other liabilities. Approximately \$1.8 billion of the standby letters of credit were issued to secure advance payments received under an F-16 contract from an international customer. These letters of credit are available for draw down in the event of our nonperformance, and the amount available will be reduced as certain events occur throughout the period of performance in accordance with the contract terms. Similar to the letters of credit for the F-16 contract, other letters of credit and surety bonds are available for draw down in the event of our nonperformance.

Approximately 85% of the \$1.0 billion in third-party guarantees outstanding at December 31, 2010 related to guarantees of the contractual performance of joint ventures to which we are a party. This amount represents our estimate of the maximum amount we would expect to incur upon the contractual non-performance of our joint venture partners. We evaluate the reputation, technical capabilities, and credit quality of potential joint venture partners. In addition, we generally have cross-indemnities in place that may enable us to recover amounts that may be paid on behalf of a joint venture partner. We believe our current joint venture partners will be able to perform their obligations, as they have done through December 31, 2010, and that it will not be necessary to make payments under the guarantees.

### **Critical Accounting Policies**

#### **Contract Accounting / Sales Recognition**

Approximately 80% of our net sales are derived from long-term contracts for design, development, and production activities (also referred to as DD&P contracts) which we account for under the percentage-of-completion (POC) accounting model. The POC model requires that significant estimates and assumptions be made in accounting for the contracts. Our remaining net sales are derived from contracts to provide other services that are not associated with design, development, or production activities which we account for under the services accounting model. We consider the nature of our contracts and the types of products and services provided when we determine the accounting method for a particular contract. Most of our long-term contracts are denominated in U.S. dollars, including contracts for sales of military products and services to foreign governments conducted through the U.S. Government. We record sales for both DD&P activities and services under cost-reimbursable, fixed-price, and time-and-materials contracts.

#### **Contract Types**

##### *Cost-reimbursable contracts*

Cost-reimbursable contracts, which accounted for about 60% of our total net sales over the last three years, provide for the payment of allowable costs incurred during performance of the contract plus a fee, up to a ceiling based on the amount that has been funded. We generate revenue under two general types of cost-reimbursable contracts: cost-plus-award-fee/incentive fee (which represent a substantial majority of our cost-reimbursable contracts) and cost-plus-fixed-fee contracts.

Cost-plus-award-fee contracts provide for an award fee that varies within specified limits based on the customer’s assessment of our performance against a predetermined set of criteria, such as targets based on cost, quality, technical, and schedule criteria. Cost-plus-incentive-fee contracts provide for reimbursement of costs plus a fee which is adjusted by a formula based on the relationship of total allowable costs to total target costs (incentive based on cost) or reimbursement of costs plus an incentive to exceed stated performance targets (incentive based on performance). The fixed fee in a cost-plus-fixed-fee contract is negotiated at the inception of the contract and that fixed fee does not vary with actual costs.

## [Table of Contents](#)

### *Fixed-price and other contracts*

Under fixed-price contracts, which accounted for about 35% of our total net sales over the last three years, we agree to perform the specified work for a pre-determined price. To the extent our actual costs vary from the estimates upon which the price was negotiated, we will generate more or less profit, or could incur a loss. Some fixed-price contracts have a performance-based component under which we may earn incentive payments or incur financial penalties based on our performance.

Under time-and-materials contracts, which accounted for about 5% of our total net sales over the last three years, we are paid a fixed hourly rate for each direct labor hour expended, and we are reimbursed for allowable material costs and allowable out-of-pocket expenses. To the extent our actual direct labor and associated costs vary in relation to the fixed hourly billing rates provided in the contract, we will generate more or less profit, or could incur a loss.

### ***Design, Development, and Production Contracts***

We record net sales and an estimated profit on a POC basis for cost-reimbursable and fixed-price DD&P contracts. Sales are recorded on time-and-materials contracts as the work is performed based on agreed-upon hourly rates and allowable costs.

The POC method for DD&P contracts depends on the nature of the products provided under the contract. For example, for contracts that require us to perform a significant level of development effort in comparison to the total value of the contract and/or to deliver minimal quantities, sales are recorded using the cost-to-cost method to measure progress toward completion. Under the cost-to-cost method of accounting, we recognize sales and an estimated profit as costs are incurred based on the proportion that the incurred costs bear to total estimated costs. For contracts that require us to provide a substantial number of similar items without a significant level of development, we record sales and an estimated profit on a percentage-of-completion basis using units-of-delivery as the basis to measure progress toward completing the contract.

When adjustments in estimated contract revenues or estimated costs at completion are required on DD&P contracts, any changes from prior estimates are recognized in the current period for the inception-to-date effect of the changes. When estimates of total costs to be incurred on a contract exceed total estimates of revenue to be earned, a provision for the entire loss on the contract is recorded in the period in which the loss is determined.

Award fees and incentives, as well as penalties related to contract performance, are considered in estimating sales and profit rates on DD&P contracts. Estimates of award fees are based on past experience and anticipated performance. We record incentives or penalties when there is sufficient information to assess anticipated contract performance. Incentive provisions that increase or decrease earnings based solely on a single significant event are not recognized until the event occurs. For contract change orders, claims, or similar items, we apply judgment in estimating the amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is considered probable. We have accounting policies in place to address these, as well as other contractual and business arrangements to properly account for long-term contracts.

Accounting for DD&P contracts requires judgment relative to assessing risks, estimating contract revenues and costs (including estimating award and incentive fees and penalties related to performance), and making assumptions for schedule and technical issues. Due to the scope and nature of the work required to be performed on many of our contracts, the estimation of total revenue and cost at completion is complicated and subject to many variables. Contract costs include material, labor, and subcontracting costs, as well as an allocation of indirect costs. We have to make assumptions regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the contract (to estimate increases in wages and prices for materials), performance by our subcontractors, and the availability and timing of funding from our customer, among other variables.

Because of the significance of the judgments and estimation processes in our accounting for DD&P contracts, it is likely that materially different amounts could be recorded if we used different assumptions or if our underlying circumstances were to change. For example, if underlying assumptions were to change such that our estimated profit rate at completion for all DD&P contracts was higher or lower by one percentage point, our 2010 net earnings would have increased or decreased by approximately \$250 million.

### ***Services Contracts***

For cost-reimbursable contracts for services that provide for award and incentive fees, we record net sales as services are performed, except for award and incentive fees. Award and incentive fees are recorded when they are fixed or determinable, generally at the date the amount is communicated to us by the customer. This approach results in the

## [Table of Contents](#)

recognition of such fees at contractual intervals (typically every six months) throughout the contract and is dependent on the customer's processes for notification of awards and issuance of formal notifications. Under a fixed-price service contract, we are paid a predetermined fixed amount for a specified scope of work and generally have full responsibility for the costs associated with the contract and the resulting profit or loss. We record net sales under fixed-price service contracts on a straight-line basis over the period of contract performance, unless evidence suggests that net sales are earned or the obligations are fulfilled in a different pattern. Costs for all service contracts are expensed as incurred. The majority of our service contracts are in our IS&GS segment.

### ***2011 Change in Revenue Recognition on Service Contracts with the U.S. Government***

Effective January 1, 2011, we changed our methodology for recognizing net sales for service contracts with the U.S. Government. We will recognize sales on those contracts using the POC method similar to our DD&P contracts as described above. As such, we expect that over 95% of our consolidated net sales will be recognized using the POC method. We believe the POC method is preferable, as consistent revenue recognition application across all contracts with the U.S. Government better reflects the underlying economics of those contracts and aligns our financial reporting with others in our industry. Beginning with our first quarter 2011 financial statements, all prior periods presented will be retrospectively adjusted to apply the new method of accounting. The effect of this change is expected to be less than one percent of net sales and segment operating profit in 2011, and was not material to prior periods.

### ***Other Contract Accounting Considerations***

The majority of our sales are driven by pricing based on costs incurred to produce products or perform services under contracts with the U.S. Government. Cost-based pricing is determined under the Federal Acquisition Regulation (FAR). The FAR provides guidance on the types of costs that are allowable in establishing prices for goods and services under U.S. Government contracts. For example, costs such as those related to charitable contributions, interest expense, and certain advertising and public relations activities are unallowable, and therefore not recoverable through sales. In addition, we may enter into advance agreements with the U.S. Government that address the subjects of allowability and allocability of costs to contracts for specific matters. For example, most of the environmental costs we incur for groundwater treatment and soil remediation related to sites operated in prior years are allocated to our current operations as general and administrative costs under FAR provisions and supporting advance agreements reached with the U.S. Government.

We closely monitor compliance with, and the consistent application of, our critical accounting policies related to contract accounting. Business segment personnel evaluate our contracts through periodic contract status and performance reviews. Also, regular and recurring evaluations of contract cost, scheduling, and technical matters are performed by management personnel independent from the business segment performing work under the contract. Costs incurred and allocated to contracts are reviewed for compliance with U.S. Government regulations by our personnel, and are subject to audit by the Defense Contract Audit Agency.

### ***Postretirement Benefit Plans***

Most of our employees are covered by defined benefit pension plans, and we provide certain health care and life insurance benefits to eligible retirees (collectively, postretirement benefit plans – see Note 11). The impact of these plans and benefits on our earnings may be volatile in that the amount of expense we record for our postretirement benefit plans may materially change from year to year because those calculations are sensitive to changes in several key economic assumptions and workforce demographics. We recognize on a plan-by-plan basis the funded status of our postretirement benefit plans under GAAP as either an asset or liability on our Balance Sheets, with a corresponding adjustment to accumulated other comprehensive income (loss), net of tax, in stockholders' equity. The funded status is measured as the difference between the fair value of the plan's assets and the benefit obligation of the plan as determined under GAAP.

### ***Actuarial Assumptions***

GAAP requires that the amounts we record related to our plans be computed using actuarial valuations. The primary year-end assumptions used to estimate postretirement benefit plan expense for the following calendar year are the discount rate and the expected long-term rate of return on plan assets for all postretirement benefit plans; the rates of increase in future compensation levels for the participants in our defined benefit pension plans; and the health care cost trend rates for our retiree medical plans. The discount rate we select impacts both the calculation of the benefit obligation at the end of the year and the calculation of net postretirement benefit plan cost in the subsequent year. The difference between the long-term rate of return on plan assets assumption we select and the actual return on plan assets in any given year affects both the funded status of our benefit plans and the calculation of net postretirement benefit plan cost in subsequent years. We use judgment in

## [Table of Contents](#)

reassessing these assumptions each year because we have to consider past and current market conditions, and make judgments about future market trends. We also have to consider factors such as the timing and amounts of expected contributions to the plans and benefit payments to plan participants.

We selected 5.5% as the discount rate for calculating our benefit obligations at December 31, 2010, compared to 5.875% at the end of 2009 and 6.125% at the end of 2008. We evaluate several data points in order to arrive at an appropriate discount rate, including results from cash flow models, quoted rates from long-term bond indices, and changes in long-term bond rates over the past year. As part of our evaluation, we calculate the approximate average yields on securities that were selected to match our projected postretirement benefit plan cash flows. Our postretirement benefit plan cash flows are input into actuarial models that include data for corporate bonds rated AA or better.

We concluded that 8.50% was a reasonable estimate for the expected long-term rate of return on plan assets assumption at December 31, 2010, consistent with the rate used at December 31, 2009. The long-term rate of return assumption represents the expected average rate of earnings on the funds invested, or to be invested, to provide for the benefits included in the plan obligation. This assumption is based on several factors including historical market index returns, the anticipated long-term allocation of plan assets, the historical return data for the trust funds, plan expenses, and the potential to outperform market index returns. The actual return in any specific year likely will differ from the assumption, but the average expected return over a long-term future horizon should be approximately equal to the assumption. As a result, changes in this assumption are less frequent than changes in the discount rate. Any variance in a given year should not, by itself, suggest that the assumption should be changed. Patterns of variances are reviewed over time and then combined with expectations for the future.

Our stockholders' equity decreased on a net basis by \$430 million at December 31, 2010 due to two noncash, after-tax adjustments recorded in accumulated other comprehensive loss related to the annual remeasurement of our postretirement benefit plans. The first adjustment decreased stockholders' equity by \$983 million and was driven by the decline in the discount rate used to calculate postretirement benefit liabilities, partially offset by the effects of the approximate 13% actual return on plan assets resulting from market conditions in 2010. The amount primarily represents net actuarial gains and losses resulting from the differences between actual experience and our actuarial assumptions, which will be amortized to expense in future periods. The second adjustment increased stockholders' equity by \$553 million and represents the recognition in earnings of amounts which were recorded as a component of stockholders' equity in prior years. These amounts primarily related to investment losses in 2008 on the assets held in trust to support our postretirement benefit plans, partially offset by the effects of investment gains in 2009 and 2010 (each as compared to our 8.50% long-term rate of return assumption).

We also expect that our 2011 pension expense will increase to \$1,825 million as compared with 2010 pension expense of \$1,442 million, primarily due to the decrease in the discount rate, together with the net effect of the recognition of the 2008 investment losses, partially offset by the effects of investment gains in 2009 and 2010 as discussed above. For a discussion of changes in pension expense over the past three years, see the discussion under the caption "Unallocated Corporate Income (Expense), Net."

The discount rate assumption we select at the end of each year is based on our best estimates and judgment. A reasonably possible change of plus or minus 25 basis points in the 5.5% discount rate assumption at December 31, 2010, with all other assumptions held constant, would have decreased or increased the amount of the qualified pension benefit obligation we recorded at the end of 2010 by over \$1.1 billion, which would have resulted in an after-tax increase or decrease in stockholders' equity at the end of the year of approximately \$750 million. If the 5.5% discount rate at December 31, 2010 that was used to compute 2011 expense for our qualified defined benefit pension plans had been 25 basis points higher or lower, with all other assumptions held constant, the amount of expense projected for 2011 would be lower or higher by approximately \$100 million.

### ***Funding Considerations***

The pension plan funding legislation enacted in 2006, known as the Pension Protection Act, had the effect of accelerating the required amount of annual pension plan contributions most companies were required to pay, beginning in 2008. The new funding requirements for large U.S. defense contractors like us were delayed until the earlier of 2011 or the year in which required changes to the U.S. Government Cost Accounting Standards (CAS) rules became effective. The legislation also required the CAS Board to modify its pension accounting rules by 2010 to better align the recovery of pension contributions on U.S. Government contracts with the new accelerated funding requirements. To date, the CAS Board has not published final changes to its pension accounting rules, and therefore, we currently do not expect that the revised rules will be effective until after 2011. The Pension Protection Act will become applicable to us and other large U.S. defense contractors beginning in 2011.

## [Table of Contents](#)

CAS rules are a major factor we consider in determining our total pension funding and govern the extent to which our pension costs are allocable to and recoverable under contracts with the U.S. Government. Funded amounts are recovered over time through the pricing of our products and services on U.S. Government contracts, and are recognized in our net sales. The amount of funding required under CAS for our qualified defined benefit pension plans for 2010, and therefore the amount included in our segments' operating results for the year, was \$988 million. For 2011, we expect the funding required under CAS will be about \$900 million. Additional funding requirements computed under the Internal Revenue Code (IRC) rules, as well as discretionary payments, are considered to be prepayments under the CAS rules to the extent the amounts exceed CAS funding requirements.

As noted above, the results of operations of our segments include pension expense only as determined and funded in accordance with CAS rules. The FAS/CAS pension adjustment represents the difference between pension expense calculated in accordance with GAAP and pension costs calculated and funded in accordance with CAS. Because our 2011 FAS pension expense is estimated to be \$1,825 million and our 2011 CAS pension expense is expected to be \$900 million, we estimate that the 2011 FAS/CAS pension adjustment will be \$925 million, compared to \$454 million in 2010. The FAS/CAS pension adjustment is included in unallocated Corporate income (expense), net for purposes of our segment reporting.

In 2010, 2009, and 2008, we made discretionary contributions of \$2,240 million, \$1,482 million, and \$109 million related to our qualified defined benefit pension plans. We expect to make contributions of \$1.3 billion related to those plans in 2011. We also may review options for further contributions in 2011.

Our inability to allocate the accelerated funding required under the Pension Protection Act in the pricing of our products and services on U.S. Government contracts in the period during which the funding is required will have the effect of increasing the amount of the FAS/CAS pension expense that is charged to earnings in 2011 and negatively affecting our cash from operations. We anticipate recovering approximately \$900 million as CAS cost during 2011 as compared to our estimated funding of \$1.3 billion, with the remainder being recoverable in future years.

### **Environmental Matters**

We are a party to various agreements, proceedings, and potential proceedings for environmental cleanup issues, including matters at various sites where we have been designated a potentially responsible party (PRP) by the EPA or by a state agency. At the end of 2010, the total amount of liabilities recorded on our Balance Sheet for environmental matters was \$935 million. We have recorded assets totaling \$810 million at December 31, 2010 for the portion of environmental costs that are probable of future recovery in pricing of our products and services for agencies of the U.S. Government, as discussed below. The amount that is expected to be allocated to our non-U.S. Government contracts or that is determined to be unallowable for pricing under U.S. Government contracts has been expensed through cost of sales.

We enter into agreements (*e.g.*, administrative orders, consent decrees) that document the extent and timing of our environmental remediation obligation. We also are involved in remediation activities at environmental sites where formal agreements either do not exist or do not quantify the extent and timing of our obligation. Environmental cleanup activities usually span many years, which makes estimating the costs more judgmental due to, for example, changing remediation technologies. To determine the costs related to cleanup sites, we have to assess the extent of contamination, effects on natural resources, the appropriate technology to be used to accomplish the remediation, and evolving regulatory environmental standards.

We perform quarterly reviews of environmental remediation sites and record liabilities and assets in the period it becomes probable that a liability has been incurred and the amounts can be reasonably estimated (see the discussion under "Environmental Matters" in Notes 1 and 14 to the financial statements). We consider the above factors in our quarterly estimates of the timing and amount of any future costs that may be required for remediation actions, which generally results in the calculation of a range of estimates for a particular environmental site. We record a liability when it becomes probable that a liability has been incurred for the amount within the range that we determine to be our best estimate of the cost of remediation or, in cases where no amount within the range is better than another, an amount at the low end of the range. We do not discount the recorded liabilities, as the amount and timing of future cash payments are not fixed or cannot be reliably determined. Given the required level of judgment and estimation, it is likely that materially different amounts could be recorded if different assumptions were used or if circumstances were to change (*e.g.*, a change in environmental standards or a change in our estimate of the extent of contamination).

In January 2011, both the EPA and the California Office of Environmental Health Hazard Assessment announced plans to regulate two chemicals, perchlorate and hexavalent chromium, to a level that is expected to be substantially lower than the

## [Table of Contents](#)

existing standard established in California. The rulemaking process is a lengthy one and may take one or more years to complete. If a substantially lower standard is adopted, we would expect a material increase in our estimates for remediation at several existing sites.

Under agreements reached with the U.S. Government, most of the amounts we spend for groundwater treatment and soil remediation are allocated to our operations as general and administrative costs. Under existing government regulations, these and other environmental expenditures relating to our U.S. Government business, after deducting any recoveries received from insurance or other PRPs, are allowable in establishing prices of our products and services. As a result, most of the expenditures we incur are included in our net sales and cost of sales according to U.S. Government agreement or regulation.

As disclosed above, we may record changes in the amount of environmental remediation liabilities as a result of our quarterly reviews of the status of our environmental remediation sites, which would result in a change to the corresponding environmental asset and a charge to earnings. For example, if we were to determine that the liabilities should be increased by \$100 million, the corresponding assets would be increased by approximately \$87 million, with the remainder recorded as a charge to earnings. This allocation is determined annually, based upon our existing and projected business activities with the U.S. Government.

We cannot reasonably determine the extent of our financial exposure at all environmental sites with which we are involved. There are a number of former operating facilities we are monitoring or investigating for potential future remediation. In some cases, although a loss may be probable, it is not possible at this time to reasonably estimate the amount of any obligation for remediation activities because of uncertainties (*e.g.*, assessing the extent of the contamination). During any particular quarter, such uncertainties may be resolved to allow us to estimate and recognize the initial liability to remediate a particular former operating site. The amount of the liability could be material. Upon recognition of the liability, a portion will be recognized as an asset with the remainder charged to operations.

If we are ultimately found to have liability at those sites where we have been designated a PRP, we expect that the actual costs of remediation will be shared with other liable PRPs. Generally, PRPs that are ultimately determined to be responsible parties are strictly liable for site cleanup and usually agree among themselves to share, on an allocated basis, the costs and expenses for investigation and remediation of hazardous materials. Under existing environmental laws, responsible parties are jointly and severally liable and, therefore, we are potentially liable for the full cost of funding such remediation. In the unlikely event that we were required to fund the entire cost of such remediation, the statutory framework provides that we may pursue rights of contribution from the other PRPs. The amounts we record do not reflect the fact that we may recover some of the environmental costs we have incurred through insurance or from other PRPs, which we are required to pursue by agreement and U.S. Government regulation.

### **Goodwill**

Our goodwill at December 31, 2010 and 2009 amounted to \$9.6 billion and \$9.9 billion. We review goodwill for impairment on an annual basis and whenever events or changes in circumstances indicate the carrying value of goodwill may not be recoverable. Such events or circumstances could include significant changes in the business climate of our industry, operating performance indicators, competition, or sale or disposal of a portion of a reporting unit. The assessment is performed at the reporting unit level. Our annual testing date is October 1.

Performing the goodwill impairment test requires judgment, including how we define reporting units and determine their fair value. We consider a component of our business to be a reporting unit if it constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. We estimate the fair value of each reporting unit using a discounted cash flow methodology that requires significant judgment. Forecasts of future cash flows are based on our best estimate of future sales and operating costs, based primarily on existing firm orders, expected future orders, contracts with suppliers, labor agreements, and general market conditions. The discount rate applied to our forecasts of future cash flows is based on our estimated weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment for each reporting unit.

We evaluate goodwill for impairment by comparing the estimated fair value of a reporting unit to its carrying value, including goodwill. If the carrying value exceeds the estimated fair value, we measure impairment by comparing the derived fair value of goodwill to its carrying value, and any impairment determined is recorded in the current period.

## [Table of Contents](#)

We completed our assessment of goodwill as of October 1, 2010 and determined that the estimated fair value of each reporting unit exceeded its corresponding carrying amount and, as such, no impairment existed at that date. Changes in estimates and assumptions we make in conducting our goodwill assessment could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period. However, we currently do not believe that any of our reporting units are at risk of failing a goodwill impairment test in the near term, as their fair value is significantly greater than their carrying value.

### **Recent Accounting Pronouncements**

In October 2009, the Financial Accounting Standards Board (FASB) issued an accounting standard which revised its accounting guidance related to revenue arrangements with multiple deliverables. The standard relates to the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting and modifies the manner in which the transaction consideration is allocated across the individual deliverables, thereby affecting the timing of revenue recognition. Also, the standard expands the disclosure requirements for revenue arrangements with multiple deliverables. The standard will be effective for us beginning on January 1, 2011, and will apply prospectively to certain multiple-element arrangements with non-U.S. Government customers entered into or materially modified after the adoption date. We do not expect the adoption of this accounting standard will have a material effect on our financial results.

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We maintain active relationships with a broad and diverse group of domestic and international financial institutions. We believe that they provide us with sufficient access to the general and trade credit we require to conduct business. We continue to closely monitor the financial market environment and actively manage counterparty exposure to minimize the potential impact from adverse developments with any single credit provider while ensuring availability of, and access to, sufficient credit resources.

Our main exposure to market risk relates to interest rates, foreign currency exchange rates, and market prices on certain equity securities. Our financial instruments that are subject to interest rate risk principally include fixed-rate long-term debt. At December 31, 2010, the estimated fair value of our long-term debt instruments was approximately \$6.2 billion, compared with a carrying value of \$5.5 billion, excluding the \$505 million unamortized discount.

We may use derivative financial instruments to manage our exposure to fluctuations in foreign currency exchange rates and interest rates. Our foreign currency exchange contracts, the majority of which qualify for hedge accounting treatment, hedge the fluctuations in cash flows associated with firm commitments or specific anticipated transactions contracted in foreign currencies. Related gains and losses on these contracts, to the extent they are effective hedges, are recognized in earnings at the same time the hedged transaction is recognized in earnings. To the extent the hedges are ineffective, gains and losses on the contracts are recognized in current period earnings. The aggregate notional amount of the outstanding foreign currency exchange contracts at December 31, 2010 and 2009 was \$2.2 billion and \$1.9 billion. There were no interest rate derivatives outstanding at December 31, 2010 and 2009. At December 31, 2010, the net fair value of foreign currency exchange contracts outstanding was not material (see Note 15).

We evaluate the credit quality of potential counterparties to derivative transactions and only enter into agreements with those deemed to have acceptable credit risk at the time the agreements are executed. Our foreign currency exchange hedge portfolio is diversified across several banks. We periodically monitor changes to counterparty credit quality as well as our concentration of credit exposure to individual counterparties. We do not hold or issue derivative financial instruments for trading or speculative purposes.

We maintain a Rabbi Trust that includes investments to fund certain of our non-qualified deferred compensation plans. As of December 31, 2010, investments in the Rabbi Trust totaled \$843 million and are reflected at fair value on our Balance Sheet in other assets. The Rabbi Trust holds investments in marketable equity securities and fixed-income securities that are exposed to price changes and changes in interest rates. Changes in the value of the Rabbi Trust are recognized on our Statement of Earnings in other non-operating income (expense), net. During the year ended December 31, 2010, we recorded earnings totaling \$56 million related to the increase in the value of the Rabbi Trust assets. We also contributed \$49 million to the Rabbi Trust in 2010. A portion of the liabilities associated with the deferred compensation plans supported by the Rabbi Trust is also impacted by changes in the market price of our common stock and certain market indices. Changes in the value of the deferred compensation liabilities are recognized on our Statement of Earnings in unallocated Corporate costs. The current portion of the deferred compensation plan liabilities is on our Balance Sheet in salaries, benefits, and payroll taxes, and the non-current portion of the liability is on our Balance Sheet in other liabilities. The resulting change in the value of the liabilities has the effect of partially offsetting the impact of changes in the value of the Rabbi Trust. During the year ended December 31, 2010, we recorded expense of \$41 million related to the increase in the value of the deferred compensation liabilities.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

***Management's Report on the Financial Statements and  
Internal Control Over Financial Reporting***

The management of Lockheed Martin is responsible for the consolidated financial statements and all related financial information contained in this Annual Report on Form 10-K. The consolidated financial statements, which include amounts based on estimates and judgments, have been prepared in accordance with accounting principles generally accepted in the United States. Management believes the consolidated financial statements fairly present, in all material respects, the financial condition, results of operations and cash flows of the Corporation. The consolidated financial statements have been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report included herein.

The management of Lockheed Martin is also responsible for establishing and maintaining an adequate system of internal control over financial reporting of the Corporation (as defined by the Securities Exchange Act of 1934). This system is designed to provide reasonable assurance, based on an appropriate cost-benefit relationship, that assets are safeguarded and transactions are properly executed and recorded. An environment that provides for an appropriate level of control consciousness is maintained through a comprehensive program of management testing to identify and correct deficiencies, examinations by our internal auditors, and audits by the Defense Contract Audit Agency for compliance with federal government rules and regulations applicable to contracts with the U.S. Government.

Management conducted an evaluation of the effectiveness of the Corporation's system of internal control over financial reporting based on the framework in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Corporation's system of internal control over financial reporting was effective as of December 31, 2010. Ernst & Young LLP also assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2010, as stated in their report included on the following page.

Essential to the Corporation's internal control system is management's dedication to the highest standards of integrity, ethics, and social responsibility. To support these standards, management has issued *Setting the Standard*, our Code of Ethics and Business Conduct (the Code). The Code provides for a telephone help line that employees can use to confidentially or anonymously communicate to the Corporation's ethics office complaints or concerns about accounting, internal control, or auditing matters. These matters are forwarded directly to the Audit Committee of the Corporation's Board of Directors.

The Audit Committee, which is composed of five directors who are not members of management, has oversight responsibility for the Corporation's financial reporting process, the Corporation's internal audit organization, and the audits of the consolidated financial statements and internal control over financial reporting. Both the independent auditors and the internal auditors meet periodically with members of the Audit Committee, with or without management representatives present. The Audit Committee recommended, and the Board of Directors approved, that the audited consolidated financial statements be included in the Corporation's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

/s/ Robert J. Stevens  
ROBERT J. STEVENS  
Chairman and Chief Executive Officer

/s/ Bruce L. Tanner  
BRUCE L. TANNER  
Executive Vice President and Chief Financial Officer

**Report of Ernst & Young LLP,  
Independent Registered Public Accounting Firm,  
Regarding Internal Control Over Financial Reporting**

Board of Directors and Stockholders  
Lockheed Martin Corporation

We have audited Lockheed Martin Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Lockheed Martin Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on the Financial Statements and Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Lockheed Martin Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Lockheed Martin Corporation as of December 31, 2010 and 2009, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010 of Lockheed Martin Corporation and our report dated February 24, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia  
February 24, 2011

**Report of Ernst & Young LLP,  
Independent Registered Public Accounting Firm,  
on the Audited Consolidated Financial Statements**

Board of Directors and Stockholders  
Lockheed Martin Corporation

We have audited the accompanying consolidated balance sheets of Lockheed Martin Corporation as of December 31, 2010 and 2009, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lockheed Martin Corporation at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Lockheed Martin Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia  
February 24, 2011

**Lockheed Martin Corporation**  
**Consolidated Statements of Earnings**

<i>(In millions, except per share data)</i>	<i>Year ended December 31,</i>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Net Sales</b>			
Products	\$ 36,448	\$ 35,763	\$ 34,091
Services	9,355	8,232	7,281
Total Net Sales	45,803	43,995	41,372
<b>Cost of Sales</b>			
Products	(32,655)	(31,756)	(30,220)
Services	(8,350)	(7,376)	(6,517)
Voluntary Executive Separation and Other Charges	(220)	—	—
Other Unallocated Corporate Costs	(742)	(671)	(61)
Total Cost of Sales	(41,967)	(39,803)	(36,798)
Gross Profit	3,836	4,192	4,574
Other Income, Net	261	223	475
<b>Operating Profit</b>	4,097	4,415	5,049
Interest Expense	(345)	(308)	(332)
Other Non-Operating Income (Expense), Net	74	123	(91)
Earnings from Continuing Operations before Income Taxes	3,826	4,230	4,626
Income Tax Expense	(1,181)	(1,231)	(1,459)
Earnings from Continuing Operations	2,645	2,999	3,167
Earnings from Discontinued Operations	281	25	50
<b>Net Earnings</b>	\$ 2,926	\$ 3,024	\$ 3,217
<b>Earnings Per Common Share</b>			
Basic			
Continuing Operations	\$ 7.26	\$ 7.79	\$ 7.92
Discontinued Operations	.77	.07	.13
Basic Earnings Per Common Share	\$ 8.03	\$ 7.86	\$ 8.05
Diluted			
Continuing Operations	\$ 7.18	\$ 7.71	\$ 7.74
Discontinued Operations	.76	.07	.12
Diluted Earnings Per Common Share	\$ 7.94	\$ 7.78	\$ 7.86

See accompanying Notes to Consolidated Financial Statements.

**Lockheed Martin Corporation**  
**Consolidated Balance Sheets**

<i>(In millions, except per share data)</i>	<i>December 31,</i>	
	<b>2010</b>	<b>2009</b>
<b>Assets</b>		
Current Assets		
Cash and Cash Equivalents	\$ 2,261	\$ 2,391
Short-term Investments	516	346
Receivables	5,757	6,061
Inventories	2,378	2,183
Deferred Income Taxes	1,038	815
Assets of Discontinued Operation Held for Sale	399	—
Other Current Assets	502	681
Total Current Assets	12,851	12,477
Property, Plant, and Equipment, Net	4,554	4,520
Goodwill	9,605	9,948
Deferred Income Taxes	3,482	3,779
Other Assets	4,575	4,387
Total Assets	\$35,067	\$ 35,111
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Accounts Payable	\$ 1,627	\$ 2,030
Customer Advances and Amounts in Excess of Costs Incurred	5,719	5,049
Salaries, Benefits and Payroll Taxes	1,870	1,648
Liabilities of Discontinued Operation Held for Sale	204	—
Other Current Liabilities	1,737	1,976
Total Current Liabilities	11,157	10,703
Long-term Debt, Net	5,019	5,052
Accrued Pension Liabilities	10,607	10,823
Other Postretirement Benefit Liabilities	1,213	1,308
Other Liabilities	3,363	3,096
Total Liabilities	31,359	30,982
Stockholders' Equity		
Common Stock, \$1 Par Value Per Share	346	373
Additional Paid-in Capital	—	—
Retained Earnings	12,372	12,351
Accumulated Other Comprehensive Loss	(9,010)	(8,595)
Total Stockholders' Equity	3,708	4,129
Total Liabilities and Stockholders' Equity	\$35,067	\$ 35,111

See accompanying Notes to Consolidated Financial Statements.

**Lockheed Martin Corporation**  
**Consolidated Statements of Cash Flows**

<i>(In millions)</i>	<i>Year ended December 31,</i>		
	<i>2010</i>	<i>2009</i>	<i>2008</i>
<b>Operating Activities</b>			
Net earnings	\$ 2,926	\$ 3,024	\$ 3,217
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of plant and equipment	749	750	727
Amortization of purchased intangibles	92	104	118
Stock-based compensation	168	154	155
Deferred income taxes	576	542	72
Net adjustments from planned sale of PAE	(73)	—	—
Gain on sale of EIG, net of tax	(184)	—	—
Voluntary executive separation and other charges (credits)	220	—	(193)
Changes in assets and liabilities:			
Receivables	(15)	(719)	(333)
Inventories	(227)	(233)	(183)
Accounts payable	(364)	(21)	(141)
Customer advances and amounts in excess of costs incurred	685	482	313
Postretirement benefit plans	(1,027)	(394)	279
Income taxes	60	(289)	87
Other, net	(39)	(227)	303
Net cash provided by operating activities	3,547	3,173	4,421
<b>Investing Activities</b>			
Expenditures for property, plant and equipment	(820)	(852)	(926)
Net proceeds from sale of EIG	798	—	—
Acquisitions of businesses / investments in affiliates	(148)	(435)	(233)
Net cash used for short-term investment transactions	(171)	(279)	272
Other	22	48	(20)
Net cash used for investing activities	(319)	(1,518)	(907)
<b>Financing Activities</b>			
Repurchases of common stock	(2,420)	(1,851)	(2,931)
Common stock dividends	(969)	(908)	(737)
Issuance of long-term debt, net of related costs	—	1,464	491
Repayments of long-term debt	—	(242)	(1,103)
Other, net	26	61	342
Net cash used for financing activities	(3,363)	(1,476)	(3,938)
Effect of exchange rate changes on cash and cash equivalents	5	44	(56)
Net increase (decrease) in cash and cash equivalents	(130)	223	(480)
Cash and cash equivalents at beginning of year	2,391	2,168	2,648
<b>Cash and Cash Equivalents at end of year</b>	<b>\$ 2,261</b>	<b>\$ 2,391</b>	<b>\$ 2,168</b>

See accompanying Notes to Consolidated Financial Statements.

**Lockheed Martin Corporation**  
**Consolidated Statements of Stockholders' Equity**

<i>(In millions, except per share data)</i>	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Compre- hensive Income (Loss)
Balance at December 31, 2007	\$ 409	\$ —	\$ 11,247	\$ (1,851)	\$ 9,805	
Net earnings	—	—	3,217	—	3,217	\$ 3,217
Repurchases of common stock	(29)	(796)	(2,106)	—	(2,931)	—
Common stock dividends declared (\$1.83 per share)	—	—	(737)	—	(737)	—
Stock-based awards and ESOP activity	8	738	—	—	746	—
Conversion of debentures	5	58	—	—	63	—
Other comprehensive income (loss):						
Postretirement benefit plans:						
Unrecognized amounts in 2008, net of tax benefit of \$4,011 million	—	—	—	(7,299)	(7,299)	(7,299)
Reclassification adjustment for recognition of prior period amounts, net of tax of \$25 million	—	—	—	46	46	46
Other, net	—	—	—	(45)	(45)	(45)
Balance at December 31, 2008	393	—	11,621	(9,149)	2,865	\$ (4,081)
Net earnings	—	—	3,024	—	3,024	\$ 3,024
Repurchases of common stock	(25)	(440)	(1,386)	—	(1,851)	—
Common stock dividends declared (\$2.34 per share)	—	—	(908)	—	(908)	—
Stock-based awards and ESOP activity	5	440	—	—	445	—
Other comprehensive income (loss):						
Postretirement benefit plans:						
Unrecognized amounts in 2009, net of tax of \$121 million	—	—	—	214	214	214
Reclassification adjustment for recognition of prior period amounts, net of tax of \$158 million	—	—	—	281	281	281
Other, net	—	—	—	59	59	59
Balance at December 31, 2009	373	—	12,351	(8,595)	4,129	\$ 3,578
Net earnings	—	—	2,926	—	2,926	\$ 2,926
Repurchases of common stock	(33)	(514)	(1,936)	—	(2,483)	—
Common stock dividends declared (\$2.64 per share)	—	—	(969)	—	(969)	—
Stock-based awards and ESOP activity	6	514	—	—	520	—
Other comprehensive income (loss):						
Postretirement benefit plans:						
Unrecognized amounts in 2010, net of tax benefit of \$531 million	—	—	—	(983)	(983)	(983)
Reclassification adjustment for recognition of prior period amounts, net of tax of \$304 million	—	—	—	553	553	553
Other, net	—	—	—	15	15	15
Balance at December 31, 2010	\$ 346	\$ —	\$ 12,372	\$ (9,010)	\$ 3,708	\$ 2,511

See accompanying Notes to Consolidated Financial Statements.

**Lockheed Martin Corporation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010**

**Note 1 – Significant Accounting Policies**

**Organization** – Lockheed Martin Corporation is a global security company that principally is engaged in the research, design, development, manufacture, integration, and sustainment of advanced technology systems and products. We also provide a broad range of management, engineering, technical, scientific, logistic, and information services. We serve both domestic and international customers with products and services that have defense, civil, and commercial applications, with our principal customers being agencies of the U.S. Government.

**Basis of consolidation and classifications** – Our consolidated financial statements include the accounts of subsidiaries we control and other entities where we are the primary beneficiary. We eliminate intercompany balances and transactions in consolidation. Our receivables, inventories, customer advances, and certain amounts in other current liabilities primarily are attributable to long-term contracts or programs in progress for which the related operating cycles are longer than one year. In accordance with industry practice, we include these items in Current Assets and Current Liabilities. We have reclassified certain amounts for prior years to conform to the 2010 presentation.

**Use of estimates** – We prepare our consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP). In doing so, we are required to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Our actual results may differ from those estimates.

**Receivables** – Receivables include amounts billed and currently due from customers, and unbilled costs and accrued profits primarily related to revenues on long-term contracts that have been recognized for accounting purposes but not yet billed to customers. As we recognize those revenues, we reflect appropriate amounts of customer advances, performance-based payments, and progress payments as an offset to the related receivables balance.

**Inventories** – We record inventories at the lower of cost or estimated net realizable value. Costs on long-term contracts and programs in progress represent recoverable costs incurred for production or contract-specific facilities and equipment, allocable operating overhead, advances to suppliers and, in the case of contracts with the U.S. Government, research and development and general and administrative expenses. Pursuant to contract provisions, agencies of the U.S. Government and certain other customers have title to, or a security interest in, inventories related to such contracts as a result of advances, performance-based payments, and progress payments. We reflect those advances and payments as an offset against the related inventory balances. We expense general and administrative costs related to products and services provided essentially under commercial terms and conditions as incurred. We determine the costs of other product and supply inventories by the first-in first-out or average cost methods.

**Property, plant and equipment** – We include property, plant, and equipment on our Balance Sheets principally at cost. We provide for depreciation and amortization on plant and equipment generally using accelerated methods during the first half of the estimated useful lives of the assets, and the straight-line method thereafter. The estimated useful lives of our plant and equipment generally range from 10 to 40 years for buildings and five to 15 years for machinery and equipment.

We review the carrying values of long-lived assets for impairment if events or changes in the facts and circumstances indicate that their carrying values may not be recoverable. We assess impairment by comparing the estimated undiscounted future cash flows of the related asset to its carrying value. If an asset is determined to be impaired, we recognize an impairment charge in the current period for the difference between the fair value of the asset and its carrying value.

**Goodwill** – We evaluate goodwill for potential impairment annually on October 1, or if impairment indicators are present. Our evaluation includes comparing the fair value of a reporting unit, using a discounted cash flow methodology, to its carrying value including goodwill recorded by the reporting unit. If the carrying value exceeds the fair value, we measure impairment by comparing the derived fair value of goodwill to its carrying value, and any impairment determined is recorded in the current period. We define reporting units at the business segment level or one level below the business segment. The decrease in goodwill from 2009 to 2010 primarily was due to the sale of Enterprise Integration Group and the reclassification of Pacific Architects and Engineers, Inc.'s assets and liabilities to discontinued operations at December 31, 2010 (see Note 2).

**Capitalized software** – We capitalize certain direct costs associated with the development or purchase of internal-use software. Expenditures are included in operating activities on our Statements of Cash Flows. The amounts capitalized are included in other assets on our Balance Sheets and amortized on a straight-line basis over the estimated useful life of the

## [Table of Contents](#)

resulting software, which ranges from two to six years. We amortize capitalized internal-use software beginning when the asset is substantially ready for use. As of December 31, 2010 and 2009, capitalized software totaled \$899 million and \$887 million, net of accumulated amortization of \$1,097 million and \$948 million. Amortization expense related to capitalized software was \$149 million in 2010, \$152 million in 2009, and \$135 million in 2008.

**Customer advances and amounts in excess of cost incurred** – We receive advances, performance-based payments, and progress payments from customers that may exceed costs incurred on certain contracts, including contracts with agencies of the U.S. Government. We classify such advances, other than those reflected as a reduction of receivables or inventories as discussed above, as Current Liabilities.

**Postretirement benefit plans** – Most of our employees are covered by defined benefit pension plans, and we provide certain health care and life insurance benefits to eligible retirees (collectively, postretirement benefit plans). GAAP requires that the amounts we record related to our plans be computed using actuarial valuations that are based in part on certain key assumptions we make, including the discount rate, the expected long-term rate of return on plan assets, the rates of increase in future compensation levels, and health care cost trend rates, each as appropriate based on the nature of the plans. We recognize on a plan-by-plan basis the funded status of our postretirement benefit plans under GAAP as either an asset or liability on our Balance Sheets, with a corresponding adjustment to accumulated other comprehensive loss, net of tax, in stockholders' equity. The funded status is measured as the difference between the fair value of the plan's assets and the benefit obligation of the plan.

**Environmental matters** – We record a liability for environmental matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. The amount of liability recorded is based on our best estimate of the costs to be incurred for remediation at a particular site within a range of estimates for that site or, in cases where no amount within the range is better than another, we record an amount at the low end of the range. We do not discount the recorded liabilities, as the amount and timing of future cash payments are not fixed or cannot be reliably determined. We expect to include a substantial portion of environmental costs in net sales and cost of sales in future periods pursuant to U.S. Government agreement or regulation. At the time a liability is recorded for future environmental costs, we record an asset for estimated future recovery considered probable through the pricing of products and services to agencies of the U.S. Government. We include the portion of those costs expected to be allocated to our non-U.S. Government contracts or that is determined to be unallowable for pricing under U.S. Government contracts in cost of sales at the time the liability is established.

**Sales and earnings** – We record net sales and estimated profits on a percentage-of-completion (POC) basis for cost-reimbursable and fixed-price design, development, and production (DD&P) contracts. Revenue is recorded on time-and-materials contracts as the work is performed based on agreed-upon hourly rates and allowable costs. The POC method for DD&P contracts depends on the nature of the products provided under the contract. For example, for contracts that require us to perform a significant level of development effort in comparison to the total value of the contract and/or to deliver less than substantial quantities of similar items, sales are recorded using the cost-to-cost method to measure progress toward completion. Under the cost-to-cost method of accounting, we recognize sales and an estimated profit as costs are incurred based on the proportion that the incurred costs bear to total estimated costs. For contracts that require us to provide a substantial number of similar items without a significant level of development effort, we record sales and profit on a percentage-of-completion basis using units-of-delivery as the basis to measure progress toward completing the contract.

When adjustments in estimated contract revenues or estimated costs at completion are required on DD&P contracts, any changes from prior estimates are recognized in the current period for the inception-to-date effect of the changes. When estimates of total costs to be incurred on a contract exceed total estimates of revenue to be earned, a provision for the entire loss on the contract is recorded in the period in which the loss is determined.

Award fees and incentives, as well as penalties related to contract performance, are considered in estimating sales and profit rates on DD&P contracts. We consider estimates of award fees in estimating sales and profit rates based on past experience and anticipated performance. We record incentives or penalties when there is sufficient information to assess anticipated contract performance. We do not recognize incentive provisions that increase or decrease earnings based solely on a single significant event until the event occurs. We only include amounts representing contract change orders, claims, or other items in contract value when they can be reliably estimated and realization is probable.

For cost-reimbursable contracts for services that provide for award and incentive fees, we record net sales as services are performed, except for the award and incentive fees. Award and incentive fees are recorded when they are fixed or determinable, generally at the date the amount is communicated to us by the customer. This approach results in the recognition of such fees at contractual intervals (typically every six months) throughout the contract and is dependent on the

## [Table of Contents](#)

customer's processes for notification of awards and issuance of formal notifications. Under a fixed-price service contract, we get paid a predetermined fixed amount for a specified scope of work and generally have full responsibility for the costs associated with the contract and the resulting profit or loss. We record net sales under fixed-price service contracts on a straight-line basis over the period of contract performance, unless evidence suggests that net sales are earned or the obligations are fulfilled in a different pattern. Costs for all service contracts are expensed as incurred.

**Change in Accounting Principle** – Effective January 1, 2011, we changed our methodology for recognizing net sales for service contracts with the U.S. Government. We will recognize sales on those contracts using the POC method similar to our DD&P contracts as described above. As such, we expect that approximately 95% of our consolidated net sales will be recognized using the POC method. We believe the POC method is preferable, as consistent revenue recognition application across all contracts with the U.S. Government better reflects the underlying economics of those contracts and aligns our financial reporting with others in our industry. Beginning with our first quarter 2011 financial statements, all prior periods presented will be retrospectively adjusted to apply the new method of accounting. The effect of this change is expected to be less than one percent of net sales and segment operating profit in 2011, and was not material to prior periods.

**Research and development and similar costs** – Except for certain arrangements described below, we account for independent research and development costs as part of the general and administrative costs that are allocated among all of our contracts and programs in progress under U.S. Government contractual arrangements. Costs for product development initiatives we sponsor that are not otherwise allocable are charged to expense when incurred. Under some arrangements in which a customer shares in product development costs, our portion of unreimbursed costs is expensed as incurred. Independent research and development costs charged to cost of sales totaled \$638 million in 2010, \$724 million in 2009, and \$698 million in 2008. Costs we incur under customer-sponsored research and development programs pursuant to contracts are included in net sales and cost of sales.

**Investments in marketable securities** – Investments in marketable securities consist of debt and equity securities and are classified as either available-for-sale securities or trading securities. If classified as available-for-sale securities, unrealized gains and losses are reflected net of income taxes in accumulated other comprehensive loss on the Statements of Stockholders' Equity. If classified as trading securities, unrealized gains and losses are recorded in other non-operating income (expense), net on the Statements of Earnings. If declines in the value of available-for-sale securities are determined to be other than temporary, a loss is recorded in earnings in the current period. We make such determinations by considering, among other factors, the length of time the fair value of the investment has been less than the carrying value, future business prospects for the investee, and information regarding market and industry trends for the investee's business, if available. For purposes of computing realized gains and losses on marketable securities, we determine cost on a specific identification basis.

Available-for-sale securities are recorded at fair value and classified as short-term investments on the Balance Sheets. Our available-for-sale securities as of December 31, 2010 and 2009 consisted of U.S. Treasury securities with a fair value of \$502 million and \$300 million, and corporate debt securities of \$14 million and \$46 million. The cost basis of these securities was not materially different from their respective fair value in either year. Substantially all of our available-for-sale securities are contractually scheduled to mature in 2011. As of December 31, 2010 and 2009, the fair value of our trading securities totaled \$843 million and \$757 million and was included in other assets on the Balance Sheets. Our trading securities are held in a Rabbi Trust, which includes investments to fund certain of our nonqualified deferred compensation plans.

Net gains (losses) on marketable securities in 2010, 2009, and 2008 were \$56 million, \$110 million, and \$(158) million and were included in other non-operating income (expense), net on the Statements of Earnings. Included in these amounts are net unrealized gains (losses) on trading securities of \$24 million in 2010, \$115 million in 2009, and \$(98) million in 2008.

**Equity method investments** – Investments where we have the ability to exercise significant influence over the investee are accounted for under the equity method of accounting and are included in other assets on the Balance Sheets. Significant influence typically exists if we have a 20% to 50% ownership interest in the investee. Under this method of accounting, our share of the net earnings or losses of the investee is included in operating profit in other income, net since the activities of the investee are closely aligned with the operations of the business segment holding the investment. We evaluate our equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. If a decline in the value of an equity method investment is determined to be other than temporary, a loss is recorded in earnings in the current period. As of December 31, 2010 and 2009, our equity method investments totaled \$671 million and \$524 million and were included in other assets on the Balance Sheets. Our equity in net earnings related to these investments was \$312 million in 2010, \$278 million in 2009, and \$288 million in 2008.

## [Table of Contents](#)

**Derivative financial instruments** – We use derivative financial instruments to manage our exposure to fluctuations in foreign currency exchange rates. Foreign currency exchange contracts are entered into to manage the foreign currency exchange rate risk of forecasted foreign currency denominated cash receipts and cash payments. The majority of our foreign currency exchange contracts are designated as cash flow hedges. We also may use derivative financial instruments to manage our exposure to changes in interest rates. Our financial instruments that are subject to interest rate risk principally include fixed rate long-term debt. We do not hold or issue derivative financial instruments for trading or speculative purposes.

We record derivatives at their fair value. The classification of gains and losses resulting from changes in the fair values of derivatives is dependent on our intended use of the derivative and its resulting designation. Adjustments to reflect changes in fair values of derivatives attributable to the effective portion of hedges that we consider highly effective hedges are either reflected in earnings and largely offset by corresponding adjustments to the hedged items, or reflected net of income taxes in accumulated other comprehensive loss until the hedged transaction is recognized in earnings. Changes in the fair value of the derivatives that are attributable to the ineffective portion of the hedges, or of derivatives that are not considered to be highly effective hedges, if any, are immediately recognized in earnings. The aggregate notional amount of the outstanding foreign currency exchange contracts at December 31, 2010 and 2009 was \$2.2 billion and \$1.9 billion. There were no interest rate derivatives outstanding at December 31, 2010 and 2009. The effect of our derivative instruments on our Statements of Earnings for the years ended December 31, 2010, 2009, and 2008, and on our Balance Sheets as of December 31, 2010 and 2009 was not material. See Note 15 for further discussion on the fair value measurements related to our derivative instruments.

**Stock-based compensation** – We recognize compensation cost related to all share-based payments (stock options and restricted stock units) based on their estimated fair value at the date of grant.

**Income taxes** – We periodically assess our tax filing exposures related to periods that are open to examination. Based on the latest available information, we evaluate tax positions to determine whether the position will more likely than not be sustained upon examination by the Internal Revenue Service (IRS). If we determine that the tax position is more likely than not to be sustained, we record the largest amount of benefit that is more likely than not to be realized when the tax position is settled. If we cannot reach that determination, no benefit is recorded. We record interest and penalties related to income taxes as a component of income tax expense in our consolidated financial statements.

**Comprehensive income (loss)** – Comprehensive income (loss) and its components are presented on the Statements of Stockholders' Equity.

Accumulated other comprehensive loss consisted of the following:

<i>(In millions)</i>	2010	2009
Postretirement benefit plan adjustments	<b>\$(8,994)</b>	\$(8,564)
Foreign currency translation adjustments	(17)	(26)
Other, net	1	(5)
Accumulated other comprehensive loss	<b>\$(9,010)</b>	\$(8,595)

**Recent accounting pronouncements** – In October 2009, the Financial Accounting Standards Board (FASB) issued an accounting standard which revised its accounting guidance related to revenue arrangements with multiple deliverables. The standard relates to the determination of when the individual deliverables included in a multiple-element arrangement may be treated as separate units of accounting and modifies the manner in which the transaction consideration is allocated across the individual deliverables, thereby affecting the timing of revenue recognition. Also, the standard expands the disclosure requirements for revenue arrangements with multiple deliverables. The standard will be effective for us beginning on January 1, 2011, and will apply prospectively to certain multiple-element arrangements with non-U.S. Government customers entered into or materially modified after the adoption date. We do not expect the adoption of this accounting standard will have a material effect on our financial results.

### **Note 2 – Discontinued Operations**

In June 2010, we announced plans to divest Pacific Architects and Engineers, Inc. (PAE) and most of our Enterprise Integration Group (EIG), two businesses within our Information Systems & Global Solutions (IS&GS) reporting segment. On November 22, 2010, we closed on the sale of EIG for \$815 million and recognized a gain, net of tax, of \$184 million (\$.50 per share) in the fourth quarter of 2010 which is included in discontinued operations. We received proceeds, net of

## [Table of Contents](#)

\$17 million in transaction costs, of \$798 million related to the sale, which are included in investing activities on our Statement of Cash Flows. We made a \$260 million tax payment related to the sale which is included in operating activities on our Statement of Cash Flows. EIG's operating results are included in discontinued operations on our Statements of Earnings for all periods presented. Our decision to divest EIG was based on our analysis of the U.S. Government's increased concerns about perceived organizational conflicts of interest within the defense contracting community. EIG provides systems engineering, architecture, and integration services and support to a broad range of government customers.

As a result of our decision in 2010 to sell PAE, we recorded a \$182 million deferred tax asset which reflects the federal and state tax benefits that we expect to realize on the sale of the PAE business because our tax basis is higher than our book basis. We also recorded a \$109 million impairment charge which reduced the carrying value of PAE to equal the expected net proceeds from the transaction. The net result increased earnings from discontinued operations by \$73 million (\$.20 per share). PAE's operating results are included in discontinued operations on our Statements of Earnings for all periods presented, and its assets and liabilities are classified as held for sale on our 2010 Balance Sheet. On February 22, 2011, we announced that we entered into a definitive agreement to sell PAE. We expect the transaction will close in the second quarter of 2011, subject to satisfaction of closing conditions.

The plan to divest PAE is a result of changes in customer priorities. When we acquired the business, we envisioned it as an entry point to a new customer set that would need additional services, primarily in the areas of information technology and systems integration. Those customers, however, are seeking a different mix of services, such as the construction of facilities and provision of physical security, which does not fit with our long-term strategy.

In the following table of financial information, we have combined the results of operations of PAE and EIG as the amounts for the individual businesses are not material. Summary financial information related to discontinued operations is as follows:

<i>(In millions)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
Net sales	\$ 1,087	\$ 1,195	\$ 1,359
Earnings before income taxes	44	54	76
Earnings after income taxes	\$ 24	\$ 25	\$ 50
Gain on sale of EIG	184	—	—
Adjustments from planned sale of PAE	73	—	—
Earnings from discontinued operations	\$ 281	\$ 25	\$ 50

The major classes of assets and liabilities related to PAE and classified as held for sale on our Balance Sheet as of December 31, 2010 are listed in the table below.

<i>(In millions)</i>	<i>December 31, 2010</i>
Assets	
Receivables	\$ 267
Goodwill and other assets	132
Assets of Discontinued Operation Held for Sale	\$ 399
Liabilities	
Accounts payable and accrued expenses	\$ 122
Other liabilities	82
Liabilities of Discontinued Operation Held for Sale	\$ 204

### **Note 3 – Restructuring and Other Activities**

In 2010, we recorded a charge to cost of sales, net of state income tax benefits, of \$178 million related to the Voluntary Executive Separation Program (VESP) we announced in July 2010. The charge, which included the anticipated lump-sum special payments for qualifying executives, reduced our net earnings for 2010 by \$116 million (\$.31 per share). Approximately 600 executives, or about 25% of our total executive population, applied to voluntarily participate in the program and were subsequently approved. Approved VESP participants will receive a lump-sum special payment upon termination. The effective date of termination of employment for most participants was February 1, 2011, with the lump-sum special payments to be made within 90 days from separation of service.

## [Table of Contents](#)

In the fourth quarter of 2010, the Mission Systems & Sensors (MS2) line of business in Electronic Systems announced a plan to consolidate certain of its operations. Accordingly, we recorded a charge to cost of sales, net of state income tax benefits, of \$42 million which reduced our net earnings for 2010 by \$27 million (\$.07 per share). The majority of the charge was associated with the accrual of severance payments to employees, with the remainder associated with impairment of assets. The consolidation plan primarily related to the decision to close down the MS2 facility in Eagan, Minnesota and move the operations to other MS2 locations. We expect to complete these activities by 2013.

In 2008, we recognized a deferred gain, net of state income taxes, of \$108 million in other income, net. The deferred gain was originally recorded in 2006 in connection with the sale of our interests in Lockheed Khrunichev Energia International, Inc. (LKEI) and International Launch Services, Inc. (ILS). Under the sale agreement, we were responsible to refund advances to certain customers if launch services were not provided and ILS did not refund the advances. Due to this continuing involvement with those customers of ILS, many of the risks related to this business had not been transferred and we had not recognized this transaction as a divestiture for financial reporting purposes. In 2008, Khrunichev provided the remaining launch services for which we had potential responsibility to refund advances, such that we were not required to repay advances. Recognition of the deferred gain increased net earnings by \$70 million (\$.17 per share).

In 2008, we recognized, net of state income taxes, \$85 million in other income, net, due to the elimination of reserves related to various land sales in California. Reserves were originally recorded at the time of each land sale in 2007 and prior years based on the U.S. Government's assertion that a significant portion of the sale proceeds should be allocated to the buildings and improvements on the properties, thereby giving the U.S. Government the right to share in the gains associated with the land sales. At the time the land sales occurred, we believed the value of the properties sold was attributable to the land versus the buildings and improvements. The dispute was resolved by the Armed Services Board of Contract Appeals, which determined that our accounting for the land sales was in accordance with the Federal Acquisition Regulation and CAS. We reached a settlement with the U.S. Government in 2008, and the previously recorded reserves were no longer required. Resolution of this matter increased our net earnings by \$56 million (\$.14 per share).

### **Note 4 – Earnings Per Share**

We compute basic and diluted per share amounts based on net earnings for the periods presented. We use the weighted average number of common shares outstanding during the period to calculate basic earnings per share. Our calculation of diluted per share amounts includes the dilutive effects of stock options and restricted stock units based on the treasury stock method in the weighted average number of common shares.

Unless otherwise noted, we present all per share amounts cited in these consolidated financial statements on a “per diluted share” basis.

The calculations of basic and diluted earnings per share are as follows:

<i>(In millions, except per share data)</i>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Net earnings:</b>			
Earnings from continuing operations	\$2,645	\$2,999	\$3,167
Earnings from discontinued operations	281	25	50
Net earnings for basic and diluted computations	\$2,926	\$3,024	\$3,217
<b>Weighted average common shares outstanding:</b>			
Average number of common shares outstanding for basic computations	364.2	384.8	399.7
Dilutive stock options and restricted stock units	4.1	4.1	9.7
Average number of common shares outstanding for diluted computations	368.3	388.9	409.4
<b>Earnings per common share:</b>			
Basic			
Continuing operations	\$ 7.26	\$ 7.79	\$ 7.92
Discontinued operations	.77	.07	.13
Basic earnings per common share	\$ 8.03	\$ 7.86	\$ 8.05
Diluted			
Continuing operations	\$ 7.18	\$ 7.71	\$ 7.74
Discontinued operations	.76	.07	.12
Diluted earnings per common share	\$ 7.94	\$ 7.78	\$ 7.86

## [Table of Contents](#)

Stock options to purchase 11.0 million, 11.2 million, and 3.5 million shares of common stock outstanding at December 31, 2010, 2009, and 2008 had exercise prices that were in excess of the average market price of our common stock at the respective dates. As such, we did not include these stock options in our calculation of diluted earnings per share, as their effect would have been anti-dilutive.

### **Note 5 – Information on Business Segments**

We operate in four principal business segments: Aeronautics, Electronic Systems, IS&GS, and Space Systems. We organize our business segments based on the nature of the products and services offered. The following is a brief description of the activities of the principal business segments:

- **Aeronautics** – Engaged in the research, design, development, manufacture, integration, sustainment, support, and upgrade of advanced military aircraft, including combat and air mobility aircraft, unmanned air vehicles, and related technologies. Major products and programs include design, development, production and sustainment of the F-35 international multi-role, stealth fighter; the F-22 air dominance and multi-mission stealth fighter; the F-16 international multi-role fighter; the C-130J tactical transport aircraft; the C-5M strategic airlifter modernization program; and support for the P-3 maritime patrol aircraft and the U-2 high-altitude reconnaissance aircraft. Our Advanced Development Programs organization, which includes the Skunk Works, provides next generation innovative system solutions using rapid prototype applications and advanced technologies.
- **Electronic Systems** – Manages complex programs and designs, develops, produces, and integrates hardware and software solutions to ensure the mission readiness of armed forces and government agencies worldwide. Global security solutions include advanced sensors, decision systems, and weapons for air-, land-, and sea-based platforms. The segment integrates land vehicles, ships, and fixed- and rotary-wing aircraft. Major products and programs include air and missile defense; tactical missiles; weapon fire control systems; surface ship and submarine combat systems; anti-submarine and undersea warfare systems; land, sea-based, and airborne radars; surveillance and reconnaissance systems; simulation and training systems; and integrated logistics and sustainment services. Electronic Systems also manages and operates the Sandia National Laboratories for the U.S. Department of Energy and is part of the consortium that manages the United Kingdom's Atomic Weapons Establishment.
- **Information Systems & Global Solutions** – Provides management services, Information Technology (IT) solutions, and advanced technology expertise across a broad spectrum of applications to U.S. Government and other customers. IS&GS provides full life-cycle support and highly specialized talent in the areas of software and systems integration, including capabilities in space, air and ground systems for a wide variety of defense and civil government agencies in the U.S. and abroad.
- **Space Systems** – Engaged in the design, research and development, engineering, and production of satellites, strategic and defensive missile systems, and space transportation systems, including activities related to the planned replacement of the Space Shuttle. The Satellite line of business includes both government and commercial satellites. Strategic & Defensive Missile Systems includes missile defense technologies and systems and fleet ballistic missiles. Space Transportation Systems includes portions of the next generation human space flight system. Through ownership interests in two joint ventures, Space Transportation Systems also includes Space Shuttle processing activities and expendable launch services for the U.S. Government.

In 2010, we announced the realignment of two IS&GS businesses, Readiness & Stability Operations (RSO) and Savi Technology, Inc., with our simulation, training and support business to form the Global Training & Logistics line of business within Electronic Systems. The realignment had no effect on our consolidated results of operations, financial position, or cash flows. The financial information in the following tables below has been reclassified to reflect this realignment and to exclude the PAE and EIG businesses from the IS&GS business segment information (see Note 2) for all periods presented.

The following table presents net sales and operating profit of our four business segments. Net sales exclude intersegment revenue, as these activities are eliminated in consolidation. Intercompany transactions are generally negotiated and accounted for under terms and conditions similar to other government and commercial contracts. Operating profit of the business segments includes the equity earnings or losses from investees in which certain of our business segments hold equity interests, because the activities of the investees are closely aligned with the operations of those segments.

Operating profit of the business segments excludes the FAS/CAS pension adjustment discussed below; expense for certain stock-based compensation programs including costs for stock options and restricted stock units; the effects of items not considered part of management's evaluation of segment operating performance, such as the charges related to the VESP

## [Table of Contents](#)

and the MS2 consolidation plan (see Note 3); gains or losses from divestitures; the effects of legal settlements; Corporate costs not allocated to the business segments; and other miscellaneous Corporate activities. The items other than the charges related to the VESP and MS2 consolidation plan are included in "Other unallocated Corporate income (expense), net" in the following table which reconciles operating profit from the business segments to operating profit in our Statements of Earnings. The charge related to the VESP and MS2 consolidation plan are presented together as a separate reconciling item.

The results of operations of our business segments include pension expense only as determined and funded in accordance with U.S. Government Cost Accounting Standards (CAS) rules. The FAS/CAS pension adjustment represents the difference between pension expense or income calculated in accordance with GAAP and pension costs calculated and funded in accordance with CAS. CAS is a major factor in determining our pension funding requirements, and governs the extent to which pension costs can be allocated to and recovered on U.S. Government contracts. The CAS expense is recovered through the pricing of our products and services on U.S. Government contracts and, therefore, is recognized in each of our business segments' net sales and cost of sales.

### Selected Financial Data by Business Segment

<i>(In millions)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
<b>Net sales</b>			
Aeronautics	<b>\$13,235</b>	\$12,201	\$11,473
Electronic Systems	<b>14,363</b>	13,532	12,803
Information Systems & Global Solutions	<b>9,959</b>	9,608	9,069
Space Systems	<b>8,246</b>	8,654	8,027
Total	<b>\$45,803</b>	\$43,995	\$41,372
<b>Operating profit <sup>(a)</sup></b>			
Aeronautics	<b>\$ 1,502</b>	\$ 1,577	\$ 1,433
Electronic Systems	<b>1,712</b>	1,660	1,583
Information Systems & Global Solutions	<b>890</b>	895	919
Space Systems	<b>972</b>	972	953
Total business segments	<b>5,076</b>	5,104	4,888
Voluntary executive separation and other charges <sup>(b)</sup>	<b>(220)</b>	—	—
Other unallocated Corporate income (expense), net <sup>(c)</sup>	<b>(759)</b>	(689)	161
Operating profit	<b>\$ 4,097</b>	\$ 4,415	\$ 5,049
<b>Intersegment revenue</b>			
Aeronautics	<b>\$ 128</b>	\$ 210	\$ 147
Electronic Systems	<b>989</b>	860	662
Information Systems & Global Solutions	<b>912</b>	827	803
Space Systems	<b>124</b>	122	203
Total	<b>\$ 2,153</b>	\$ 2,019	\$ 1,815
<b>Depreciation and amortization of plant and equipment</b>			
Aeronautics	<b>\$ 205</b>	\$ 198	\$ 190
Electronic Systems	<b>237</b>	245	257
Information Systems & Global Solutions	<b>63</b>	66	61
Space Systems	<b>186</b>	182	166
Total business segments	<b>691</b>	691	674
Corporate activities	<b>58</b>	59	53
Total	<b>\$ 749</b>	\$ 750	\$ 727
<b>Expenditures for property, plant and equipment</b>			
Aeronautics	<b>\$ 271</b>	\$ 248	\$ 227
Electronic Systems	<b>260</b>	266	275
Information Systems & Global Solutions	<b>53</b>	52	72
Space Systems	<b>181</b>	210	231
Total business segments	<b>765</b>	776	805
Corporate activities	<b>55</b>	76	121
Total	<b>\$ 820</b>	\$ 852	\$ 926

**Selected Financial Data by Business Segment (continued)**

(a) Operating profit included equity in net earnings (losses) of equity investees as follows:

<i>(In millions)</i>	2010	2009	2008
Aeronautics	\$ 7	\$ 9	\$ 21
Electronic Systems	50	53	43
Space Systems	259	218	224
Total business segments	316	280	288
Corporate activities	(4)	(2)	—
Total	\$312	\$278	\$288

(b) Voluntary executive separation and other charges included the charges associated with the VESP and MS2's consolidation of facilities (see Note 3).

(c) Other unallocated Corporate income (expense), net included the following:

<i>(In millions)</i>	2010	2009	2008
FAS/CAS pension adjustment	\$(454)	\$(456)	\$ 128
Items not considered in segment operating performance	—	—	193
Stock-based compensation	(168)	(154)	(155)
Other	(137)	(79)	(5)
Total	\$(759)	\$(689)	\$ 161

See Note 3 for information regarding the items not considered in segment operating performance.

<i>(In millions)</i>	2010	2009
<b>Assets <sup>(a)</sup></b>		
Aeronautics	\$ 5,230	\$ 4,356
Electronic Systems	9,972	10,080
Information Systems & Global Solutions	5,524	6,443
Space Systems	3,014	3,097
Total business segments	23,740	23,976
Corporate assets <sup>(b)</sup>	10,928	11,135
Assets of discontinued operation held for sale	399	—
Total	\$35,067	\$35,111

**Goodwill**

Aeronautics	\$ 148	\$ 148
Electronic Systems	5,601	5,595
Information Systems & Global Solutions	3,363	3,712
Space Systems	493	493
Total	\$ 9,605	\$ 9,948

**Customer advances and amounts in excess of costs incurred**

Aeronautics	\$ 2,773	\$ 2,389
Electronic Systems	2,408	2,297
Information Systems & Global Solutions	195	172
Space Systems	343	191
Total	\$ 5,719	\$ 5,049

(a) We have no significant long-lived assets located in foreign countries.

(b) Corporate assets primarily include cash and cash equivalents, short-term investments, deferred income taxes, the prepaid pension asset, deferred environmental assets, and investments held in a Rabbi Trust.

[Table of Contents](#)

**Selected Financial Data by Business Segment (continued)**

**Net Sales by Customer Category**

<i>(In millions)</i>	2010	2009	2008
<b>U.S. Government</b>			
Aeronautics	\$10,720	\$10,151	\$ 9,268
Electronic Systems	10,242	9,699	9,405
Information Systems & Global Solutions	9,437	9,128	8,588
Space Systems	7,995	8,405	7,685
Total	\$38,394	\$37,383	\$34,946
<b>Foreign governments <sup>(a) (b)</sup></b>			
Aeronautics	\$ 2,478	\$ 1,990	\$ 2,043
Electronic Systems	3,749	3,432	3,049
Information Systems & Global Solutions	417	256	160
Space Systems	20	27	15
Total	\$ 6,664	\$ 5,705	\$ 5,267
<b>Commercial and Other <sup>(b)</sup></b>			
Aeronautics	\$ 37	\$ 60	\$ 162
Electronic Systems	372	401	349
Information Systems & Global Solutions	105	224	321
Space Systems	231	222	327
Total	\$ 745	\$ 907	\$ 1,159
	\$45,803	\$43,995	\$41,372

<sup>(a)</sup> Sales made to foreign governments through the U.S. Government, or “foreign military sales,” are included in the “Foreign governments” category.

<sup>(b)</sup> International sales, including export sales reflected in the “Foreign governments” and “Commercial and Other” categories, were \$7.1 billion in 2010, \$6.3 billion in 2009, and \$5.7 billion in 2008.

**Note 6 – Receivables**

Receivables consisted of the following components:

<i>(In millions)</i>	2010	2009
<b>U.S. Government</b>		
Amounts billed	\$1,360	\$1,648
Unbilled costs and accrued profits	3,127	2,718
Less: customer advances and progress payments	(591)	(486)
	3,896	3,880
<b>Foreign governments and commercial</b>		
Amounts billed	461	598
Unbilled costs and accrued profits	1,649	1,811
Less: customer advances	(249)	(228)
	1,861	2,181
	\$5,757	\$6,061

We expect to bill substantially all of the December 31, 2010 unbilled costs and accrued profits during 2011.

[Table of Contents](#)**Note 7 – Inventories**

Inventories consisted of the following components:

<i>(In millions)</i>	2010	2009
Work-in-process, primarily related to long-term contracts and programs in progress	\$ 6,523	\$ 5,565
Less: customer advances and progress payments	(4,788)	(3,941)
	1,735	1,624
Other inventories	643	559
	\$ 2,378	\$ 2,183

Work-in-process inventories at December 31, 2010 and 2009 included general and administrative costs of \$522 million and \$550 million. During 2010, 2009, and 2008, general and administrative costs incurred and recorded in inventories totaled \$2,325 million, \$2,352 million, and \$2,324 million, and general and administrative costs charged to cost of sales from inventories totaled \$2,352 million, \$2,108 million, and \$2,213 million.

**Note 8 – Property, Plant, and Equipment**

Property, plant, and equipment consisted of the following components:

<i>(In millions)</i>	2010	2009
Land	\$ 111	\$ 112
Buildings	5,264	5,010
Machinery and equipment	6,583	6,283
	11,958	11,405
Less: accumulated depreciation and amortization	(7,404)	(6,885)
	\$ 4,554	\$ 4,520

**Note 9 – Income Taxes**

Our provision for federal and foreign income tax expense for continuing operations consisted of the following components:

<i>(In millions)</i>	2010	2009	2008
Federal income taxes:			
Current	\$ 589	\$ 667	\$ 1,378
Deferred	589	583	55
Total federal income taxes	1,178	1,250	1,433
Foreign income taxes:			
Current	8	(4)	26
Deferred	(5)	(15)	—
Total foreign income taxes	3	(19)	26
Income tax expense	\$ 1,181	\$ 1,231	\$ 1,459

State income taxes are included in our operations as general and administrative costs and, under U.S. Government regulations, are allowable in establishing prices for the products and services we sell to the U.S. Government. Therefore, a substantial portion of state income taxes is included in our net sales and cost of sales. As a result, the impact of certain transactions on our operating profit and other matters disclosed in these financial statements is disclosed net of state income taxes. Our total net state income tax expense was \$168 million for 2010 (including state income taxes related to the sale of EIG), \$144 million for 2009, and \$221 million for 2008.

## [Table of Contents](#)

Our reconciliation of the 35% U.S. federal statutory income tax rate to actual income tax expense for continuing operations is as follows:

<i>(In millions)</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>
Income tax expense at the U.S. federal statutory tax rate	<b>\$1,339</b>	\$1,481	\$1,619
Increase (decrease) in tax expense:			
U.S. manufacturing activity benefit	<b>(110)</b>	(39)	(67)
Medicare Part D law change	<b>96</b>	—	—
Tax deductible dividends	<b>(56)</b>	(49)	(38)
Research and development tax credit	<b>(43)</b>	(43)	(36)
Other, net	<b>(45)</b>	(119)	(19)
Income tax expense	<b>\$1,181</b>	\$1,231	\$1,459

Our U.S. manufacturing activity benefit is based on income derived from qualified production activity (QPA) in the United States. The deduction rate, which was 9% for 2010 and 6% for 2009 and 2008, is applied against QPA income to arrive at the deduction. The increased benefit in 2010 is due to an increase in QPA income, as well as the higher deduction rate in 2010.

In March 2010, the President signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. Beginning January 1, 2013, these laws change the tax treatment for retiree prescription drug expenses by eliminating the tax deduction available to the extent that those expenses are reimbursed under Medicare Part D. Because the tax benefits associated with these future deductions were reflected as deferred tax assets as of December 31, 2009, the elimination of the tax deductions resulted in a reduction in deferred tax assets and an increase in income tax expense in 2010. As a result, we recognized a tax expense for 2010, which increased income tax expense by \$96 million (\$.26 per share).

We receive a tax deduction related to dividends paid on shares of our common stock held by certain of our defined contribution plans with an employee stock ownership plan (ESOP) feature. The amount of the tax deduction has increased as we increased our dividend over the last three years.

Income tax expense for 2010 included the impact of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, signed by the President on December 17, 2010, which retroactively extended the research and development tax credit from January 1, 2010 through December 31, 2011. As a result, we recognized a tax benefit for the impact of the tax credit in 2010, which reduced our income tax expense by \$43 million (\$0.12 per share). This benefit is comparable to that recorded in 2009 and 2008.

We participate in the Internal Revenue Service (IRS) Compliance Assurance Process (CAP) program. The year 2010 is currently under examination by the IRS. During the fourth quarter of 2010, the IRS examination of our U.S. Federal Income Tax Return for the year 2009 was resolved. This resolution did not have a material impact on our effective income tax rate. In 2009, the IRS examinations of our U.S. Federal Income Tax Returns for the years 2005-2007 and 2008 were resolved and settled, except for certain issues, which are pending in the IRS Appeals Division. As a result, we recognized additional tax benefits and reduced our income tax expense for 2009 by \$69 million (\$.18 per share), including related interest. This reduction in income tax expense, included in Other, net in the table above, reduced our effective income tax rate for 2009 by 1.6%.

## Table of Contents

The primary components of our federal and foreign deferred income tax assets and liabilities at December 31 were as follows:

<i>(In millions)</i>	2010	2009
Deferred tax assets related to:		
Accrued compensation and benefits	\$ 877	\$ 796
Pensions	3,642	3,664
Other postretirement benefit obligations	459	565
Contract accounting methods	419	391
Planned sale of PAE	179	—
Foreign company operating losses and credits	14	15
Valuation allowance	—	(13)
Deferred tax assets, net	5,590	5,418
Deferred tax liabilities related to:		
Goodwill and purchased intangibles	336	371
Property, plant and equipment	558	343
Exchanged debt securities and other <sup>(a)</sup>	189	111
Deferred tax liabilities	1,083	825
Net deferred tax assets <sup>(b)</sup>	\$4,507	\$4,593

<sup>(a)</sup> Includes deferred tax liabilities associated with the exchange of debt securities in 2010 (see Note 10) and 2006.

<sup>(b)</sup> Includes net foreign current deferred tax liabilities, which are included on the Balance Sheets in other current liabilities.

We have recorded liabilities for unrecognized tax benefits related to permanent and temporary tax adjustments that, exclusive of interest, totaled \$160 million and \$217 million at December 31, 2010 and 2009. The change in the liabilities resulted from the following:

<i>(In millions)</i>	2010	2009
Balance at January 1	\$217	\$250
Tax positions related to the current year	73	39
Increase (decrease) related to tax positions in prior years:		
Recognition of benefits from resolution of issues with IRS	—	(54)
Reclassification to liabilities of discontinued operation held for sale	(29)	—
Other, net	(16)	—
Decreases related to settlements with taxing authorities:		
Settlements with taxing authorities for prior years	—	(18)
Advance payment for pending matters	(85)	—
Balance at December 31	\$160	\$217

The liabilities at the end of 2010 and 2009 were primarily recorded in other current liabilities on the Balance Sheets. Substantially all of these unrecognized tax benefits would affect the effective tax rate, if we were to prevail on all of the related issues. The amount of net interest and penalties recognized as a component of income tax expense during 2010, 2009, and 2008, as well as the amount of interest and penalties accrued at December 31, 2010 and 2009, was not material.

We have protested to the IRS Appeals Division certain proposed adjustments related to tax years 2003-2009, and these years are subject to review by the Joint Committee on Taxation. It is reasonably possible that during the next 12 months the completion of the Joint Committee on Taxation's review will occur, causing the elimination of substantially all of our unrecognized tax benefits. We expect that a substantial portion of the reduction in unrecognized tax benefits will affect earnings.

We and our subsidiaries file income tax returns in the U.S. federal jurisdiction and various foreign jurisdictions. With few exceptions, the statute of limitations is no longer open for U.S. federal or non-U.S. income tax examinations for the years before 2003.

U.S. income taxes and foreign withholding taxes have not been provided on earnings of \$108 million, \$123 million, and \$139 million that have not been distributed by our non-U.S. companies as of December 31, 2010, 2009, and 2008. Our

## [Table of Contents](#)

intention is to permanently reinvest these earnings, thereby indefinitely postponing their remittance to the United States. If these earnings were remitted, we estimate that the additional income taxes after foreign tax credits would have been approximately \$17 million in 2010, \$29 million in 2009, and \$16 million in 2008.

Our federal and foreign income tax payments, net of refunds received, were \$806 million in 2010, \$986 million in 2009, and \$1,234 million in 2008. A payment of \$260 million associated with the divestiture of EIG, a \$325 million refund received in 2010 from the IRS related to estimated taxes paid for the 2009 calendar year, and an \$85 million advance payment related to matters pending with IRS Appeals are included in 2010 payments.

### **Note 10 – Debt**

Our long-term debt is primarily in the form of publicly issued notes and debentures, as follows:

<i>(In millions)</i>	<i>Interest Rate</i>	<i>2010</i>	<i>2009</i>
Notes due 3/14/2013	4.12%	\$ 500	\$ 500
Debentures due 4/15/2013	7.38%	150	150
Debentures due 5/1/2016	7.65%	451	600
Notes due 11/15/2019	4.25%	900	900
Debentures due 9/15/2023	7.00%	200	200
Notes due 6/15/2024	8.38%	167	167
Debentures due 6/15/2025	7.63%	150	150
Debentures due 5/1/2026	7.75%	275	423
Debentures due 12/1/2029	8.50%	206	317
Debentures due 5/1/2036	7.20%	97	300
Notes due 9/1/2036	6.15%	1,079	1,079
Notes due 11/15/2039	5.50%	600	600
Notes due 6/1/2040	5.72%	728	—
Unamortized discount	N/A	(505)	(351)
Other	Various	21	17
		<b>\$5,019</b>	<b>\$5,052</b>

In May 2010, we issued \$728 million of new 5.72% Notes due 2040 (the New Notes) in exchange for \$611 million of our then outstanding debt securities listed in the table below (the Old Notes). We paid a premium of \$158 million in the exchange, of which \$117 million was in the form of New Notes. The remaining \$41 million, along with \$6 million in expenses associated with the transaction, was paid in cash. The premium was recorded as a discount and will be amortized as additional interest expense over the life of the New Notes, using the effective interest method.

<i>(In millions)</i>	<i>Principal Amount Exchanged</i>
Old Notes Exchanged	
7.65% Debentures due 2016	\$ 149
7.75% Debentures due 2026	148
8.50% Debentures due 2029	111
7.20% Debentures due 2036	203
	<b>\$ 611</b>

In November 2009, we issued a total of \$1.5 billion of long-term notes in a registered public offering, \$900 million of which are due in 2019 and have a fixed coupon interest rate of 4.25%. The remaining \$600 million of long-term notes are due in 2039 and have a fixed coupon interest rate of 5.50%. In March 2008, we issued \$500 million of long-term notes in a registered public offering. These notes are due in 2013 and have a fixed coupon interest rate of 4.12%.

At December 31, 2010 and 2009, we had in place with a group of banks a \$1.5 billion revolving credit facility which expires in June 2012. There were no borrowings outstanding under the facility during 2010 or 2009. Borrowings under the credit facility would be unsecured and bear interest at rates based, at our option, on the Eurodollar rate or a bank defined Base Rate. Each bank's obligation to make loans under the credit facility is subject to, among other things, our compliance

## [Table of Contents](#)

with various representations, warranties and covenants, including covenants limiting our ability and certain of our subsidiaries to encumber assets and a covenant not to exceed a maximum leverage ratio. As of December 31, 2010, we were in compliance with all covenants contained in our credit facility agreement, as well as in our debt agreements.

We have agreements in place with banking institutions to provide for the issuance of commercial paper. There were no commercial paper borrowings outstanding during 2010 or 2009. If we were to issue commercial paper, the borrowings would be supported by the \$1.5 billion revolving credit facility.

During the five year period from 2011 through 2015, we have \$650 million in scheduled long-term debt maturities, all of which are due in 2013. Interest payments were \$337 million in 2010, \$286 million in 2009, and \$320 million in 2008.

### **Note 11 – Postretirement Benefit Plans**

#### **Defined Contribution Plans**

We maintain a number of defined contribution plans, most with 401(k) features that cover substantially all of our employees. Under the provisions of our 401(k) plans, most employees' eligible contributions are matched at rates specified in the plan documents. Our contributions were \$379 million in 2010, \$364 million in 2009, and \$351 million in 2008, the majority of which were funded in our common stock.

Our Salaried Savings Plan is a defined contribution plan with a 401(k) feature that includes an ESOP Fund. Our matching contributions to the Salaried Savings Plan have been fulfilled through newly issued shares or purchases of our common stock. Participants can elect dividends on our common stock to be reinvested or paid in cash. At December 31, 2010, the Salaried Savings Plan held 58.9 million issued and outstanding shares of our common stock, all of which were allocated to participant accounts.

All other plans for hourly and salaried employees include an ESOP feature. In these plans, the match and employer contributions are made at the election of the participant, in either our common stock or cash that may be invested at the participant's direction in one of the plan's other investment options. Contributions that participants directed to be invested in our common stock were used by the investment manager to purchase common stock either in the open market or from participant account balance reallocations. Participants can elect dividends on our common stock to be reinvested or paid in cash. One of our hourly savings plans has an ESOP Fund. This ESOP Fund held 1.8 million issued and outstanding shares of our common stock at December 31, 2010, all of which were allocated to participant accounts.

#### **Defined Benefit Pension Plans and Retiree Medical and Life Insurance Plans**

Most of our employees hired on or before December 31, 2005 are covered by qualified defined benefit pension plans, and we provide certain health care and life insurance benefits to eligible retirees (collectively, postretirement benefit plans). We also sponsor nonqualified defined benefit pension plans to provide for benefits in excess of qualified plan limits. Non-union represented employees hired on or after January 1, 2006 do not participate in our qualified defined benefit pension plans, but are eligible to participate in our qualified defined contribution plan in addition to our other retirement savings plans. They also have the ability to participate in our retiree medical plans, but we do not subsidize the cost of their participation in those plans as we do with employees hired before January 1, 2006. We have made contributions to trusts established to pay future benefits to eligible retirees and dependents (including Voluntary Employees' Beneficiary Association trusts and 401(h) accounts, the assets of which will be used to pay expenses of certain retiree medical plans). We use December 31 as the measurement date. Benefit obligations as of the end of each year reflect assumptions in effect as of those dates. Net pension and net retiree medical costs for each of the years presented were based on assumptions in effect at the end of the respective preceding year.

The rules related to accounting for postretirement benefit plans under GAAP require us to recognize on a plan-by-plan basis the funded status of our postretirement benefit plans, with a corresponding noncash adjustment to accumulated other comprehensive income (loss), net of tax, in stockholders' equity. The funded status is measured as the difference between the fair value of the plan's assets and the benefit obligation of the plan.

[Table of Contents](#)

**Benefit Obligations and Funded Status**

The following provides a reconciliation of benefit obligations, plan assets, and unfunded status related to our postretirement benefit plans:

<i>(In millions)</i>	<i>Defined Benefit Pension Plans</i>		<i>Retiree Medical and Life Insurance Plans</i>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Change in benefit obligations</b>				
Benefit obligations at beginning of year	\$ 32,817	\$ 30,421	\$ 2,938	\$ 2,812
Service cost	903	870	36	34
Interest cost	1,876	1,812	166	165
Benefits paid	(1,592)	(1,510)	(352)	(366)
Actuarial losses	2,032	1,153	105	106
Amendments	94	70	—	9
Divestitures/curtailments <sup>(a)</sup>	(357)	1	(10)	—
Medicare Part D subsidy	—	—	18	36
Participants' contributions	—	—	145	142
Benefit obligations at end of year	\$ 35,773	\$ 32,817	\$ 3,046	\$ 2,938
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 22,154	\$ 18,539	\$ 1,630	\$ 1,426
Actual return on plan assets	2,886	3,644	86	330
Benefits paid	(1,592)	(1,510)	(352)	(366)
Our contributions	2,240	1,482	311	60
Participants' contributions	—	—	145	142
Medicare Part D subsidy	—	—	18	36
Divestitures and other <sup>(a)</sup>	(343)	(1)	(5)	2
Fair value of plan assets at end of year	\$ 25,345	\$ 22,154	\$ 1,833	\$ 1,630
Unfunded status of the plans	\$ (10,428)	\$ (10,663)	\$ (1,213)	\$ (1,308)
<b>Amounts recognized in the Balance Sheets</b>				
Prepaid pension asset	\$ 179	\$ 160	\$ —	\$ —
Accrued postretirement benefit liabilities	(10,607)	(10,823)	(1,213)	(1,308)
Accumulated other comprehensive (income) loss (pre-tax) related to:				
Net actuarial losses	12,263	11,809	684	564
Prior service cost (credit)	455	457	(37)	(53)

<sup>(a)</sup> Primarily reflects the transfer of assets and liabilities associated with the sale of EIG (see Note 2). An expense of \$109 million was recognized in connection with this settlement, which reduced the gain on sale.

The accumulated benefit obligation for all qualified defined benefit pension plans was \$31.4 billion and \$29.0 billion at December 31, 2010 and 2009.

For qualified defined benefit pension plans in which the accumulated benefit obligation (ABO) was in excess of the fair value of the plans' assets, the projected benefit obligation, ABO, and fair value of the plans' assets are presented below.

<i>(In millions)</i>	<b>2010</b>	<b>2009</b>
Projected benefit obligation	\$35,640	\$32,689
Accumulated benefit obligation	31,291	28,920
Fair value of plan assets	25,033	21,866

We also sponsor nonqualified defined benefit plans to provide benefits in excess of qualified plan limits. The aggregate liabilities for these plans at December 31, 2010 and 2009 were \$850 million and \$737 million, which also represent the plans' unfunded status. We have set aside certain assets totaling \$338 million and \$328 million as of December 31, 2010 and 2009 in a Rabbi Trust which we expect to be used to pay obligations under our nonqualified plans. In accordance with

## [Table of Contents](#)

GAAP, those assets may not be used to offset the amount of the benefit obligation similar to the postretirement benefit plans in the table above. The unrecognized net actuarial losses at December 31, 2010 and 2009 were \$447 million and \$372 million, and the unrecognized prior service costs were not material. The expense associated with these plans totaled \$85 million in 2010, \$76 million in 2009, and \$71 million in 2008. We also sponsor a small number of other postemployment plans and foreign benefit plans. The aggregate liability for the other postemployment plans was \$93 million and \$70 million as of December 31, 2010 and 2009. The expense for the other postemployment plans, as well as the liability and expense associated with the foreign benefit plans, was not material to our results of operations, financial position, or cash flows.

The unrecognized amounts recorded in accumulated other comprehensive loss subsequently will be recognized as an expense consistent with our historical accounting policy for amortizing those amounts. Actuarial gains and losses incurred in future periods and not recognized as expense in those periods will be recognized as increases or decreases in other comprehensive income (loss), net of tax. As they are subsequently recognized as a component of expense, the amounts recorded in other comprehensive income (loss) in prior periods are adjusted.

The following postretirement benefit plan amounts were included as adjustments to other comprehensive income (loss), net of tax, during the years ended December 31, 2010 and 2009. The amounts relate primarily to our qualified defined benefit plans. The amounts listed under "Incurred but Not Recognized" reflect actuarial gains or losses due to differences between actual experience and the actuarial assumptions, and prior service costs or credits from improvements or reductions in plan benefits, each of which occurred during 2010 and 2009 and were recognized as a component of other comprehensive income at the end of the year. The amounts listed under "Reclassification Adjustment for Prior Period Amounts Recognized" reflect amounts that were amortized as a component of expense for the year and are no longer included in accumulated other comprehensive loss as of the end of the year.

<i>(In millions)</i>	<i>Incurred but Not Recognized</i>		<i>Reclassification Adjustment for Prior Period Amounts Recognized</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>Gains (losses)</i>		<i>(Gains) losses</i>	
Actuarial gains and losses	<b>\$(921)</b>	\$265	<b>\$ 501</b>	\$ 244
	<i>Credit (cost)</i>		<i>(Credit) cost</i>	
Prior service credit and cost	<b>(62)</b>	(51)	<b>52</b>	37
	<b>\$(983)</b>	\$214	<b>\$ 553</b>	\$ 281

The unrecognized actuarial gain or loss included in accumulated other comprehensive loss at the end of 2010 and expected to be recognized in net pension cost during 2011 is a loss of \$880 million (\$568 million net of income tax benefits) for our qualified defined benefit pension plans, a loss of \$34 million (\$22 million net of income tax benefits) for our retiree medical and life insurance plans, and a loss of \$38 million (\$25 million net of income tax benefits) for our nonqualified defined benefit pension plans. The amounts of unrecognized actuarial gain or loss for the foreign benefit and other plans are not expected to be material in 2011. The prior service credit or cost included in accumulated other comprehensive loss at the end of 2010 and expected to be recognized in net pension cost during 2011 is a cost of \$82 million (\$53 million net of income tax benefits) for our qualified defined benefit pension plans and a credit of \$16 million (\$10 million net of income taxes) for our retiree medical and life insurance plans. The amounts of prior service cost for the nonqualified, foreign, and other plans are not expected to be material in 2011. No plan assets are expected to be returned to us in 2011.

[Table of Contents](#)

**Net Pension and Postretirement Benefit Costs**

The net pension cost and the net postretirement benefit cost included the following components:

<i>(In millions)</i>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Qualified defined benefit pension plans</b>			
Service cost	<b>\$ 903</b>	\$ 870	\$ 823
Interest cost	<b>1,876</b>	1,812	1,741
Expected return on plan assets	<b>(2,027)</b>	(2,028)	(2,184)
Recognized net actuarial losses	<b>595</b>	302	2
Amortization of prior service cost	<b>83</b>	80	80
Curtailement	<b>12</b>	—	—
Total net pension expense	<b>\$ 1,442</b>	\$ 1,036	\$ 462
<b>Retiree medical and life insurance plans</b>			
Service cost	<b>\$ 36</b>	\$ 34	\$ 43
Interest cost	<b>166</b>	165	180
Expected return on plan assets	<b>(129)</b>	(106)	(153)
Recognized net actuarial losses	<b>25</b>	42	1
Amortization of prior service credit	<b>(16)</b>	(23)	(25)
Total net postretirement expense	<b>\$ 82</b>	\$ 112	\$ 46

**Actuarial Assumptions**

The actuarial assumptions used to determine the benefit obligations at December 31, 2010 and 2009 related to our postretirement benefit plans were as follows:

	<i>Benefit Obligation Assumptions</i>	
	<b>2010</b>	<b>2009</b>
Discount rate	<b>5.500%</b>	5.875%
Rate of increase in future compensation levels	<b>4.400</b>	4.500

The decrease in the discount rate from December 31, 2009 to December 31, 2010 resulted in an increase in the projected benefit obligations of our qualified defined benefit pension plans of approximately \$1.7 billion at December 31, 2010.

The actuarial assumptions used to determine the net expense related to our postretirement benefit plans in 2010, 2009, and 2008 were as follows:

	<i>Postretirement Benefit Plan Cost Assumptions</i>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Discount rate	<b>5.875%</b>	6.125%	6.375%
Expected long-term rate of return on assets	<b>8.500</b>	8.500	8.500
Rate of increase in future compensation levels	<b>4.500</b>	4.600	4.700

The long-term rate of return assumption represents the expected average rate of earnings on the funds invested or to be invested to provide for the benefits included in the benefit obligations. That assumption is based on several factors including historical market index returns, the anticipated long-term asset allocation of plan assets, the historical return data, plan expenses, and the potential to outperform market index returns.

The medical trend rate used in measuring the postretirement benefit obligation at December 31, 2010, was 10.0%, and was assumed to ultimately decrease to 5.0% by 2021. A 10.0% rate was used at December 31, 2009 for pre-Medicare coverage and 9.5% for post-Medicare coverage, and was assumed to ultimately decrease to 5.0% by 2020 for pre-Medicare coverage and 2019 for post-Medicare coverage. An increase or decrease of one percentage point in the assumed medical trend rates would result in a change in the postretirement benefit obligation of 5.6% and (4.2)% at December 31, 2010, and a change in the 2010 postretirement service cost plus interest cost of 3.9% and (3.4)%. The medical trend rate for 2011 is 10.0%.

**Contributions and Expected Benefit Payments**

We generally determine funding requirements for our defined benefit pension plans in a manner consistent with CAS and Internal Revenue Code rules. In 2010, we made discretionary contributions of \$2,240 million related to our qualified defined benefit pension plans. Based on our known requirements as of December 31, 2010, approximately \$1.0 billion of contributions related to those plans are expected to be required in 2011. We plan to make contributions of \$1.3 billion related to the qualified defined benefit pension plans in 2011, as we anticipate that funding requirements under the Pension Protection Act beginning in 2011 will be higher than requirements in previous years. We also may review options for further contributions in 2011. We do not expect contributions to be required related to the retiree medical and life insurance plans in 2011.

The following benefit payments, which reflect expected future service, and receipts are expected to be paid or received. The payments for the retiree medical and life insurance plans are shown net of estimated employee contributions for the respective years but are not shown net of the anticipated subsidy receipts.

<i>(In millions)</i>	<i>Qualified Pension Benefits</i>	<i>Retiree Medical and Life Insurance Plans</i>	
		<i>Payments</i>	<i>Subsidy Receipts<sup>(a)</sup></i>
2011	\$ 1,670	\$ 250	\$ 30
2012	1,740	260	30
2013	1,810	270	30
2014	1,900	270	40
2015	1,990	280	40
Years 2016 – 2020	11,580	1,330	150

<sup>(a)</sup> Amounts represent subsidy payments expected to be received under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. Under that law, the U.S. Government makes subsidy payments to eligible employers to offset the cost of prescription drug benefits provided to plan participants. During 2010 and 2009, we received \$18 million and \$36 million in subsidy payments.

**Plan Assets**

**Investment policies and strategies** – Lockheed Martin Investment Management Company (LMIMCo), our wholly-owned subsidiary, has the fiduciary responsibility for making investment decisions related to the assets of our postretirement benefit plans. LMIMCo’s investment objectives for the assets of the defined benefit pension and retiree medical and life insurance plans are (1) to minimize the net present value of expected funding contributions; (2) to ensure there is a high probability that each plan meets or exceeds our actuarial long-term rate of return assumptions; and (3) to diversify assets to minimize the risk of large losses. The nature and duration of benefit obligations, along with assumptions concerning asset class returns and return correlations, are considered when determining an appropriate asset allocation to achieve the investment objectives.

Investment policies and strategies governing the assets of the plans are designed to achieve investment objectives within prudent risk parameters. Risk management practices include the use of external investment managers; the maintenance of a portfolio diversified by asset class, investment approach, and security holdings; and the maintenance of sufficient liquidity to meet benefit obligations as they come due.

LMIMCo’s investment policies require that asset allocations of postretirement benefit plans be maintained within the following approximate ranges:

<i>Asset Class</i>	<i>Asset Allocation Ranges</i>
Cash and cash equivalents	0 – 20%
Equity	15 – 60%
Fixed income	10 – 40%
Alternative investments:	
Private equity funds	0 – 10%
Real estate funds	0 – 10%
Hedge funds	0 – 10%
Commodities	0 – 25%

## Table of Contents

**Fair value of plan assets** – The rules related to accounting for postretirement benefit plans under GAAP require certain fair value disclosures related to postretirement benefit plan assets, even though those assets are not included on our Balance Sheets. The following table presents the fair value of the assets of our qualified defined benefit pension plans and retiree medical and life insurance plans by asset category and their level within the fair value hierarchy. See Note 15 for the description of each level within the fair value hierarchy.

<i>(In millions)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Balance as of December 31, 2010</i>
Cash and cash equivalents	\$ 1,726	\$ —	\$ —	\$ 1,726
Equity <sup>(a)</sup> :				
U.S. equity securities	4,548	44	—	4,592
International equity securities	5,008	6	16	5,030
Commingled equity funds	1,287	1,056	—	2,343
Fixed income <sup>(a)</sup> :				
Corporate debt securities	—	1,351	63	1,414
U.S. Government securities	—	7,262	—	7,262
Other fixed income securities	—	584	47	631
Alternative investments:				
Private equity funds	—	—	2,085	2,085
Real estate funds	—	—	164	164
Hedge funds	—	—	1,025	1,025
Commodities <sup>(a)</sup>	343	516	—	859
Total	\$12,912	\$10,819	\$3,400	\$ 27,131
Receivables, net				47
Total				\$ 27,178

<i>(In millions)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Balance as of December 31, 2009</i>
Cash and cash equivalents	\$ 2,187	\$ —	\$ —	\$ 2,187
Equity <sup>(a)</sup> :				
U.S. equity securities <sup>(b)</sup>	4,136	22	—	4,158
International equity securities	3,466	76	16	3,558
Commingled equity funds	1,310	1,450	—	2,760
Fixed income <sup>(a)</sup> :				
Corporate debt securities	—	1,301	5	1,306
U.S. Government securities	—	5,173	—	5,173
Other fixed income securities	—	1,299	37	1,336
Alternative investments:				
Private equity funds	—	—	1,730	1,730
Real estate funds	—	—	125	125
Hedge funds	—	—	750	750
Commodities <sup>(a)</sup>	161	481	—	642
Total	\$11,260	\$9,802	\$2,663	\$ 23,725
Receivables, net				59
Total				\$ 23,784

<sup>(a)</sup> Equity securities, fixed income securities, and commodities included derivative assets and liabilities whose fair values were not material as of December 31, 2010 and 2009. LMIMCo's investment policies restrict the use of derivatives to either establish long exposures for purposes of expediency or capital efficiency, or to hedge risks to the extent of a plan's current exposure to such risks. Most derivative transactions are settled on a daily basis.

<sup>(b)</sup> U.S. equity securities included shares of our issued and outstanding common stock purchased by investment managers in the amounts of \$7 million (less than .03% of plan assets) as of December 31, 2009.

As of December 31, 2010 and 2009, the assets associated with our foreign defined benefit pension plans were not material and have not been included in the table above.

## Table of Contents

The following table presents the changes during 2010 and 2009 in the fair value of plan assets categorized as Level 3 in the preceding table:

<i>(In millions)</i>	<i>International Equity</i>	<i>Commin- gled Equity Funds</i>	<i>Corporate Debt</i>	<i>Other Fixed Income</i>	<i>Private Equity Funds</i>	<i>Real Estate Funds</i>	<i>Hedge Funds</i>	<i>Total</i>
Balance at January 1, 2009	\$ 7	\$ 228	\$ 113	\$ 114	\$ 1,417	\$ 163	\$ 973	\$3,015
Actual return on plan assets:								
Realized gains (losses), net	(1)	—	(21)	1	66	—	(1)	44
Unrealized gains (losses), net	1	92	44	12	133	(103)	57	236
Purchases, sales, and settlements, net	12	—	(71)	(84)	114	65	(279)	(243)
Transfers out of Level 3	(3)	(320)	(60)	(6)	—	—	—	(389)
Balance at December 31, 2009	\$ 16	\$ —	\$ 5	\$ 37	\$ 1,730	\$ 125	\$ 750	\$2,663
Actual return on plan assets:								
Realized gains (losses), net	—	—	—	2	123	—	1	126
Unrealized gains (losses), net	(3)	—	2	1	103	7	13	123
Purchases, sales, and settlements, net	(4)	—	61	8	129	32	261	487
Transfers in (out of) Level 3	7	—	(5)	(1)	—	—	—	1
Balance at December 31, 2010	\$ 16	\$ —	\$ 63	\$ 47	\$ 2,085	\$ 164	\$ 1,025	\$3,400

**Valuation techniques** – Cash equivalents are mostly comprised of short-term money-market instruments and are valued at cost, which approximates fair value.

U.S. equity securities and international equity securities categorized as Level 1 are traded on national and international exchanges and are valued at their closing prices on the last trading day of the year. For U.S. equity securities and international equity securities not traded on an active exchange, or if the closing price is not available, the trustee obtains indicative quotes from a pricing vendor, broker, or investment manager. These securities are categorized as Level 2 if the custodian obtains corroborated quotes from a pricing vendor or categorized as Level 3 if the custodian obtains uncorroborated quotes from a broker or investment manager.

Commingled equity funds are public investment vehicles valued using the Net Asset Value (“NAV”) provided by the fund manager. The NAV is the total value of the fund divided by the number of shares outstanding. Commingled equity funds are categorized as Level 1 if traded at their NAV on a nationally recognized securities exchange or categorized as Level 2 if the NAV is corroborated by observable market data (e.g., purchases or sales activity).

Fixed income securities categorized as Level 2 are valued by the trustee using pricing models that use verifiable observable market data (e.g. interest rates and yield curves observable at commonly quoted intervals), bids provided by brokers or dealers, or quoted prices of securities with similar characteristics.

Private equity funds, real estate funds, hedge funds, and certain fixed income securities categorized as Level 3 are valued based on valuation models that include significant unobservable inputs and cannot be corroborated using verifiable observable market data. Valuations for private equity funds and real estate funds are determined by the general partners, while hedge funds are valued by independent administrators. Depending on the nature of the assets, the general partners or independent administrators use both the income and market approaches in their models. The market approach consists of analyzing market transactions for comparable assets while the income approach uses earnings or the net present value of estimated future cash flows adjusted for liquidity and other risk factors.

Commodities categorized as Level 1 are traded on a commodity exchange and are valued at their closing prices on the last trading day of the year. Commodities categorized as Level 2 represent shares in a commingled commodity fund valued using the NAV, which is corroborated by observable market data.

**Note 12 – Stockholders' Equity**

At December 31, 2010, our authorized capital was composed of 1.5 billion shares of common stock and 50 million shares of series preferred stock. Of the 348 million shares of common stock issued and outstanding, 346 million shares were considered outstanding for Balance Sheet presentation purposes; the remaining shares were held in the Rabbi Trust. No preferred stock shares were issued and outstanding at December 31, 2010.

During 2010, 2009, and 2008, we repurchased 33.0 million, 24.9 million, and 29.0 million shares of our common stock for \$2,483 million, \$1,851 million, and \$2,931 million. Of the shares we repurchased in 2010, 0.9 million shares for \$63 million were repurchased in December but settled and were paid for in January 2011. In October 2010, our Board of Directors approved a new share repurchase program for the repurchase of our common stock from time-to-time, up to an authorized amount of \$3 billion. Under the program, we have discretion to determine the dollar amount of shares to be repurchased and the timing of any repurchases in compliance with applicable law and regulation. During 2010, we had repurchased a total of 11.2 million shares under the program for \$776 million, and as of December 31, 2010, there remained \$2,224 million available for additional share repurchases. In connection with their approval of the new share repurchase program, our Board of Directors terminated our previous share repurchase program.

As we repurchase our common shares, we reduce common stock for the \$1 of par value of the shares repurchased, with the remainder of the purchase price over par value recorded as a reduction of additional paid-in capital. Due to the volume of repurchases made under our share repurchase program, additional paid-in capital was reduced to zero, with the remainder of the excess of purchase price over par value of \$1.9 billion and \$1.4 billion recorded as a reduction of retained earnings in 2010 and 2009.

**Note 13 – Stock-Based Compensation**

During 2010, 2009, and 2008, we recorded non-cash compensation cost related to stock options and restricted stock totaling \$168 million, \$154 million, and \$155 million, which is included on our Statements of Earnings in other unallocated corporate costs within cost of sales. The net impact to earnings for the respective years was \$109 million, \$99 million, and \$100 million.

**Stock-Based Compensation Plans**

We had two stock-based compensation plans in place at December 31, 2010: the Lockheed Martin Amended and Restated 2003 Incentive Performance Award Plan (the Award Plan) and the Lockheed Martin Directors Equity Plan (the Directors Plan). Under the Award Plan, we have the right to grant key employees stock-based incentive awards, including options to purchase common stock, stock appreciation rights, restricted stock, or stock units. Employees also may receive cash-based incentive awards. We evaluate the types and mix of stock-based incentive awards on an ongoing basis and may vary the mix based on our overall strategy regarding compensation.

Under the Award Plan, the exercise price of options to purchase common stock may not be less than 100% of the market value of our stock on the date of grant. No award of stock options may become fully vested prior to the second anniversary of the grant, and no portion of a stock option grant may become vested in less than one year, except for 1.5 million stock options that are specifically exempted from vesting restrictions. The minimum vesting period for restricted stock or stock units payable in stock is three years. Award agreements may provide for shorter vesting periods or vesting following termination of employment in the case of death, disability, divestiture, retirement, change of control, or layoff. The Award Plan does not impose any minimum vesting periods on other types of awards. The maximum term of a stock option or any other award is 10 years.

We generally recognize compensation cost for stock options ratably over the three-year vesting period for active, non-retirement eligible employees. For active, retirement-eligible employees or, those who have attained age 55 with five years of service, we generally recognize expense over the initial one-year vesting period. When an option holder becomes retirement eligible, we accelerate the recognition of any expense not previously recognized for options held for at least one year. We use the Black-Scholes option pricing model to estimate the fair value of stock options.

We record restricted stock units (RSUs) issued under the Award Plan based on the market value of our common stock on the date of the award. We recognize the related compensation expense over the vesting period. Employees who are granted RSUs receive the restricted shares and dividend-equivalent cash payments; however, the shares are not issued, and the employees may not sell or transfer shares prior to vesting and have no voting rights until the RSUs vest, generally three years from the date of the award.

## [Table of Contents](#)

Under the Directors Plan, directors receive approximately 50% of their annual compensation in the form of equity-based compensation. Each director may elect to receive his or her equity-based compensation in the form of stock units that track investment returns to changes in value of our common stock with dividends reinvested, options to purchase common stock, or a combination of the two. Under the Directors Plan, options to purchase common stock have an exercise price of 100% of the market value of the underlying stock on the date of grant. Stock options and stock units issued under the Directors Plan vest 50% on June 30 following the date of grant and 50% on December 31 following the date of grant, except in certain circumstances. The maximum term of a stock option is 10 years.

Our stockholders have approved the Award Plan and the Directors Plan, as well as the number of shares of our common stock authorized for issuance under these plans. At December 31, 2010, inclusive of the shares reserved for outstanding stock options and RSUs, we had 35 million shares reserved for issuance under our stock option and award plans. At December 31, 2010, 7 million of the shares reserved for issuance remained available for grant under the plans. We issue new shares upon the exercise of stock options or when restrictions on RSUs have been satisfied.

### 2010 Activity

#### Stock Options

The following table summarizes stock option activity during 2010:

	<i>Number of Stock Options (In thousands)</i>	<i>Weighted Average Exercise Price</i>	<i>Weighted Average Remaining Contractual Life (In years)</i>	<i>Aggregate Intrinsic Value (In millions)</i>
Outstanding at December 31, 2009	22,550	\$ 74.04		
Granted	3,588	74.93		
Exercised	(1,405)	41.65		
Terminated	(236)	87.29		
<b>Outstanding at December 31, 2010</b>	<b>24,497</b>	<b>75.90</b>	<b>5.9</b>	<b>\$ 137.0</b>
<b>Vested and unvested-expected-to-vest at December 31, 2010</b>	<b>24,391</b>	<b>75.89</b>	<b>5.9</b>	<b>137.0</b>
<b>Vested at December 31, 2010</b>	<b>16,943</b>	<b>72.88</b>	<b>4.8</b>	<b>137.0</b>

Stock options vest over three years and have 10-year terms. Exercise prices of stock options awarded for all periods were equal to the market price of the stock on the date of grant. The following table pertains to stock options that were granted, vested, and exercised in 2010, 2009, and 2008:

<i>(In millions, except for grant-date fair value of stock options)</i>	<b>2010</b>	2009	2008
Weighted average grant-date fair value of stock options granted	<b>\$ 14.05</b>	\$ 14.91	\$ 19.31
Aggregate fair value of all the stock options that vested	<b>71</b>	72	78
Aggregate intrinsic value of all of the stock options exercised	<b>50</b>	37	263

We estimate the fair value for stock options at the date of grant using the Black-Scholes option pricing model, which requires us to make certain assumptions. We estimate volatility based on the historical volatility of our daily stock price over the past five years, which is commensurate with the expected life of the options. We base the average expected life on the contractual term of the stock option, historical trends in employee exercise activity, and post-vesting employment termination trends. We base the risk-free interest rate on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. We estimate forfeitures at the date of grant based on historical experience. The impact of forfeitures is not material.

We used the following weighted average assumptions in the Black-Scholes option pricing model to determine the fair values of stock-based compensation awards during 2010, 2009, and 2008:

	<b>2010</b>	2009	2008
Risk-free interest rate	<b>2.49%</b>	1.69%	2.83%
Dividend yield	<b>3.40%</b>	2.30%	1.70%
Volatility factors	<b>0.272</b>	0.244	0.195
Expected option life	<b>5 years</b>	5 years	5 years

## [Table of Contents](#)

### RSUs

The following table summarizes activity related to nonvested RSUs during 2010:

	<i>Number of RSUs (In thousands)</i>	<i>Weighted Average Grant-Date Fair Value Per Share</i>
Nonvested at December 31, 2009	2,969	\$ 91.06
Granted	1,943	74.68
Vested	(971)	92.85
Terminated	(185)	82.84
Nonvested at December 31, 2010	3,756	82.53

### Summary of 2010 Activity

As of December 31, 2010, we had \$167 million of unrecognized compensation cost related to nonvested stock options and RSUs. We expect that cost to be recognized over a weighted average period of 1.6 years. We received cash from the exercise of stock options totaling \$59 million, \$40 million, and \$248 million during 2010, 2009, and 2008. In addition, we realized tax benefits of \$47 million, \$56 million, and \$111 million from stock-based compensation activities during 2010, 2009, and 2008.

### Note 14 – Legal Proceedings, Commitments, and Contingencies

We are a party to or have property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment. We believe the probability is remote that the outcome of these matters will have a material adverse effect on the Corporation as a whole, notwithstanding that the unfavorable resolution of any matter may have a material effect on our net earnings in any particular quarter. Among the factors that we consider in this assessment are the nature of existing legal proceedings and claims, the asserted or possible damages or loss contingency (if estimable), the progress of the case, existing law and precedent, the opinions or views of legal counsel and other advisers, the experience of the Corporation in similar cases and the experience of other companies, the facts available to us at the time of assessment, and how we intend to respond to the proceeding or claim. Our assessment of these factors may change over time as individual proceedings or claims progress. Unless otherwise indicated, a range of loss associated with any individual legal proceeding set forth below reasonably cannot be estimated. We cannot predict the outcome of legal proceedings with certainty. These matters include the following items that have been previously reported.

#### Legal Proceedings

On June 24, 2009, the U.K. Ministry of Defence (MoD) sent us a letter alleging that we were in default on the “Soothsayer” contract under which we were providing electronic warfare equipment to the British military. The total value of the contract is UK £144 million, of which UK £39 million has been paid to date (representing approximately US \$225 million and US \$61 million, based on the exchange rate as of December 31, 2010). The MoD has demanded repayment of amounts paid under the contract, liquidated damages of UK £2 million (representing approximately US \$3 million based on the exchange rate as of December 31, 2010), interest on those amounts, and has reserved the right to collect any excess future re-procurement costs. We dispute the MoD’s position. We have commenced an arbitration proceeding against the MoD pursuant to the contract terms and are seeking damages for wrongful termination of the contract.

On April 24, 2009, we filed a declaratory judgment action against the N.Y. Metropolitan Transportation Authority and its Capital Construction Company (collectively, the MTA) asking the U.S. District Court for the Southern District of N.Y. to find that the MTA is in material breach of our agreement based on the MTA’s failure to provide access to sites where work must be performed and customer-furnished equipment necessary to complete the contract. The contract has a total value of \$323 million, of which \$241 million has been paid to date. The MTA filed an answer and counterclaim alleging that we breached the contract, and subsequently terminated the contract for alleged default. The MTA is seeking monetary damages and other relief under the contract, including the cost to complete the contract and potential re-procurement costs. We dispute the MTA’s allegations and are defending against them. Discovery is proceeding in the action.

On November 30, 2007, the Department of Justice (DoJ) filed a complaint in partial intervention in a lawsuit filed under the qui tam provisions of the Civil False Claims Act in the U.S. District Court for the Northern District of Texas, United States ex rel. Becker and Spencer v. Lockheed Martin Corporation et al., alleging that we should have known that a

## [Table of Contents](#)

subcontractor falsified and inflated invoices submitted to us that were passed through to the government. The DoJ is seeking approximately \$80 million in damages, including interest but excluding potential penalties under the False Claims Act. We dispute the allegations and are defending against them.

On September 11, 2006, we and Lockheed Martin Investment Management Company (LMIMCo), our wholly-owned subsidiary, were named as defendants in a lawsuit filed in the U.S. District Court for the Southern District of Illinois, seeking to represent a class of purportedly similarly situated participants and beneficiaries in our Salaried Savings Plan and the Hourly Savings Plan (the Plans). Plaintiffs allege that we or LMIMCo caused the Plans to pay expenses that were higher than reasonable by, among other actions, permitting service providers of the Plans to engage in revenue sharing, paying investment management fees for the company stock funds, and causing the company stock funds to hold cash for liquidity, thus reducing the return on those funds. The plaintiffs further allege that we or LMIMCo failed to disclose information appropriately relating to the fees associated with managing the Plans. In August 2008, plaintiffs filed an amended complaint, adding allegations that we or LMIMCo breached fiduciary duties under ERISA by providing inadequate disclosures with respect to the Stable Value Fund offered under our 401(k) plans. In April 2009, the Judge dismissed the plaintiffs' claims that were based on revenue sharing but let stand the claims about the company stock funds, the Stable Value Fund, and the overall fees paid by the plans. The Judge also certified a class for each plan for the claims concerning the Stable Value Fund and the overall fees paid by the plans. We are appealing that order. The complaint does not allege a specific calculation of damages, and we cannot reasonably estimate the possible loss, or range of loss, which could be incurred if the plaintiff were to prevail in the allegations, but believe that we have substantial defenses. We dispute the allegations and are defending against them.

On August 28, 2003, the DoJ filed complaints in partial intervention in two lawsuits filed under the qui tam provisions of the Civil False Claims Act in the United States District Court for the Western District of Kentucky, United States ex rel. Natural Resources Defense Council, et al., v. Lockheed Martin Corporation, et al., and United States ex rel. John D. Tillson v. Lockheed Martin Energy Systems, Inc., et al. The DoJ alleges that we committed violations of the Resource Conservation and Recovery Act at the Paducah Gaseous Diffusion Plant by not properly handling, storing, and transporting hazardous waste and that we violated the False Claims Act by misleading Department of Energy officials and state regulators about the nature and extent of environmental noncompliance at the plant. The complaint does not allege a specific calculation of damages, and we cannot reasonably estimate the possible loss, or range of loss, which could be incurred if the plaintiff were to prevail in the allegations, but believe that we have substantial defenses. We dispute the allegations and are defending against them.

As described in the "Environmental Matters" discussion below, we are subject to federal and state requirements for protection of the environment, including those for discharge of hazardous materials and remediation of contaminated sites. As a result, we are a party to or have property subject to various other lawsuits or proceedings involving environmental matters and remediation obligations. This includes the litigation we have been in with certain residents of Redlands, California since 1997 before the California Superior Court for San Bernardino County regarding allegations of personal injury, property damage, and other tort claims on behalf of individuals arising from our alleged contribution to regional groundwater contamination. In 2006, the California Court of Appeal dismissed the plaintiffs' punitive damages claim. In 2008, the trial court dismissed the remaining first tier plaintiffs, ending the first round of individual trials. The dismissal was affirmed by both the California Court of Appeal and the California Supreme Court. The parties are now working with the trial court to establish the procedures for the litigation of the next round of individual plaintiffs, and pre-trial proceedings are now underway. The complaint does not allege a specific calculation of damages, and we cannot reasonably estimate the possible loss, or range of loss, which could be incurred if the plaintiff were to prevail in the allegations, but believe that we have substantial defenses. We dispute the allegations and are defending against them.

### **Environmental Matters**

We are involved in environmental proceedings and potential proceedings relating to soil and groundwater contamination, disposal of hazardous waste, and other environmental matters at several of our current or former facilities, or at third-party sites where we have been designated as a potentially responsible party (PRP). At December 31, 2010 and 2009, the aggregate amount of liabilities recorded relative to environmental matters was \$935 million and \$877 million. Approximately \$807 million and \$748 million are recorded in other liabilities on the Balance Sheets, with the remainder recorded in other current liabilities. A portion of environmental costs is eligible for future recovery in the pricing of our products and services on U.S. Government contracts. We have recorded assets totaling \$810 million and \$740 million at December 31, 2010 and 2009 for the estimated future recovery of these costs, as we consider the recovery probable based on government contracting regulations and our history of receiving reimbursement for such costs. Approximately \$699 million and \$630 million are recorded in other assets on the Balance Sheets, with the remainder recorded in other current assets.

## [Table of Contents](#)

Environmental cleanup activities usually span several years, which make estimating liabilities a matter of judgment because of such factors as changing remediation technologies, assessments of the extent of contamination, and continually evolving regulatory environmental standards. We consider these and other factors in estimates of the timing and amount of any future costs that may be required for remediation actions, which results in the calculation of a range of estimates for a particular environmental site.

We perform quarterly reviews of the status of our environmental sites and the related liabilities and assets. We record a liability when it is probable that a liability has been incurred and the amount can be reasonably estimated. The amount of liability recorded is based on our best estimate of the costs to be incurred for remediation at a particular site within a range of estimates for that site or, in cases where no amount within the range is better than another, we record an amount at the low end of the range. We do not discount the recorded liabilities, as the amount and timing of future cash payments are not fixed or cannot be reliably determined.

We cannot reasonably determine the extent of our financial exposure in all cases at this time. There are a number of former operating facilities that we are monitoring or investigating for potential future remediation. In some cases, although a loss may be probable, it is not possible at this time to reasonably estimate the amount of any obligation for remediation activities because of uncertainties with respect to assessing the extent of the contamination or the applicable regulatory standard. We also are pursuing claims for contribution to site cleanup costs against other PRPs, including the U.S. Government.

In January 2011, both the U.S. Environmental Protection Agency and the California Office of Environmental Health Hazard Assessment announced plans to regulate two chemicals, perchlorate and hexavalent chromium, to a level that is expected to be substantially lower than the existing standard established in California. The rulemaking process is a lengthy one and may take one or more years to complete. If a substantially lower standard is adopted, we would expect a material increase in our estimates for remediation at several existing sites.

We are conducting remediation activities, including under various consent decrees and orders relating to soil or groundwater contamination at certain sites of former or current operations. Under an agreement related to our Burbank and Glendale, California sites, the U.S. Government reimburses us an amount equal to approximately 50% of expenditures for certain remediation activities in its capacity as a PRP under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA).

### **Letters of Credit, Surety Bonds, and Third-Party Guarantees**

We have entered into standby letters of credit, surety bonds, and third-party guarantees with financial institutions and other third parties primarily relating to advances received from customers and/or the guarantee of future performance on certain contracts. Letters of credit and surety bonds are generally available for draw down in the event we do not perform. In some cases, we may guarantee the contractual performance of third parties such as joint venture partners. We have total outstanding letters of credit, surety bonds, and third-party guarantees aggregating \$4.2 billion and \$3.6 billion at December 31, 2010 and 2009. Of these amounts, approximately \$1.0 billion and \$656 million relate to third-party guarantees.

Approximately 85% of the \$1.0 billion in third-party guarantees outstanding at December 31, 2010 related to guarantees of the contractual performance of joint ventures to which we are a party. This amount represents our estimate of the maximum amount we would expect to incur upon the contractual non-performance of our joint venture partners. We evaluate the reputation, technical capabilities, and credit quality of potential joint venture partners. In addition, we generally have cross-indemnities in place that may enable us to recover amounts that may be paid on behalf of a joint venture partner. We believe our current joint venture partners will be able to perform their obligations, as they have done through December 31, 2010, and that it will not be necessary to make payments under the guarantees.

### **United Launch Alliance**

In connection with our ownership of United Launch Alliance, L.L.C. (ULA), we and The Boeing Company (Boeing) each committed to provide up to \$200 million in financial support to ULA, as required, until at least December 1, 2011. To satisfy this commitment, we had a revolving credit agreement with ULA in place through September 26, 2010. No amounts had been drawn on the credit agreement through that date.

## [Table of Contents](#)

On September 27, 2010, ULA entered into with a group of banks its own \$400 million revolving credit agreement which expires on October 1, 2013. At the same time, the revolving credit agreement we and Boeing had in place was terminated. The new revolving credit agreement satisfies Boeing's and our commitment to provide financial support of up to \$200 million each to ULA so long as the total amount of the new agreement remains at \$400 million or above until at least December 1, 2011.

We and Boeing have received distributions totaling \$232 million each which are subject to agreements between us, Boeing, and ULA, whereby, if ULA does not have sufficient cash resources and/or credit capacity to make payments under the inventory supply agreement it has with Boeing, both we and Boeing would provide to ULA, in the form of an additional capital contribution, the level of funding required for ULA to make those payments. Any such capital contributions would not exceed the amount of the distributions subject to the agreements. We currently believe that ULA will have sufficient operating cash flows and credit capacity to meet its obligations such that we would not be required to make a contribution under these agreements.

In addition, both we and Boeing have cross-indemnified ULA related to certain financial support arrangements (e.g., letters of credit, surety bonds, or foreign exchange contracts provided by either party) and guarantees by us and Boeing of the performance and financial obligations of ULA under certain launch service contracts. We believe ULA will be able to fully perform its obligations, as it has done through December 31, 2010, and that it will not be necessary to make payments under the cross-indemnities.

Our 50% ownership share of ULA's net assets exceeded the book value of our investment by approximately \$395 million, which we are recognizing as income ratably over 10 years. This yearly amortization and our share of ULA's net earnings are reported as equity in net earnings (losses) of equity investees in other income (expense), net on the Statements of Earnings. Our investment in ULA totaled \$513 million and \$454 million at December 31, 2010 and 2009.

### **Note 15 – Fair Value Measurements**

The accounting standard for fair value measurements defines fair value, establishes a market-based framework or hierarchy for measuring fair value, and expands disclosures about fair value measurements. The standard is applicable whenever assets and liabilities are measured and included in the financial statements at fair value.

The fair value hierarchy established in the standard prioritizes the inputs used in valuation techniques into three levels as follows:

- Level 1 – Observable inputs – quoted prices in active markets for identical assets and liabilities. Level 1 assets in the following table include equity securities and interests in mutual funds which are valued using quoted market prices.
- Level 2 – Observable inputs other than the quoted prices in active markets for identical assets and liabilities – includes quoted prices for similar instruments, quoted prices for identical or similar instruments in inactive markets, and amounts derived from valuation models where all significant inputs are observable in active markets. Level 2 assets in the following table include U.S. Government securities, corporate debt securities, U.S. Government-sponsored enterprise securities, mortgage-backed securities, and other securities which are valued based on inputs other than quoted prices that are observable for the asset (e.g., interest rates and yield curves observable at commonly quoted intervals). The Level 2 derivative assets and liabilities relate to foreign currency exchange contracts and are valued based on observable market prices, but are not exchanged in an active market. See Note 1 under the caption "Derivative financial instruments" for further information related to our derivative instruments.
- Level 3 – Unobservable inputs – includes amounts derived from valuation models where one or more significant inputs are unobservable and require us to develop relevant assumptions. At December 31, 2010 and 2009, we have no assets or liabilities measured and recorded at fair value on a recurring basis that are categorized as Level 3, or that were transferred in or out of the Level 3 category during 2010 and 2009.

## [Table of Contents](#)

The following table presents assets and liabilities measured and recorded at fair value on our Balance Sheets on a recurring basis and their level within the fair value hierarchy:

<i>(In millions)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Balance as of December 31, 2010</i>
<b>Assets</b>			
Equity securities	\$ 86	\$ —	\$ 86
Mutual funds	450	—	450
U.S. Government securities	—	719	719
Corporate debt securities	—	34	34
U.S. Government-sponsored enterprise securities	—	31	31
Mortgage-backed securities	—	24	24
Other securities	—	15	15
Derivative assets	—	26	26
<b>Liabilities</b>			
Derivative liabilities	—	33	33

<i>(In millions)</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Balance as of December 31, 2009</i>
<b>Assets</b>			
Equity securities	\$ 89	\$ —	\$ 89
Mutual funds	428	—	428
U.S. Government securities	—	412	412
Corporate debt securities	—	80	80
U.S. Government-sponsored enterprise securities	—	60	60
Mortgage-backed securities	—	26	26
Other securities	—	8	8
Derivative assets	—	21	21
<b>Liabilities</b>			
Derivative liabilities	—	23	23

Our cash equivalents include highly liquid instruments with original maturities of 90 days or less. Due to the short maturity of these instruments, the carrying amount on our Balance Sheets approximates fair value. Our accounts receivable and accounts payable are carried at cost, which approximates fair value. The estimated fair values of our long-term debt instruments at December 31, 2010 and 2009, aggregated approximately \$6,211 million and \$5,926 million, compared with a carrying amount of approximately \$5,524 million and \$5,403 million, which excludes the \$505 million and \$351 million unamortized discount. The fair values were estimated based on quoted market prices of debt with terms and due dates similar to our long-term debt instruments.

In the fourth quarter of 2010, we recorded an impairment charge of \$109 million in connection with our decision to sell PAE (see Note 2). The impairment charge, which was determined using a Level 3 valuation that was based on inputs and analyses used to estimate the expected net proceeds from the sale transaction, reduced the carrying value of PAE to equal the expected net proceeds.

### **Note 16 – Leases**

We rent certain equipment and facilities under operating leases. Our total rental expense under operating leases was \$399 million, \$373 million, and \$360 million for 2010, 2009, and 2008.

Future minimum lease commitments at December 31, 2010 for all operating leases that have a remaining term of more than one year were \$1.3 billion (\$300 million in 2011, \$233 million in 2012, \$183 million in 2013, \$142 million in 2014, \$117 million in 2015 and \$324 million in later years). Certain major plant facilities and equipment are furnished by the U.S. Government under short-term or cancelable arrangements.

**Note 17 – Summary of Quarterly Information (Unaudited)**

<i>(In millions, except per share data)</i>	<b>2010 Quarters <sup>(f)</sup></b>			
	<b>First <sup>(a) (h)</sup></b>	<b>Second <sup>(b) (h)</sup></b>	<b>Third <sup>(c)</sup></b>	<b>Fourth <sup>(d)</sup></b>
Net sales	\$ 10,339	\$ 11,295	\$ 11,375	\$ 12,794
Operating profit	959	1,121	889	1,128
Earnings from continuing operations	533	718	565	829
Earnings from discontinued operations	14	107	6	154
Net earnings	547	825	571	983
Basic earnings per share <sup>(g)</sup>	1.46	2.25	1.59	2.76
Diluted earnings per share <sup>(g)</sup>	1.45	2.22	1.57	2.73

<i>(In millions, except per share data)</i>	<b>2009 Quarters <sup>(f)</sup></b>			
	<b>First <sup>(h)</sup></b>	<b>Second <sup>(h)</sup></b>	<b>Third <sup>(e)</sup></b>	<b>Fourth</b>
Net sales	\$ 10,085	\$ 10,940	\$ 10,767	\$ 12,203
Operating profit	1,040	1,063	1,068	1,244
Earnings from continuing operations	657	720	786	836
Earnings from discontinued operations	9	14	11	(9)
Net earnings	666	734	797	827
Basic earnings per share <sup>(g)</sup>	1.69	1.90	2.09	2.19
Diluted earnings per share <sup>(g)</sup>	1.68	1.88	2.07	2.17

- (a) Earnings from continuing operations for the first quarter of 2010 included an increase in income tax expense resulting from legislation that eliminates the tax deduction for benefit costs reimbursed under Medicare Part D (see Note 9), which reduced net earnings by \$96 million (\$.25 per share).
- (b) Earnings from discontinued operations for the second quarter of 2010 included a tax benefit of \$96 million due to the recognition of a deferred tax asset for PAE book and tax differences recorded when the decision was made to dispose of PAE (see Note 2).
- (c) Earnings from continuing operations for the third quarter of 2010 included a charge of \$178 million to cost of sales related to the VESP (see Note 3), which reduced net earnings by \$116 million (\$.32 per share).
- (d) Earnings from continuing operations for the fourth quarter of 2010 included a charge to cost of sales primarily related to our decision to consolidate certain Electronic Systems' operations (see Note 3), which reduced net earnings by \$27 million (\$.08 per share). Earnings from continuing operations for the fourth quarter of 2010 also increased by \$43 million (\$.12 per share) due to the recognition of a tax benefit related to the retroactive extension of the research and development tax credit from January 1, 2010 through December 31, 2011 (see Note 9). Earnings from discontinued operations for the fourth quarter of 2010 included a gain of \$184 million (\$.51 per share) from the sale of EIG, and a decrease of \$24 million (\$.07 per share) associated with the planned sale of PAE.
- (e) Earnings from continuing operations for the third quarter of 2009 included a reduction in income tax expense resulting from the closure of IRS examinations for tax years 2005-2007, which increased net earnings by \$58 million (\$.15 per share).
- (f) It is our practice to close the books and records on the Sunday prior to the end of the calendar quarter to align our financial closing with our business processes. This practice only affects interim periods, as our fiscal year ends on December 31.
- (g) The sum of the quarterly earnings per share amounts for 2010 and 2009 do not equal the earnings per share amount included on the Statements of Earnings, primarily due to the timing of share repurchases during 2010 and 2009.
- (h) Net sales and operating profit varies from the amount previously reported on Form 10-Q as a result of PAE and EIG being classified as discontinued operations in the second and third quarters of 2010, respectively.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

We performed an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2010. The evaluation was performed with the participation of senior management of each business segment and key Corporate functions, and under the supervision of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Based on this evaluation, the CEO and CFO concluded that our disclosure controls and procedures were operating and effective as of December 31, 2010.

[Table of Contents](#)

Management's report on our financial statements and internal control over financial reporting appears on page 48. In addition, the effectiveness of our internal control over financial reporting was audited by our independent registered public accounting firm. Their report appears on page 49.

There were no changes in our internal control over financial reporting during the most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information concerning directors required by Item 401 of Regulation S-K is included under the caption “Proposals You May Vote On – Proposal 1 – Election of Directors” in our definitive Proxy Statement to be filed pursuant to Regulation 14A (the 2011 Proxy Statement), and that information is incorporated by reference in this Form 10-K. Information concerning executive officers required by Item 401 of Regulation S-K is located under Part I, Item 4(a) of this Form 10-K. The information required by Item 405 of Regulation S-K is included under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2011 Proxy Statement, and that information is incorporated by reference in this Form 10-K. The information required by Items 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is included under the captions “Corporate Governance – Stockholder Nominees” and “Committees of the Board of Directors – Audit Committee” in the 2011 Proxy Statement, and that information is incorporated by reference in this Form 10-K.

We have had a written code of ethics in place since our formation in 1995. *Setting the Standard*, our Code of Ethics and Business Conduct, applies to all our employees, including our principal executive officer, principal financial officer, and principal accounting officer and controller, and to members of our Board of Directors. A copy of our Code of Ethics and Business Conduct is available on our investor relations website: [www.lockheedmartin.com/investor](http://www.lockheedmartin.com/investor). Printed copies of our Code of Ethics and Business Conduct may be obtained, without charge, by contacting Investor Relations, Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, Maryland 20817. We are required to disclose any change to, or waiver from, our Code of Ethics and Business Conduct for our Chief Executive Officer and senior financial officers. We use our website to disseminate this disclosure as permitted by applicable SEC rules. In 2008, we revised our Code of Ethics and Business Conduct and posted it on our website.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 402 of Regulation S-K is included in the text and tables under the captions “Executive Compensation” and “Directors’ Compensation” in the 2011 Proxy Statement and that information is incorporated by reference in this Form 10-K. The information required by Items 407(e)(4) and (e)(5) of Regulation S-K is included under the captions “Executive Compensation – Compensation Committee Interlocks and Insider Participation” and “Executive Compensation – Compensation Committee Report” in the 2011 Proxy Statement, and that information is furnished by incorporation by reference in this Form 10-K.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this Item 12 is included under the heading “Security Ownership of Management and Certain Beneficial Owners” in the 2011 Proxy Statement, and that information is incorporated by reference in this Form 10-K. The information required by this Item 12 related to our equity compensation plans that authorize the issuance of shares of Lockheed Martin common stock to employees and directors, is included in Part II of this Form 10-K under the caption “Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.”

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this Item 13 is included under the captions “Corporate Governance – Related Person Transaction Policy,” “Corporate Governance – Certain Relationships and Related Person Transactions of Directors, Executive Officers, and 5 Percent Stockholders,” and “Corporate Governance – Director Independence” in the 2011 Proxy Statement, and that information is incorporated by reference in this Form 10-K.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this Item 14 is included under the caption “Proposals You May Vote On – Proposal 2 – Ratification of Appointment of Independent Auditors” in the 2011 Proxy Statement, and that information is incorporated by reference in this Form 10-K.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a)(1) List of financial statements filed as part of this Form 10-K.

The following financial statements of Lockheed Martin Corporation and consolidated subsidiaries are included in Item 8 of this Form 10-K at the page numbers referenced below:

	<u>Page</u>
<a href="#">Consolidated Statements of Earnings – Years ended December 31, 2010, 2009, and 2008</a>	51
<a href="#">Consolidated Balance Sheets – At December 31, 2010 and 2009</a>	52
<a href="#">Consolidated Statements of Cash Flows – Years ended December 31, 2010, 2009, and 2008</a>	53
<a href="#">Consolidated Statements of Stockholders' Equity – Years ended December 31, 2010, 2009, and 2008</a>	54
<a href="#">Notes to Consolidated Financial Statements – December 31, 2010</a>	55

The report of Lockheed Martin Corporation's independent registered public accounting firm with respect to internal control over financial reporting and their report on the above-referenced financial statements appear on pages 49 and 50 of this Form 10-K. Their consent appears as Exhibit 23 of this Form 10-K.

(2) List of financial statement schedules filed as part of this Form 10-K.

All schedules have been omitted because they are not applicable, not required, or the information has been otherwise supplied in the financial statements or notes to the financial statements.

(3) Exhibits.

- 3.1 Charter of Lockheed Martin Corporation, as amended by Articles of Amendment dated April 23, 2009.
- 3.2 Bylaws of Lockheed Martin Corporation, as amended and restated effective February 25, 2010 (incorporated by reference to Exhibit 3.2 to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2009).
- 4.1 Indenture, dated May 16, 1996, among Lockheed Martin Corporation, Lockheed Martin Tactical Systems, Inc. and First Trust of Illinois, National Association as Trustee (incorporated by reference to Exhibit 4.A to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on May 20, 1996).
- 4.2 Indenture, dated as of August 30, 2006, between Lockheed Martin Corporation and The Bank of New York (incorporated by reference to Exhibit 99.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on August 31, 2006).
- 4.3 Indenture, dated as of March 11, 2008, between Lockheed Martin Corporation and The Bank of New York (incorporated by reference to Exhibit 4.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on March 12, 2008).
- 4.4 Indenture, dated as of May 25, 2010, between Lockheed Martin Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 99.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on May 25, 2010).

See also Exhibits 3.1 and 3.2.

No instruments defining the rights of holders of long-term debt that is not registered are filed because the total amount of securities authorized under any such instrument does not exceed 10% of the total assets of Lockheed Martin Corporation on a consolidated basis. Lockheed Martin Corporation agrees to furnish a copy of such instruments to the SEC upon request.

- 10.1 Lockheed Martin Corporation Directors Deferred Stock Plan, as amended (incorporated by reference to Exhibit 10.4 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).

## Table of Contents

- 10.2 Lockheed Martin Corporation Directors Deferred Compensation Plan, as amended (incorporated by reference to Exhibit 10.2 to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2008).
- 10.3 Resolutions relating to Lockheed Martin Corporation Financial Counseling Program and personal liability and accidental death and dismemberment benefits for officers and company presidents, (incorporated by reference to Exhibit 10(g) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).
- 10.4 Martin Marietta Corporation Postretirement Death Benefit Plan for Senior Executives, as amended January 1, 1995 (incorporated by reference to Exhibit 10.9 to Lockheed Martin Corporation's Registration Statement on Form S-4 (File No. 033-57645) filed with the SEC on February 9, 1995), and as further amended September 26, 1996 (incorporated by reference to Exhibit 10 (ooo) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1996).
- 10.5 Martin Marietta Corporation Amended Omnibus Securities Award Plan, as amended March 25, 1993 (incorporated by reference to Exhibit 10.13 to Lockheed Martin Corporation's Registration Statement on Form S-4 (File No. 033-57645) filed with the SEC on February 9, 1995).
- 10.6 Martin Marietta Corporation Directors' Life Insurance Program (incorporated by reference to Exhibit 10.17 to Lockheed Martin Corporation's Registration Statement on Form S-4 (File No.# 033-57645) filed with the SEC on February 9, 1995).
- 10.7 Lockheed Martin Supplementary Pension Plan for Employees of Transferred GE Operations, as amended.
- 10.8 Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation, as amended.
- 10.9 Lockheed Martin Corporation Supplemental Savings Plan, as amended.
- 10.10 Amendment to Terms of Outstanding Stock Option Relating to Exercise Period for Employees of Divested Business (incorporated by reference to Exhibit 10 (dd) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1999).
- 10.11 Lockheed Martin Corporation Postretirement Death Benefit Plan for Elected Officers, as amended June 28, 2007 (incorporated by reference to Exhibit 99.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on July 3, 2007).
- 10.12 Deferred Performance Payment Plan of Lockheed Martin Corporation Space & Strategic Missiles Sector (incorporated by reference to Exhibit 10 (ooo) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).
- 10.13 Lockheed Martin Corporation Directors Equity Plan, as amended and restated effective January 1, 2007 (incorporated by reference to Exhibit 10.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on November 2, 2006).
- 10.14 Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, as amended.
- 10.15 Lockheed Martin Corporation 2006 Management Incentive Compensation Plan, as amended (incorporated by reference to Exhibit 99.1 to Lockheed Martin Corporation's current Report on Form 8-K filed with the SEC on February 3, 2011).
- 10.16 Deferred Management Incentive Compensation Plan of Lockheed Corporation and its, subsidiaries (incorporated by reference to Exhibit 10.3 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001).
- 10.17 Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.17 to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2008).
- 10.18 Five-Year Credit Agreement, dated as of July 15, 2004, among Lockheed Martin Corporation and the banks listed therein (incorporated by reference to Exhibit 10.1 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).

## Table of Contents

- 10.19 Amendment to the Five-Year Credit Agreement, dated as of June 27, 2007, among Lockheed Martin Corporation and banks named therein. Citicorp USA, Inc., Mizuho Corporate Bank, LTD., US Bank, N.A. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).
- 10.20 Lockheed Martin Supplemental Retirement Plan, as amended.
- 10.21 Joint Venture Master Agreement, dated as of May 2, 2005, by and among Lockheed Martin Corporation, The Boeing Company and United Launch Alliance, L.L.C. (incorporated by reference to Exhibit 10.2 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005).
- 10.22 Lockheed Martin Corporation Nonqualified Capital Accumulation Plan, as amended.
- 10.23 Lockheed Martin Corporation Severance Benefit Plan For Certain Management Employees, as amended.
- 10.24 Lockheed Martin Corporation 2009 Directors Equity Plan (incorporated by reference to Appendix E to Lockheed Martin Corporation's Definitive Proxy Statement on schedule 14A filed with the SEC on March 14, 2008).
- 10.25 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.34 to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2009).
- 10.26 Lockheed Martin Corporation Special Termination Plan for Certain Management Employees (incorporated by reference to Exhibit 10 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended June 27, 2010).
- 10.27 Form of Stock Option Award Agreement under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.3 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
- 10.28 Form of Restricted Stock Award Agreement under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.4 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
- 10.29 Form of Lockheed Martin Corporation Long-Term Incentive Performance Award Agreement (2006-2008 performance periods) under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 99.4 of Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on February 2, 2006).
- 10.30 Form of the Lockheed Martin Corporation Long-Term Incentive Performance Award Agreement (2007-2009 Performance Period) under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.30 of Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2006).
- 10.31 Forms of Long-Term Incentive Performance Award Agreements (2008-2010 performance period), Forms of Stock Option Award Agreements and Forms of Restricted Stock Unit Award Agreements under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.39 to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2007).
- 10.32 Forms of Long-Term Incentive Performance Award Agreements (2009-2011 performance period), Forms of Stock Option Award Agreements and Forms of Restricted Stock Unit Award Agreements under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.32 to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2008).
- 10.33 Forms of Long-Term Incentive Performance Award Agreements (2010-2012 performance period), Forms of Stock Option Award Agreements and Forms of Restricted Stock Unit Award Agreements under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.33 to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2009).
- 10.34 Form of Stock Option Award Agreement under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 99.2 of Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on February 3, 2011).
- 10.35 Form of Restricted Stock Unit Award Agreement under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 99.3 of Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on February 3, 2011).

---

[Table of Contents](#)

12	Computation of ratio of earnings from continuing operations to fixed charges for the year ended December 31, 2010.
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
24	Powers of Attorney.
31.1	Rule 13a-14(a) Certification of Robert J. Stevens.
31.2	Rule 13a-14(a) Certification of Bruce L. Tanner.
32.1	Certification Pursuant to 18 U.S.C. Section 1350 of Robert J. Stevens.
32.2	Certification Pursuant to 18 U.S.C. Section 1350 of Bruce L. Tanner.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	Exhibits 10.1 through 10.17 and 10.22 through 10.35 constitute management contracts or compensatory plans or arrangements.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

**LOCKHEED MARTIN CORPORATION**

/s/ Christopher J. Gregoire  
Christopher J. Gregoire  
Vice President and Controller  
(Chief Accounting Officer)

Date: February 24, 2011

## Table of Contents

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Robert J. Stevens</u> ROBERT J. STEVENS	Chairman, Chief Executive Officer, and Director	February 24, 2011
<u>/s/ Christopher E. Kubasik</u> CHRISTOPHER E. KUBASIK	President and Chief Operating Officer	February 24, 2011
<u>/s/ Bruce L. Tanner</u> BRUCE L. TANNER	Executive Vice President and Chief Financial Officer	February 24, 2011
<u>/s/ E.C. "Pete" Aldridge, Jr.*</u> E.C. "PETE" ALDRIDGE JR.	Director	February 24, 2011
<u>/s/ Nolan D. Archibald*</u> NOLAN D. ARCHIBALD	Director	February 24, 2011
<u>/s/ David B. Burritt*</u> DAVID B. BURRITT	Director	February 24, 2011
<u>/s/ James O. Ellis Jr.*</u> JAMES O. ELLIS JR.	Director	February 24, 2011
<u>/s/ Thomas J. Falk*</u> THOMAS J. FALK	Director	February 24, 2011
<u>/s/ Gwendolyn S. King*</u> GWENDOLYN S. KING	Director	February 24, 2011
<u>/s/ James M. Loy*</u> JAMES M. LOY	Director	February 24, 2011
<u>/s/ Douglas H. McCorkindale*</u> DOUGLAS H. MCCORKINDALE	Director	February 24, 2011
<u>/s/ Joseph W. Ralston*</u> JOSEPH W. RALSTON	Director	February 24, 2011
<u>/s/ Anne Stevens*</u> ANNE STEVENS	Director	February 24, 2011

\*By: /s/ Maryanne R. Lavan  
(MARYANNE R. LAVAN, Attorney-in-fact\*\*)

February 24, 2011

\*\* By authority of Powers of Attorney filed with this Annual Report on Form 10-K.

**CHARTER OF LOCKHEED MARTIN CORPORATION**

**Composite Copy  
As Amended through  
April 23, 2009**

**ARTICLE I*****Name***

The name of the Corporation is Lockheed Martin Corporation.

**ARTICLE II*****Period of Duration***

The period of duration of the Corporation is perpetual.

**ARTICLE III*****Purpose and Powers***

The purpose for which the Corporation is formed is to engage in any lawful act, activity or business for which corporations may now or hereafter be organized under the Maryland General Corporation Law (the "GCL"). The Corporation shall have all the general powers granted by law to Maryland corporations and all other powers not inconsistent with law which are appropriate to promote and attain its purpose.

**ARTICLE IV*****Principal Office and Resident Agent***

The address of the principal office of the Corporation in the State of Maryland is 6801 Rockledge Drive, Bethesda, Maryland 20817. The Resident Agent of the Corporation is CSC-Lawyers Incorporating Service Company, whose address is 7 St. Paul Street, Suite 1660, Baltimore, MD 21202. The Resident Agent is a Maryland corporation.

**ARTICLE V*****Directors***

SECTION 1. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors.

SECTION 2. The number of directors of the Corporation is currently thirteen (13), which number may be increased or decreased from time to time pursuant to the Charter or the Bylaws of the Corporation, but which never shall be less than twelve (12). The names of the current directors who shall act until their successors are duly chosen and qualified, are:

Robert J. Stevens  
E.C. "Pete" Aldridge, Jr.  
Nolan D. Archibald  
David B. Burritt  
James O. Ellis, Jr.  
Gwendolyn S. King  
James M. Loy

Douglas H. McCorkindale  
Joseph W. Ralston  
Frank Savage  
James M. Schneider  
Anne Stevens  
James R. Ukropina

SECTION 3. Subject to the terms of any shares of Series Preferred Stock that may be outstanding from time to time, any director or the entire Board of Directors may be removed from office as a director or directors at any time, but only for cause, by the affirmative vote at a duly called meeting of stockholders of a majority of the votes entitled to be cast generally for the election of directors.

SECTION 4. Subject to the terms of any shares of Series Preferred Stock that may be outstanding from time to time, vacancies in the Board of Directors, except for vacancies resulting from an increase in the number of directors, shall be filled only by a majority vote of the remaining directors then in office, even if less than a quorum, except that vacancies resulting from removal from office by a vote of the stockholders may be filled by the stockholders at the same meeting at which such removal occurs. Subject to the terms of any shares of Series Preferred Stock that may be outstanding from time to time, vacancies resulting from an increase in the number of directors shall be filled only by a majority vote of the entire Board of Directors. Except to the extent provided in the Charter, no decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

SECTION 5. Except to the extent prohibited by law or limited by the Charter, the Board of Directors shall have the power (which, to the extent exercised, shall be exclusive) to fix the number of directors and to establish the rules and procedures that govern the internal affairs of the Board of Directors and nominations for director, including, without limitation, the vote required for any action by the Board of Directors, and that from time to time shall affect the directors' power to manage the business and affairs of the Corporation, and no Bylaw shall be adopted by stockholders which shall modify the foregoing.

## **ARTICLE VI**

### ***Authorized Shares of Stock***

The total number of shares of stock of all classes which the Corporation has authority to issue is 1,550,000,000 shares, divided into 50,000,000 shares of Series Preferred Stock, \$1.00 par value per share, and 1,500,000,000 shares of Common Stock, \$1.00 par value per share. The aggregate par value of all shares of all classes is \$1,550,000,000.00.

A description of each class with the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualification and terms and conditions of redemption of each class, is as follows:

**A. Series Preferred Stock**

The Board of Directors of the Corporation shall have the power from time to time (a) to classify or reclassify, in one or more series, any unissued shares of Series Preferred Stock and (b) to reclassify any unissued shares of any series of Series Preferred Stock, in the case of either (a) or (b) by setting or changing the number of shares constituting such series and the designation, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of such shares, and, in such event, the Corporation shall file for record with the State Department of Assessments and Taxation of Maryland articles supplementary in substance and form as prescribed by the GCL.

Without limiting any of the foregoing, the Board of Directors shall be entitled to increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series of Series Preferred Stock subsequent to the issuance of shares of that series.

**B. Common Stock**

Subject to the rights of holders of shares of any series of Series Preferred Stock established pursuant to Section A of this Article VI, each share of Common Stock shall entitle the holder to one vote per share on all matters upon which stockholders are entitled to vote, to receive dividends and other distributions authorized by Board of Directors in accordance with the GCL and to all rights of a stockholder pursuant thereto. The Common Stock shall have no preferences or preemptive, conversion or exchange rights.

**C. General**

In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares or otherwise, is permitted under the GCL, no effect shall be given to amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights upon dissolution are superior to those receiving the distribution.

**ARTICLE VII**

***Provisions Defining, Limiting and Regulating Powers***

The following provisions are hereby adopted for the purposes of defining, limiting and regulating the powers of the Corporation and the directors and stockholders, subject, however, to any provisions, conditions and restrictions hereafter authorized pursuant to Article VI hereof:

SECTION 1. The Board of Directors of the Corporation is empowered to authorize the issuance from time to time of shares of its stock of any class, whether now or hereafter authorized, and securities convertible into shares of its stock of any class, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable, subject to such limitations and restrictions, if any, as may be set forth in the Bylaws of the Corporation.

SECTION 2. No holders of shares of stock of the Corporation of any class shall have any preemptive or other right to subscribe for or purchase any part of any new or additional issue of stock of any class or of securities convertible into stock of any class, whether now or hereafter authorized, and whether issued for money, for a consideration other than money or by way of dividend.

SECTION 3. The Board of Directors shall have the power, from time to time, to determine whether any, and if any, what part, of the surplus of the Corporation shall be declared in dividends and paid to the stockholders, and to direct and determine the use and disposition of any such surplus. The Board of Directors may in its discretion use and apply any of such surplus in purchasing or acquiring any of the shares of the stock of the Corporation, or any of its bonds or other evidences of indebtedness, to such extent and in such manner and upon such lawful terms as the Board of Directors shall deem expedient.

SECTION 4. The Corporation reserves the right to adopt, repeal, rescind, alter or amend in any respect any provision contained in this Charter, including but not restricted to, any amendments changing the terms of any class of its stock by classification, reclassification or otherwise, and all rights conferred on stockholders herein are granted subject to this reservation.

SECTION 5. Notwithstanding any provision of law requiring the approval or authorization of any action by holders of shares of stock of the Corporation entitled to cast a greater number of votes than a majority of all the votes entitled to be cast on the matter, any such action shall be valid and effective if approved and authorized by the affirmative vote, at a meeting, of a majority of all votes entitled to be cast on the matter.

## **ARTICLE VIII**

### ***Bylaws***

The Board of Directors shall have the power, at any regular or special meeting of the Board of Directors (or by action taken pursuant to Article XII), to make and adopt, or to amend, rescind, alter or repeal, any Bylaws of the Corporation. The Bylaws may contain any provision for the regulation and management of the affairs of the Corporation not inconsistent with law or the provisions of the Charter.

## **ARTICLE IX**

### ***Inspection of Records by Stockholders***

The Board of Directors shall have power to determine from time to time whether and to what extent and at what times and places and under what conditions and regulations the books, records, accounts, and documents of the Corporation, or any of them, shall be open to inspection by stockholders, except as otherwise provided by law or by the Bylaws; and except as so provided no stockholders shall have any rights to inspect any book, record, account or document of the Corporation unless authorized to do so by resolution of the Board of Directors.

## **ARTICLE X**

### ***Compensation***

The Board of Directors in its discretion may allow, in and by the Bylaws of the Corporation or by resolution, the payment of expenses, if any, to directors for attendance

at each regular or special meeting of the Board of Directors or of any committee thereof, and the payment of reasonable compensation to such directors for their services as members of the Board of Directors, or any committee thereof, and shall fix the basis and conditions upon which such expenses and compensation shall be paid. Any member of the Board of Directors or of a committee thereof, also may serve the Corporation in any other capacity and receive compensation therefor in any form.

#### **ARTICLE XI**

##### ***Indemnification and Limitation of Liability of Directors and Officers***

SECTION 1. The Board of Directors shall have the power to adopt Bylaws or resolutions for the indemnification of the Corporation's directors, officers, employees and agents, provided that any such Bylaws or resolutions shall be consistent with applicable law.

SECTION 2. To the maximum extent that Maryland law in effect from time to time permits limitation of the liability of directors and officers, no director or officer of the Corporation shall be liable to the Corporation or its stockholders for money damages. Neither the amendment nor repeal of this Article, nor the adoption or amendment of any provision of the Charter or Bylaws inconsistent with this Article, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

#### **ARTICLE XII**

##### ***Informal Action by Board of Directors***

Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting, if a written consent to such action is signed by all members of the Board of Directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or such committee.

#### **ARTICLE XIII**

##### ***Approval of Certain Transactions and Other Matters***

SECTION 1. Any purchase by the Corporation of shares of Voting Stock (as hereinafter defined) from an Interested Stockholder (as hereinafter defined) who has beneficially owned such securities for less than two years prior to the date of such purchase or any agreement in respect thereof, other than pursuant to an offer to the holders of all of the outstanding shares of the same class as those so purchased, at a per share price in excess of the Market Price (as hereinafter defined), at the time of such purchase, of the shares so purchased, shall require the affirmative vote of the holders of a majority of the voting power of the Voting Stock not beneficially owned by the Interested Stockholder, voting together as a single class.

SECTION 2. In addition to any affirmative vote required by law or the Charter:

Clause 1. Any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (i) any Interested Stockholder or (ii) any

other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder;

Clause 2. Any sale, lease, exchange, mortgage, pledge, transfer, or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined) of \$10,000,000 or more;

Clause 3. The issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any equity securities of the Corporation or any Subsidiary having an aggregate Fair Market Value of \$10,000,000 or more to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities, or other property (or combination thereof);

Clause 4. The adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Stockholder or any Affiliate of any Interested Stockholder; or

Clause 5. Any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries, or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder; shall require the affirmative vote of the holders of a majority of the voting power of the Voting Stock not beneficially owned by any Interested Stockholder, voting together as a single class; provided, however, that no such vote shall be required for (i) the purchase by the Corporation of shares of Voting Stock from an Interested Stockholder unless such vote is required by Section 1 of this Article XIII, (ii) any transaction approved by a majority of the Disinterested Directors (as hereinafter defined), or (iii) any transaction with an Interested Stockholder who has beneficially owned his shares of Voting Stock for two years or more.

### SECTION 3.

Clause 1. In the event that there shall exist a Substantial Stockholder (as hereinafter defined) of the Corporation and such existence shall be known or made known to the Corporation in advance of a meeting of stockholders at which directors will be elected, each holder of Voting Stock shall be entitled, in connection with any vote taken for such election of directors, to as many votes as shall equal the number of votes which (except for this provision as to cumulative voting) such stockholder would be entitled to cast for the election of directors with respect to such stockholder's shares of Voting Stock multiplied by the number of directors to be elected, and such stockholder may cast all of such votes for a single director or may distribute them among the number of directors to be voted for, or for any two or more of them as such stockholder may see fit.

Clause 2. In connection with any election of directors in which stockholders are entitled to cumulative voting, one or more candidates may be nominated by a majority of the Disinterested Directors or by any person who is the beneficial owner of shares of Voting Stock having an aggregate Market Price of \$250,000 or more.

Clause 3. The Corporation's proxy statement and other communications with respect to such an election shall contain on an equal basis and at the expense of the Corporation, descriptions and other statements of or with respect to all nominees for election which qualify under the procedures set forth in this Section 3.

SECTION 4. For the purpose of this Article XIII:

Clause 1. A "person" shall mean any individual, firm, corporation, partnership, or other entity.

Clause 2. "Voting Stock" shall mean all outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors and each reference to a proportion of shares of Voting Stock shall refer to such proportion of the votes entitled to be cast by such shares.

Clause 3. "Interested Stockholder" shall mean any person (other than the Corporation or any Subsidiary or any employee benefit plan maintained by the Corporation or any Subsidiary) who or which:

(a) is the beneficial owner, directly or indirectly, of 5% or more of the voting power of the outstanding Voting Stock;

(b) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date as of which a determination is being made was the beneficial owner, directly or indirectly, of 5% or more of the voting power of the then outstanding Voting Stock; or

(c) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date as of which a determination is being made beneficially owned by any person described in Clauses 3(a) or 3(b) of this Section 4 if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended.

Clause 4. The term "Substantial Stockholder" shall mean any person (other than the Corporation or any Subsidiary or any employee benefit plan maintained by the Corporation or any Subsidiary) who or which is the beneficial owner of Voting Stock representing 40% or more of the votes entitled to be cast by the holders of all the outstanding shares of Voting Stock.

Clause 5. A person shall be a "beneficial owner" of any Voting Stock:

(a) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly;

(b) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement, or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement, or understanding; or

(c) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement, or understanding for the purpose of acquiring, holding, voting, or disposing of any shares of Voting Stock.

Clause 6.

(a) For the purposes of determining whether a person is an Interested Stockholder pursuant to Clause 3 of this Section 4 or a Substantial Stockholder pursuant to Clause 4 of this Section 4, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of Clause 5 of this Section 4, but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement, or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(b) Notwithstanding anything to the contrary in Clause 3 or Clause 4 of this Section 4, none of the Subsidiaries of the Corporation, shall be an “Interested Stockholder” or a “Substantial Stockholder”.

Clause 7. “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

Clause 8. “Subsidiary” shall mean any corporation of which a majority of the voting stock thereof entitled to vote generally in the election of directors is owned, directly or indirectly, by the Corporation (or another corporation, if so indicated).

Clause 9. “Market Price” shall mean: the last closing sale price immediately preceding the time in question of a share of the stock in question on the Composite Tape for New York Stock Exchange — Listed Stocks, or if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, Inc., or if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or if such stock is not listed on any such exchange, the last closing bid quotation with respect to a share of such stock immediately preceding the time in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use (or any other system of reporting or ascertaining quotations then available), or if such stock is not so quoted, the Fair Market Value at the time in question of a share of such stock as determined by the Board of Directors in good faith.

Clause 10. "Fair Market Value" shall mean:

(a) in the case of stock, the Market Price, and

(b) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board of Directors in good faith.

Clause 11. "Disinterested Director" shall mean any member of the Board of Directors of the Corporation who is unaffiliated with an Interested Stockholder and was a member of the Board of Directors prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director who is unaffiliated with an Interested Stockholder as is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors.

SECTION 5. A majority of the Disinterested Directors shall have the power and duty to determine for the purposes of this Article XIII, on the basis of information known to them after reasonable inquiry, whether (i) a person is an Interested Stockholder, (ii) a person is a Substantial Stockholder, or (iii) a transaction or series of transactions constitutes one of the transactions described in Section 2 of this Article XIII.

LOCKHEED MARTIN SUPPLEMENTARY PENSION PLAN  
FOR TRANSFERRED EMPLOYEES OF GE OPERATIONS

(Effective December 31, 2010)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Supplementary Pension Plan for Transferred Employees of GE Operations (the "Plan") is to provide Transferred Employees with a supplemental pension benefit that, in combination with the Martin Marietta Corporation Retirement Income Plan II (now the Lockheed Martin Corporation Retirement Income Plan) or KAPL Inc. Pension Plan for Salaried Employees and anticipated social security benefits, delivers a total retirement income equal to a maximum of 60 percent of the employee's average compensation over the final three years.

The Plan was amended and restated effective January 1, 2005, in order to comply with the requirements of Code section 409A. The amendment and restatement applied only to the portion of a Participant's benefit that is earned or becomes vested on or after January 1, 2005. The portion of a Participant's benefit that was earned and vested prior to January 1, 2005 shall be governed by Appendix A. The Plan was amended and restated, effective June 26, 2008, in order to clarify certain provisions in accordance with the final Treasury Regulations issued under Code section 409A and to make other clarifications with respect to eligibility and benefits. The Plan was amended and restated effective December 31, 2008 to order to make further clarifications in accordance with the final Treasury Regulations issued under Code section 409A and to make other administrative clarifications. The Plan is hereby amended and restated effective December 31, 2010 to order to make further clarifications in accordance with the final Treasury Regulations issued under Code section 409A and to make other administrative clarifications.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, the following words and phrases when used in this Plan shall have the meanings hereinafter indicated:

1. **BENEFICIARY** — The person or persons designated by the Participant as his or her beneficiary under the Qualified Pension Plan. If no beneficiary is designated under the Qualified Pension Plan, or if no designated beneficiary survives the Participant, the Participant's estate shall be the beneficiary.

2. **BOARD** — The Board of Directors of Lockheed Martin Corporation.

3. CODE — The Internal Revenue Code of 1986, as amended.

4. COMMITTEE — The committee described in Section 1 of Article VII.

5. COMPANY — Lockheed Martin Corporation and its subsidiaries.

6. ELIGIBLE EMPLOYEE — An employee of the Company who transferred employment to Martin Marietta Corporation as a result of the agreement between Martin Marietta Corporation and General Electric Company dated November 22, 1992 or who transferred employment under the Lakeland Transfer Agreement and who meets the eligibility criteria in Section 1 of Article III, and who satisfies such additional requirements for participation in this Plan as the Committee may from time to time establish. The Pension Plans Administration Committee shall interpret the participation requirements established by the Committee for all Participants except elected officers subject to Section 16(b) of the Securities and Exchange Act of 1934. Determinations of participation requirements for elected officers shall be made by the Committee.

7. GRANDFATHERED 2004 BENEFIT — The benefit calculated under the terms of the Plan in effect prior to January 1, 2005 (attached as Appendix A), determined as if the Participant had terminated from employment on December 31, 2004 (or the Participant's actual termination date, if earlier).

8. PARTICIPANT — An Eligible Employee who meets the requirements for participation contained in Article III; the term shall include a former employee and survivors/beneficiaries whose benefit has not been fully distributed.

9. PLAN — The Lockheed Martin Supplementary Pension Plan for Transferred Employees of GE Operations, or any successor plan.

10. QUALIFIED PENSION PLAN — The Lockheed Martin Corporation Retirement Income Plan ("Retirement Income Plan") or KAPL Inc. Pension Plan for Salaried Employees ("KAPL Inc. Plan"). All terms used in this Plan which are defined in the Retirement Income Plan or KAPL Inc. Plan have the same meanings, unless otherwise expressly provided in this Plan.

11. SUBSIDIARY — As to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporation), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

11A. TERMINATION OF EMPLOYMENT — A separation from service as such term is defined in Code section 409A and the regulations thereunder.

12. YEAR — The calendar year.

ARTICLE IIISUPPLEMENTARY PENSION BENEFIT

1. Eligibility. Each Employee who was classified as an Executive Career Band (“EB”) employee on or prior to December 31, 1993, who has five or more years of Vesting Service and who is a participant in the Qualified Pension Plan shall be eligible to receive benefits under this Article III. However, except as provided in Section 2.D., an Employee who retires under the Qualified Pension Plan before the first day of the month following attainment of age 55 or an Employee who leaves the Service of the Company before attainment of age 55, shall not be eligible for a benefit under this Article III.

An Employee who meets the other requirements specified in this Section shall be eligible for benefits under this Article III so long as his assigned position level or position of equivalent responsibility throughout any consecutive three years of the 15 year period ending on the last day of the month preceding his termination of service is at least at the level of a director (or other position equivalent to General Electric Company’s EB) even though he is not employed at that level on the date his Service terminates.

2. Amount of Benefit.

A. Definitions. For purposes of this Section 2, the following terms have the following meanings:

Annual Estimated Social Security Benefit. The annual equivalent of the maximum possible Primary Insurance Amount payable, after reduction for early retirement, as an old-age benefit to an employee who retired at age 62 on January 1 of the calendar year in which occurred the Employee’s actual date of retirement or death, whichever is earlier. The Company shall determine the Annual Estimated Social Security Benefit in accordance with the Social Security Act in effect at the end of the calendar year preceding such January 1.

If an Employee has less than 35 years of Credited Service, the Annual Estimated Social Security Benefit determined under the above paragraph is multiplied by a factor, the numerator of which is the number of years of the Employees’ Credited Service to his or her date of retirement or death, whichever is earlier, and the denominator of which is 35.

The Annual Estimated Social Security Benefit shall be adjusted to include any social security, severance, or similar benefit provided under foreign law or regulations as the Committee may prescribe by rules and regulations.

Annual Pension Payable under the Qualified Pension Plan. The sum of:

- (1) (i) the annual normal, early or late retirement benefit under Article V of the Qualified Pension Plan, including the Personal Pension Account (excluding the regular supplement under Article V(4) of the Qualified Pension Plan), or (ii) the normal, optional or disability retirement benefit under the RIP II or KAPL Annex of the Qualified Pension Plan, less
- (2) to the extent the Committee so determines, the benefit payable under any other pension plan contract, or policy of the Plan Sponsor (whether qualified or non-qualified), or government program attributable to periods of service for which Credited Service is granted by the Committee for the determination of the benefit under this Plan or is credited by the Qualified Pension. All such amounts shall be determined before applying any reduction factors for Early, Optional or Disability Retirement, for election of any optional form of Pension at retirement, a qualified domestic relations order(s), if any, or in connection with any other adjustment or supplement made pursuant to the Qualified Pension Plan or any other pension plan.

For purposes of this paragraph, the Employee's Pension shall include the Personal Pension Account Annuity payable to the Employee or the Employee's spouse on the date of the Employee's retirement or death, regardless of whether such annuity commenced on such date.

Annual Retirement Income. For Employees who retire or die in active Service on or after April 5, 1993, the amount determined by multiplying 1.75% of Average Annual Compensation by the number of years of Credited Service completed at the date of retirement or death, whichever is earlier.

Average Annual Compensation. One-third of the Employee's Compensation for the highest consecutive three years during the last 10 years immediately preceding his date of retirement or death, whichever is earlier. In computing Average Annual Compensation, normal straight-time earnings shall be substituted for actual Compensation for any month in which such normal straight-time earnings are greater.

Compensation. Salary (including any deferred salary approved by the Committee as compensation for purposes of this Plan) plus:

- (1) For persons then eligible for Incentive Compensation, the total amount of any Management Incentive Compensation Plan earnings, unless such Incentive Compensation is excluded by the Board or a committee thereof.
- (2) For persons who would then have been eligible for Incentive Compensation if they had not been participants in a Sales Commission Plan or other variable compensation plan, the total amount of sales commissions (or other variable

compensation earned unless such compensation is excluded by the Board or a committee thereof);

- (3) For all other persons, the sales commissions and other variable compensation earned to the extent such earnings were then included under the Qualified Pension Plan, plus any amounts (other than salary and those mentioned in clauses (1) through (3) above) which were then included as compensation under the Qualified Pension Plan except any amounts which the Committee may exclude from the computation of "Compensation" and subject to the powers of the Committee with respect to payment of benefits.

The Committee shall specify the basis for determining an Employee's Compensation for any portion of the three years used to compute the Employee's Average Annual Compensation during which the Employee was not employed by an employer participating in this Plan.

Credited Service. Credited Service has the same meaning as in the Qualified Pension Plan. For periods before January 1, 1976, Credited Service as a full-time Employee also includes all Service credited under the Qualified Pension Plan for any period during which the employee was a full-time Employee for purposes of the Qualified Pension Plan. Credited Service also includes:

- (1) Any period of Service with the Company or an Affiliate as the Committee may otherwise provide by rules and regulations issued with respect to this Plan; and
- (2) Any period of service with another employer as the Board may approve, if any conditions specified in such approval have been met.

B. Normal Retirement Benefit. Subject to the limitations in Section G and the requirements of Code section 409A, the benefit payable to an eligible Employee who has a Termination of Employment on or after his or her normal retirement date under the Plan, shall be the excess, if any, of the employee's Annual Retirement Income, over the sum of

- (1) The Employee's Annual Pension Payable under the Qualified Pension Plan (including the Personal Pension Account Annuity and excluding any supplements payable under the Qualified Pension Plan) (calculated as a five-year certain annuity),
- (2) 1/2 of the Employee's Annual Estimated Social Security Benefit,
- (3) the benefit payable from the Lockheed Martin Corporation Supplemental Retirement Plan.

C. Early, Optional or Disability Retirement. Subject to the limitations in Section G and Section 1 of Article VII, the benefit payable to an eligible Employee who, after reaching age 60, retires on an optional retirement date under the Qualified Pension Plan shall be computed in the manner provided by Section B (for an employee retiring on his or her normal retirement date) but

taking into account only Credited Service and Average Annual Compensation to the actual date of optional retirement. The annual benefit payable to an eligible Employee who, after reaching age 55 (but before reaching age 60), retires under the early retirement provisions of the Qualified Pension Plan shall equal the amount in section B but taking into account only Credited Service and Average Annual Compensation to the Employee's actual Termination of Employment and reduced for early retirement using the early retirement reduction factor under Article V(2) of the Qualified Pension Plan.

Subject to the requirements of Code section 409A, the annual benefit payable to an eligible Employee who has satisfied the eligibility requirements to receive a Disability Pension under the RIP II or KAPL Annex of the Qualified Pension Plan (to the extent consistent with the requirements of Code section 409A(a)(2)(C)) shall be computed in the manner provided by Section B (for an Employee retiring on his normal retirement date) taking into account only Credited Service and Average Annual Compensation to the actual date of disability retirement and not reduced for the Disability Supplement in the RIP II or KAPL Annex of the Qualified Pension Plan. In the case of an eligible Employee whose date of retirement precedes the first day of the month after reaching age 60 the Plan benefit shall then be reduced by 12%.

If the Disability Pension payable to the Employee under the Qualified Pension Plan is discontinued as a result of the Employee's disability ceasing before the Employee reaches age 60, the benefit provided under this Section C shall also be discontinued to the extent permitted under Code section 409A.

D. Special Benefit Protection for Certain Employees. Subject to the provisions of Code section 409A, a former Employee whose Service with the Company is terminated on or after December 31, 1994 and after completing 25 or more years of Vesting Service, who does not withdraw his required or voluntary contributions from the Qualified Pension Plan before retirement, shall be eligible for a benefit under this Plan commencing upon the later of Termination of Employment with the Company and the attainment of age 60 if:

- (1) the Employee's Service is terminated for transfer to a successor employer and
- (2) the Employee does not retire under the Qualified Pension Plan until the later of (1) termination of service with the successor employer and (2) the first of the month after reaching age 60.

In determining the benefit under this Plan, the Average Annual Compensation shall be based on the last 120 completed months with the successor employer before the Employee's Service termination date and the Annual Estimated Social Security Benefit shall be determined as though the Employee's retirement date was the date of termination.

E. Survivor Benefits. Subject to the requirements of Code section 409A, if a survivor benefit applies with respect to the past and future service annuity portion of an Employee's Annual Pension payable under the Qualified Pension Plan, such survivor benefit shall

automatically apply to any benefit which he or she may be eligible under this Plan. The Employee's benefit shall be adjusted and paid in the same manner as such pension payable under the Qualified Pension Plan is adjusted and paid on account of such survivor benefit. Payments to the survivor shall commence as soon as administratively practicable (but not later than 90 days) following the later of: (1) the Employee's 55<sup>th</sup> birthday, or (2) the Employee's date of death.

**F. Payments Upon Death.**

Subject to the requirements of Code section 409A, if an eligible Employee dies in active Service, or following Termination of Employment with a benefit from this Plan, and a death benefit (other than a return of Employee contributions with interest including an Employee's Personal and Voluntary Pension Account) is payable to the beneficiary or Surviving Spouse of such Employee under the Qualified Pension Plan, a death benefit shall also be payable to the beneficiary or Surviving Spouse under this Plan as follows:

- (1) Any such death benefit payable to a surviving spouse under this Plan shall equal 50% of the Employee's Annual Retirement Income under this Plan reduced by (1) 100% of the Employee's preretirement surviving spouse benefit payable or other lump sum benefit under the Qualified Pension Plan, (2) 25% of the Employee's Annual Estimated Social Security Benefit, (3) the Employee's Personal Pension Account benefit, and (4) the benefit payable under the Lockheed Martin Corporation Supplemental Retirement Plan. Payments to the surviving spouse shall commence as soon as administratively practicable (but no later than 90 days) after the later of: (1) the Employee's 55<sup>th</sup> birthday, or (2) the Employee's date of death, subject to the requirements of Code section 409A if the beneficiary or Surviving Spouse is entitled to benefits under more than one supplemental pension plan.
- (2) Any such death benefit payable to a surviving spouse under this Plan shall take into account only Credited Service and Average Annual Compensation to the earlier of the Employee's death or termination of employment and will be reduced for early retirement using the early retirement reduction factors under Article V(2) of the Qualified Pension Plan.
- (3) Subject to the requirements of Code section 409A, any such benefit payable to a surviving spouse shall be paid as soon as administratively practicable (but no later than 90 days) after the later of: (1) the Employee's 55<sup>th</sup> birthday, or (2) the Employee's date of death and will be paid in accordance with the payment provisions of the RIP or KAPL Annex of the Qualified Pension Plan. If benefits from the Qualified Pension Plan are paid under the payment provisions of the RIP or KAPL Annex of the Qualified Pension Plan, then benefits from this Plan will be paid in the same payment form.

G. Limitations on Benefits.

(a) Notwithstanding any provision of this Plan to the contrary, if the sum of:

- (1) The annual benefit (calculated before applying any reductions for early retirement or additions for any supplements payable under the Qualified Pension Plan, and prior to any calculation for disability retirement reductions) otherwise payable to an Employee under this Plan;
- (2) The Employee's Annual Pension Payable under the Qualified Pension Plan (including the Personal Pension Account Annuity) (calculated as a five-year certain annuity);
- (3) 100% of the Annual Estimated Social Security Benefit before any adjustment for less than 35 years of Pension Benefit Service;
- (4) the Employee's annual benefit under the Lockheed Martin Corporation Supplemental Retirement Plan; and

to the extent the Committee so determines, the benefit payable under any other pension plan contract, or policy of the Plan Sponsor (whether qualified or non-qualified), or government program attributable to periods of service for which Credited Service is granted by the Committee for the determination of the benefit under this Plan or is credited by the Qualified Pension exceeds 60% of his or her Annual Average Compensation, the benefit payable under this Plan shall be reduced by the amount of the excess, to the extent permitted by Code section 409A.

(b) Notwithstanding any provision in this Plan to the contrary, the amount of the benefit payable and any death benefit payable to or on behalf of any Employee who is or was an Officer of the Company on the date of his Termination of Employment or death, whichever is earlier, shall be determined according to such general rules and regulations as a Committee appointed by the Board of Directors may adopt, subject to the limitation that any such benefit or death benefit may not exceed the amount which would be payable under this Plan in the absence of such rules and regulations.

H. Adjustments Following Retirement. If the Pension payable under the Qualified Pension Plan to any Employee is increased following the Employee's retirement as a result of a general increase in the Pensions payable to retired employees under that plan, no such increase will be made under this Plan.

I. Non-duplication of Benefits. Benefits under this Article III are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan and further reduced by

the benefit payable from the Lockheed Martin Corporation Supplemental Retirement Plan, then reduced by the Grandfathered 2004 Benefit, to the extent permitted by Code section 409A. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

#### ARTICLE IV

##### PAYMENT OF BENEFITS

1. Vesting. Except as provided in Article V, and subject to the Company's right to discontinue the Plan as provided in Article VI, a Participant shall have a non-forfeitable interest in benefits payable under this Plan to the same extent as benefits are vested under the applicable Qualified Pension Plan. As provided in Article V, if a Participant acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

2. Form of Payment. All elections under this Section 2 must be made in the form and manner prescribed by the Senior Vice President, Human Resources. No election made pursuant to this Section 2 may affect a payment due in the same calendar year in which the election is made or accelerate payment into the calendar year in which the election is made. No lump sum distributions are available under this Plan. Benefits under this Plan shall be paid in the form of an annuity commencing as soon as administratively practicable (but no more than 90 days) following the later of (i) the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). Notwithstanding the foregoing sentence, benefits paid to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(2)(B)(i), shall not commence before the later of (i) six (6) months following the month in which the Participant has Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of Termination of Employment or attainment of age fifty-five (55), as applicable, and the payment date.

Selection of Annuity Form. To the extent permitted under Code section 409A, Prior to his Termination of Employment or attainment of age 55, as applicable, a Participant may elect to receive benefits in any actuarially equivalent annuity form that is available under the applicable Qualified Pension Plan on the date of the Participant's election that has been designated by the Senior Vice President, Human Resources as available for election under this Plan. If the Participant has not validly elected an annuity form before his Termination of Employment or attainment of age 55, as applicable, (i) an unmarried Participant shall be deemed to have elected payment in the form of a monthly annuity for the life of the Participant with no further payments to anyone after his or her death, and (ii) a married Participant shall be deemed to have elected payment in the form of a reduced monthly annuity for the life of the Participant with, after the

Participant's death, a 50% survivor annuity for the life of the Participant's spouse. Actuarial adjustments shall be based on the factors set forth in the Qualified Pension Plan.

Cash-out of Small Benefits. Notwithstanding the above, if the Value of the sum of the benefits payable to a Participant or Beneficiary under this Plan does not exceed \$10,000, all such benefits will be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits. For purposes of this Section, Value shall be determined as of the Participant's Termination of Employment or attainment of age fifty-five (55), as applicable, and shall mean the present value of a Participant's or Beneficiary's benefits, excluding the Grandfathered 2004 Benefit, based (i) for Terminations prior to January 1, 2008 upon the applicable mortality table and applicable interest rate in Code section 417(e)(3)(ii), or (ii) for terminations on or after January 1, 2008, upon the applicable mortality table and applicable interest rate under Code section 417(e)(3), as amended by the Pension Protection Act of 2006, for the calendar month preceding the Plan Year in which the Termination of Employment or attainment of age fifty-five (55) occurs. Notwithstanding the foregoing sentence, benefits paid under this Section 2. to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(a)(2)(B)(i), shall not commence before the later of (i) six (6) months following the month in which the Participant Terminates Employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of Termination of Employment or attainment of age fifty-five (55), as applicable, and the payment date.

Prospective Elections. Participants may elect to further delay the commencement of benefits as provided in this Section 2.c. This Section 2.c. does not apply to Surviving Spouses or Beneficiaries. A new election under this section shall be made by executing and delivering to the Company an election in such form as prescribed by the Company. To constitute a valid election by a Participant making a prospective change to a previous election, (i) the prospective election must be executed and delivered to the Company at least twelve (12) months before the date the first payment would be due under the Participant's previous election, and (ii) the first payment must be delayed by at least sixty (60) months from the date the first payment would be due under the Participant's previous election, and (iii) such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company. In the event an election fails to satisfy the provisions set forth in this paragraph, such election shall be void and, if such an election is void, payment shall be made in accordance with the most recent election which was valid. Other changes in the form of benefit may be made only as determined by the Senior Vice President, Human Resources, of the Company in accordance with Code section 409A.

If a Participant participates in more than one supplemental pension plan sponsored by the Corporation, the Participant must make a single election with respect to the form of annuity that shall apply to his or her benefits under all such plans and with respect to prospective changes of payment under this Section 2 of Article IV.

Notwithstanding the above, for periods prior to January 1, 2009, (or such later date as may be provided by the Internal Revenue Service in guidance of general applicability), the Senior Vice President, Human Resources may provide alternative rules for elections with respect to the commencement of payment and form of payment, provided that such rules conform to Code section 409A and Internal Revenue Service guidance issued thereunder.

3. Deductibility of Payments. Subject to the provisions of Section Code section 409A, in the event that the Company reasonably anticipates that the payment of benefits in accordance with the Participant's election under Section 2 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid under Code section 162(m), the Committee shall have the right to delay the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a delayed distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as the Company reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction will not be barred by Code section 162(m) or upon a Termination of Employment in accordance with Treasury Regulation section 1.409A-2(b)(7)(i), consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company. All scheduled payments under this Plan and any other plan required to be aggregated with this Plan must be delayed in order for such payment to be delayed pursuant to this Section 3.

4. Change of Law. Notwithstanding anything herein to the contrary, if the Committee determines in good faith, based on consultation with counsel and in accordance with the requirements of Code section 409A, that the federal income tax treatment or legal status of this Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the benefits of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

5. Acceleration upon Change in Control.

Notwithstanding any other provision of the Plan, the accrued benefit of each Participant shall be one-hundred percent (100%) vested and distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

For purposes of this Plan, a Change in Control shall include and be deemed to occur upon the following events:

- (a) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the

Company's then outstanding voting securities entitled to vote in the election of directors of the Company.

- (b) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Company Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).
- (c) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.
- (d) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).
- (e) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Company Subsidiary.

Notwithstanding the foregoing, no distribution shall be made solely on account of a Change in Control and prior to the benefit commencement date specified in Section 2 of Article V unless the Change in Control is both an event qualifying for a distribution of deferred compensation under Section 409A(a)(2)(A)(v) of the Code and an event qualifying under this Section 5.

This Section 5 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of benefits under this Plan in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

The Committee may cancel or modify this Section 5 at any time prior to a Change in Control. In the event of a Change in Control, this Section 5 shall remain in force and effect,

and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 5 shall not, for purposes of Section 5, be subject to cancellation or modification during the five year period

6. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. No benefit payments shall be made to the Participant until the withholding obligation for taxes under Code sections 3101(a) and 3101(b) has been satisfied with respect to the Participant.

7. Retiree Medical Withholding. A Participant may direct the Company to withhold from the Participant's benefit payments hereunder all or a portion of the amount that the Participant is required to pay for Company-provided retiree medical coverage.

ARTICLE V

EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Plan be satisfied by payments out of such trust or trusts. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary or transfer of an interest in this Plan to a Participant's spouse, former spouse, or child incident to divorce under a Qualified Domestic Relations Order (which shall be interpreted and administered in accordance with Code sections 414(p)(1)(B) and 409A), provided that the form of payment designated in such order is an annuity as provided in Section 2(a) of Article V.

3. Forfeiture. If, following the date on which a Participant shall retire under this Plan, a Participant shall engage in the operation or management of a business, whether as owner, stockholder, partner, officer, employee, consultant, or otherwise, which at such time is in competition with the Company or any of its subsidiaries, or shall disclose to unauthorized

persons information relative to the business of the Company or any of its subsidiaries which the Participant shall have reason to believe is confidential, or otherwise act, or conduct oneself, in a manner which the Participant shall have reason to believe is contrary to the best interest of the Company, or shall be found by the Committee to have committed an act during the term of the Participant's employment which would have justified the Participant being discharged for cause, the Participant's retirement benefit under this Plan shall terminate. Application of this Section will be at the discretion of the Committee.

**ARTICLE VI**

**AMENDMENT OR TERMINATION**

1. **Amendment.** The Board or its authorized delegate may amend, modify, suspend or discontinue this Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's accrued benefit or postponing the time when a Participant is entitled to receive a distribution of his accrued benefit unless each affected Participant consents to such change.

2. **Termination.** The Board reserves the right to terminate this Plan at any time and at such times that the Board reasonably determines in its discretion is appropriate and conforms to the requirements of Code section 409A, to pay all Participants their accrued benefits in a lump sum or to make other provisions for the payment of benefits (e.g. purchase of annuities) immediately following such termination or at such time thereafter as the Board may determine.

3. **Transfer of Liability.** The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement with the Company or its subsidiaries to assume all of the obligations of the Company under this Plan with respect to such Participant.

4. **Merger.** The Board reserves the right to merge all or part of this Plan with or into another plan, provided (1) such other plan preserves all of the obligations of the Company under this Plan with respect to such Participant and (2) each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger (if the Plan had then terminated).

**ARTICLE VII**

**ADMINISTRATION**

1. The Committee. This Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and its delegates (including the Claims Administrator) shall have full discretion to construe and interpret the terms and provisions of the Plan, which interpretation or construction shall be final, conclusive and binding on all parties, including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. Notwithstanding anything contained in the Plan or in any document issued under the Plan, it is intended that the Plan will at all times conform to the requirements of Code section 409A and any regulations or other guidance issued thereunder, and that the provisions of the Plan will be interpreted to meet such requirements. If any provision of the Plan is determined not to conform to such requirements, the Plan shall be interpreted to omit such offending provision.

2. Delegation and Reliance. 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. In making any determination or in taking or not taking any action under this Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of the Plan or any Participant's rights under the Plan to achieve intended tax consequences, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or the Claims Administrator) from all liability with respect thereto.

5. **Proof of Claims.** The Committee or the Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. **Claim Procedures.** The procedures when a claim under this Plan is wholly or partially denied by the Claims Administrator are as follows:

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.
- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under Federal law.

- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review. If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.
- (e) The Claims Administrator shall be the Lockheed Martin Corporation Pension Plans Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. This Plan shall not in any way obligate the Company to continue the employment of a Participant with the Company, nor does this Plan limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan

constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan by its terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any benefits accrued under this Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of Pension Plan Services, Human Resource Services. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Plan.

5. Each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Plan.

6. The provisions of this Plan shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this Plan shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This Plan and its operation, including the payment of cash hereunder, is subject to compliance with all applicable Federal and state laws, rules and regulations and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

**ARTICLE X**

**EFFECTIVE DATE**

This Plan, including any amendment and restatement of the prior plans, is generally effective December 31, 2010.

APPENDIX A

LOCKHEED MARTIN SUPPLEMENTARY PENSION PLAN  
FOR TRANSFERRED EMPLOYEES OF GE OPERATIONS

(Effective July 1, 2004)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Supplementary Pension Plan for Transferred Employees of GE Operations (the "Plan") is to provide Transferred Employees with a supplemental pension benefit that, in combination with the Martin Marietta Corporation Retirement Income Plan II (now the Lockheed Martin Corporation Retirement Income Plan II) or KAPL Inc. Pension Plan for Salaried Employees and anticipated social security benefits, delivers a total retirement income equal to a maximum of 60 percent of the employee's average compensation over the final three years.

The Lockheed Martin Supplementary Pension Plan for Transferred Employees of GE Operations (formerly known as the Martin Marietta Supplementary Pension Plan for Employees of Transferred GE Operations) and predecessor plan is amended, restated, effective July 1, 2004

The Plan was subsequently amended and restated effective January 1, 2005 in order to comply with the requirements of Code section 409A. The amendment and restatement applies only to the portion of a Participant's benefit that is earned or becomes vested on or after January 1, 2005. The portion of a Participant's benefit that was earned and vested prior to January 1, 2005 shall be governed by this Appendix A.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, the following words and phrases when used in this Plan shall have the meanings hereinafter indicated:

1. **BENEFICIARY** — The person or persons designated by the Participant as his or her beneficiary under the Qualified Pension Plan. If no beneficiary is designated under the Qualified Pension Plan, or if no designated beneficiary survives the Participant, the Participant's estate shall be the beneficiary.
2. **BOARD** — The Board of Directors of Lockheed Martin Corporation.
3. **CODE** — The Internal Revenue Code of 1986, as amended.

4. COMMITTEE — The committee described in Section 1 of Article VII.

5. COMPANY — Lockheed Martin Corporation and its subsidiaries.

6. ELIGIBLE EMPLOYEE — An employee of the Company who transferred employment to Martin Marietta Corporation as a result of the agreement between Martin Marietta Corporation and General Electric Company dated November 22, 1992 or who transferred employment under the Lakeland Transfer Agreement and who meets the eligibility criteria in Section 1 of Article III, and who satisfies such additional requirements for participation in this Plan as the Committee may from time to time establish. The Pension Plans Administration Committee shall interpret the participation requirements established by the Committee for all Participants except elected officers subject to Section 16(b) of the Securities and Exchange Act of 1934. Determinations of participation requirements for elected officers shall be made by the Committee.

7. PARTICIPANT — An Eligible Employee who meets the requirements for participation contained in Article III; the term shall include a former employee and survivors/beneficiaries whose benefit has not been fully distributed.

8. PLAN — The Lockheed Martin Supplementary Pension Plan for Transferred Employees of GE Operations, or any successor plan.

9. QUALIFIED PENSION PLAN — The Lockheed Martin Corporation Retirement Income Plan (“Retirement Income Plan II”) or KAPL Inc. Pension Plan for Salaried Employees (“KAPL Inc. Plan”). All terms used in this Plan which are defined in the Retirement Income Plan II or KAPL Inc. Plan have the same meanings, unless otherwise expressly provided in this Plan.

10. YEAR — The calendar year.

### ARTICLE III

#### SUPPLEMENTARY PENSION BENEFIT

1. Eligibility. Each Employee who was classified as an Executive Career Band (“EB”) employee on or prior to December 31, 1993, who has five or more years of Vesting Service and who is a participant in the Qualified Pension Plan shall be eligible to receive benefits under this Article III. However, except as provided in Section 2.D., an Employee who retires under the Qualified Pension Plan before the first day of the month following attainment of age 55 or an Employee who leaves the Service of the Company before attainment of age 55, shall not be eligible for a benefit under this Article III.

An Employee who meets the other requirements specified in this Section shall be eligible for benefits under this Article III so long as his assigned position level or position of

equivalent responsibility throughout any consecutive three years of the 15 year period ending on the last day of the month preceding his termination of service is at least at the level of a director (or other position equivalent to General Electric Company's EB) even though he is not employed at that level on the date his Service terminates.

2. Amount of Benefit.

C. Definitions. For purposes of this Section 2, the following terms have the following meanings:

Annual Estimated Social Security Benefit. The annual equivalent of the maximum possible Primary Insurance Amount payable, after reduction for early retirement, as an old-age benefit to an employee who retired at age 62 on January 1 of the calendar year in which occurred the Employee's actual date of retirement or death, whichever is earlier. The Company shall determine the Annual Estimated Social Security Benefit in accordance with the Social Security Act in effect at the end of the calendar year preceding such January 1.

If an Employee has less than 35 years of Credited Service, the Annual Estimated Social Security Benefit determined under the above paragraph is multiplied by a factor, the numerator of which is the number of years of the Employees' Credited Service to his or her date of retirement or death, whichever is earlier, and the denominator of which is 35.

The Annual Estimated Social Security Benefit shall be adjusted to include any social security, severance, or similar benefit provided under foreign law or regulations as the Committee may prescribe by rules and regulations.

Annual Pension Payable under the Qualified Pension Plan. The sum of:

- (3) (i) the annual normal, early or late retirement benefit under Article V of the Qualified Pension Plan, including the Personal Pension Account (excluding the regular supplement under Article V(4) of the Qualified Pension Plan), or (ii) the normal, optional or disability retirement benefit under the RIP II or KAPL Annex of the Qualified Pension Plan, less
- (4) to the extent the Committee so determines, the benefit payable under any other pension plan contract, or policy of the Plan Sponsor (whether qualified or non-qualified), or government program attributable to periods of service for which Credited Service is granted by the Committee for the determination of the benefit under this Plan or is credited by the Qualified Pension. All such amounts shall be determined before applying any reduction factors for Early, Optional or Disability Retirement, for election of any optional form of Pension at retirement, a qualified domestic relations order(s), if any, or in connection with any other adjustment or supplement made pursuant to the Qualified Pension Plan or any other pension plan.

For purposes of this paragraph, the Employee's Pension shall include the Personal Pension Account Annuity payable to the Employee or the Employee's spouse on the date of the Employee's retirement or death, regardless of whether such annuity commenced on such date.

Annual Retirement Income. For Employees who retire or die in active Service on or after April 5, 1993, the amount determined by multiplying 1.75% of Average Annual Compensation by the number of years of Credited Service completed at the date of retirement or death, whichever is earlier.

Average Annual Compensation. One-third of the Employee's Compensation for the highest consecutive three years during the last 10 years immediately preceding his date of retirement or death, whichever is earlier. In computing Average Annual Compensation, normal straight-time earnings shall be substituted for actual Compensation for any month in which such normal straight-time earnings are greater.

Compensation. Salary (including any deferred salary approved by the Committee as compensation for purposes of this Plan) plus:

- (4) For persons then eligible for Incentive Compensation, the total amount of any Management Incentive Compensation Plan earnings, unless such Incentive Compensation is excluded by the Board or a committee thereof.
- (5) For persons who would then have been eligible for Incentive Compensation if they had not been participants in a Sales Commission Plan or other variable compensation plan, the total amount of sales commissions (or other variable compensation earned unless such compensation is excluded by the Board or a committee thereof);
- (6) For all other persons, the sales commissions and other variable compensation earned to the extent such earnings were then included under the Qualified Pension Plan, plus any amounts (other than salary and those mentioned in clauses (1) through (3) above) which were then included as compensation under the Qualified Pension Plan except any amounts which the Committee may exclude from the computation of "Compensation" and subject to the powers of the Committee with respect to payment of benefits.

The Committee shall specify the basis for determining an Employee's Compensation for any portion of the three years used to compute the Employee's Average Annual Compensation during which the Employee was not employed by an employer participating in this Plan.

Credited Service. Credited Service has the same meaning as in the Qualified Pension Plan. For periods before January 1, 1976, Credited Service as a full-time Employee also includes all Service credited under the Qualified Pension Plan for any period during which the

employee was a full-time Employee for purposes of the Qualified Pension Plan. Credited Service also includes:

- (3) Any period of Service with the Company or an Affiliate as the Committee may otherwise provide by rules and regulations issued with respect to this Plan; and
- (4) Any period of service with another employer as the Board may approve, if any conditions specified in such approval have been met.

D. Normal Retirement Benefit. Subject to the limitations in Section G, the benefit payable to an eligible Employee who retires on or after his or her normal retirement date under the Plan, shall be the excess, if any, of the employee's Annual Retirement Income, over the sum of

- (4) The Employee's Annual Pension Payable under the Qualified Pension Plan (including the Personal Pension Account Annuity and excluding any supplements payable under the Qualified Pension Plan) (calculated as a five-year certain annuity),
- (5)  $\frac{1}{2}$  of the Employee's Annual Estimated Social Security Benefit,
- (6) the benefit payable from the Lockheed Martin Corporation Supplemental Retirement Plan

E. Early, Optional or Disability Retirement. Subject to the limitations in Section G, the benefit payable to an eligible Employee who, after reaching age 60, retires on an optional retirement date under the Qualified Pension Plan shall be computed in the manner provided by Section B (for an employee retiring on his or her normal retirement date) but taking into account only Credited Service and Average Annual Compensation to the actual date of optional retirement. The annual benefit payable to an eligible Employee who, after reaching age 55 (but before reaching age 60) retires under the early retirement provisions of the Qualified Pension Plan shall equal the amount in section B but taking into account only Credited Service and Average Annual Compensation to the Employee's actual termination of employment and reduced for early retirement using the early retirement reduction factor under Article V(2) of the Qualified Pension Plan.

The annual benefit payable to an eligible Employee who has satisfied the eligibility requirements to receive a Disability Pension under the RIP II or KAPL Annex of the Qualified Pension Plan shall be computed in the manner provided by Section B (for an Employee retiring on his normal retirement date) taking into account only Credited Service and Average Annual Compensation to the actual date of disability retirement and not reduced for the Disability Supplement in the RIP II or KAPL Annex of the Qualified Pension Plan. In the case of an eligible Employee whose date of retirement precedes the first day of the month after reaching age 60 the Plan benefit shall then be reduced by 12%.

If the Disability Pension payable to the Employee under the Qualified Pension Plan is discontinued as a result of the Employee's disability ceasing before the Employee reaches age 60, the benefit provided under this Section C. shall also be discontinued.

F. Special Benefit Protection for Certain Employees. A former Employee whose Service with the Company is terminated on or after December 31, 1994 and after completing 25 or more years of Vesting Service, who does not withdraw his required or voluntary contributions from the Qualified Pension Plan before retirement, shall be eligible for a benefit under this Plan commencing upon his or her retirement under the Qualified Pension Plan after reaching age 60 if:

- (3) the Employee's Service is terminated for transfer to a successor employer and
- (4) the Employee does not retire under the Qualified Pension Plan until the later of (1) termination of service with the successor employer and (2) the first of the month after reaching age 60.

In determining the benefit under this Plan, the Average Annual Compensation shall be based on the last 120 completed months with the successor employer before the Employee's Service termination date and the Annual Estimated Social Security Benefit shall be determined as though the Employee's retirement date was the date of termination.

G. Survivor Benefits. Subject to Section F.(b), if a survivor benefit applies with respect to the past and future service annuity portion of a Employee's Annual Pension payable under the Qualified Pension Plan, such survivor benefit shall automatically apply to any benefit which he or she may be eligible under this Plan. The Employee's benefit shall be adjusted and paid in the same manner as such pension payable under the Qualified Pension Plan is adjusted and paid on account of such survivor benefit.

H. Payments Upon Death.

(a) If an eligible Employee dies in active Service, or following retirement with a benefit from this Plan, and a death benefit (other than a return of Employee contributions with interest including an Employee's Personal and Voluntary Pension Account ) is payable to the beneficiary or Surviving Spouse of such Employee under the Qualified Pension Plan, a death benefit shall also be payable to the beneficiary or Surviving Spouse under this Plan as follows:

- (4) Any such death benefit payable to a surviving spouse under this Plan shall equal 50% of the Employee's Annual Retirement Income under this Plan reduced by (1) 100% of the Employee's preretirement surviving spouse benefit payable or other lump sum benefit under the Qualified Pension Plan, (2) 25% of the Employee's Annual Estimated Social Security Benefit, (3) the Employee's Personal Pension Account benefit , and (4) the benefit payable under the Lockheed Martin Corporation

Supplemental Retirement Plan. Payments to the surviving spouse shall commence on the later of: (1) the Employee's 55<sup>th</sup> birthday, or (2) the Employee's date of death.

- (5) Any such death benefit payable to a surviving spouse under this Plan shall take into account only Credited Service and Average Annual Compensation to the earlier of the Employee's death or termination of employment and will be reduced for early retirement using the early retirement reduction factors under Article V(2) of the Qualified Pension Plan.
- (6) Any such benefit payable to a surviving spouse shall be paid at the same time as the Qualified Pension Plan and will be paid in accordance with the payment provisions of the RIP II or KAPL Annex of the Qualified Pension Plan. If benefits from the Qualified Pension Plan are paid under the payment provisions of the RIP II or KAPL Annex of the Qualified Pension Plan, then benefits from this Plan will be paid in the same payment form.

(b) In lieu of the benefit otherwise payable to a beneficiary or surviving spouse under Section E. or paragraph (a) of this Section, an Employee may elect to have all or any portion of such benefit (or the equivalent value of all or any portion) paid to the beneficiary designated in the employee's election in any of the following forms:

- (1) An annuity for the spouse's remaining lifetime. If the beneficiary dies before the spouse, the remaining benefit shall be paid as provided in the employee's election. In the absence of any such provision, the equivalent value of the remaining payments shall be paid to the beneficiary's estate, if any, otherwise to the beneficiary's Personal Representative.
- (2) An annuity for the beneficiary's remaining lifetime. If any annuity otherwise payable under this item (2) is less than \$5,000 annually, the equivalent value shall be paid instead to the beneficiary in a lump sum.
- (3) A lump sum.

Any such election must be made in writing to the Qualified Pension Plan Administrator prior to the Employee's death, and becomes effective when the Qualified Pension Plan Administrator receives it. For purposes of this election, an Employee may designate as his beneficiary only his estate, his former spouse, or a member of his immediate family.

For the purpose of determining the benefit conversions required to provide the benefit payments referred to above, the interest rate assumption shall be the interest rate used by the Pension Benefit Guaranty Corporation at the beginning of the year in which the Employee's death occurs, in valuing immediate annuities for terminating single employer trusteed plans, and the mortality assumption shall be based on the UP-1984 Mortality Table.

I. Limitations on Benefits.

(a) Notwithstanding any provision of this Plan to the contrary, if the sum of:

- (5) The annual benefit (calculated before applying any reductions for early retirement or additions for any supplements payable under the Qualified Pension Plan, and prior to any calculation for disability retirement reductions) otherwise payable to an Employee under this Plan;
- (6) The Employee's Annual Pension Payable under the Qualified Pension Plan (including the Personal Pension Account Annuity) (calculated as a five-year certain annuity);
- (7) 100% of the Annual Estimated Social Security Benefit before any adjustment for less than 35 years of Pension Benefit Service;
- (8) the Employee's annual benefit under the Lockheed Martin Corporation Supplemental Retirement Plan; and

to the extent the Committee so determines, the benefit payable under any other pension plan contract, or policy of the Plan Sponsor (whether qualified or non-qualified), or government program attributable to periods of service for which Credited Service is granted by the Committee for the determination of the benefit under this Plan or is credited by the Qualified Pension exceeds 60% of his or her Annual Average Compensation, the benefit payable under this Plan shall be reduced by the amount of the excess.

(b) Notwithstanding any provision in this Plan to the contrary, the amount of the benefit payable and any death benefit payable to or on behalf of any Employee who is or was an Officer of the Company on the date of his retirement or death, whichever is earlier, shall be determined according to such general rules and regulations as a Committee appointed by the Board of Directors may adopt, subject to the limitation that any such benefit or death benefit may not exceed the amount which would be payable under this Plan in the absence of such rules and regulations.

J. Adjustments Following Retirement. If the Pension payable under the Qualified Pension Plan to any Employee is increased following the Employee's retirement as a result of a general increase in the Pensions payable to retired employees under that plan, no such increase will be made under this Plan unless the Committee makes such determination.

K. Non-duplication of Benefits. Benefits under this Article III are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan and further reduced by the benefit payable

from the Lockheed Martin Corporation Supplemental Retirement Plan. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

#### ARTICLE IV

##### PAYMENT OF BENEFITS

1. Vesting. Except as provided in Article V, and subject to the Company's right to discontinue the Plan as provided in Article VI, a Participant shall have a non-forfeitable interest in benefits payable under this Plan to the same extent as benefits are vested under the applicable Qualified Pension Plan. As provided in Article V, if a Participant acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

2. Form of Payment. Benefits shall be paid at the same time as the Qualified Pension Plan and will be paid in accordance with the payment provisions of the RIP II or KAPL Annex of the Qualified Pension Plan. If benefits from the Qualified Pension Plan are paid under the payment provisions of the RIP II or KAPL Annex, then benefits from this Plan will be paid in the same payment form.

If an Employee's pension benefit under the Qualified Pension Plan is suspended for any month in accordance with the re-employment provisions thereof, the Employee's benefit under this Plan for that month shall likewise be suspended.

Cash-out of Small Benefits. Notwithstanding the above, if the Value of the sum of the benefits payable to a Participant or Beneficiary under this Plan does not exceed the amount that may be distributed without consent under Section 411(a)(11) of the Code, all such benefits will be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits. For purposes of this Section, Value shall be determined as of the Participant's termination of employment, and shall mean the present value of a Participant's or Beneficiary's benefits based upon the applicable mortality table and applicable interest rate in Code section 417(e)(3)(ii) for the calendar month preceding the Plan Year in which the termination of employment occurs.

3. Deductibility of Payments. In the event that the payment of benefits under Section 2 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the form and timing of distributions as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the payment method described in Section 2, consistent with the objective of maximum deductibility for the

Company. The Committee shall have no authority to reduce a Participant's accrued benefit under this Plan or to pay aggregate benefits less than the Participant's accrued benefit in the event that all or a portion thereof would not be deductible by the Company.

4. Change of Law. Notwithstanding anything to the contrary herein, if the Committee determines in good faith, based on consultation with counsel, that the federal income tax treatment or legal status of this Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the benefits of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

5. Acceleration upon Change in Control.

Notwithstanding any other provision of the Plan, the accrued benefit of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

For purposes of this Plan, a Change in Control shall include and be deemed to occur upon the following events:

- (a) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.
- (b) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).
- (c) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

- (d) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the “Incumbent Directors” shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, “Incumbent Directors” shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).
- (e) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company’s business and/or assets as an entirety to an entity that is not a Subsidiary.

This Section 5 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of benefits under this Plan in any transaction involving the Company’s sale, liquidation, merger, or other disposition of any subsidiary.

The Committee may cancel or modify this Section 5 at any time prior to a Change in Control. In the event of a Change in Control, this Section 5 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 5 shall not, for purposes of Section 5, be subject to cancellation or modification during the five year period

6. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. No benefit payments shall be made to the Participant until the withholding obligation for taxes under Code sections 3101(a) and 3101(b) has been satisfied with respect to the Participant.

7. Retiree Medical Withholding. A Participant may direct the Company to withhold from the Participant’s benefit payments hereunder all or a portion of the amount that the Participant is required to pay for Company-provided retiree medical coverage.

ARTICLE VEXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Plan be satisfied by payments out of such trust or trusts. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary or transfer of an interest in this Plan to a Participant's former spouse incident to divorce under a Qualified Domestic Relations Order.

3. Forfeiture. If, following the date on which a Participant shall retire under this Plan, a Participant shall engage in the operation or management of a business, whether as owner, stockholder, partner, officer, employee, consultant, or otherwise, which at such time is in competition with the Company or any of its subsidiaries, or shall disclose to unauthorized persons information relative to the business of the Company or any of its subsidiaries which the Participant shall have reason to believe is confidential, or otherwise act, or conduct oneself, in a manner which the Participant shall have reason to believe is contrary to the best interest of the Company, or shall be found by the Committee to have committed an act during the term of the Participant's employment which would have justified the Participant being discharged for cause, the Participant's retirement benefit under this Plan shall terminate. Application of this Section will be at the discretion of the Committee.

ARTICLE VI

AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's accrued benefit or postponing the time when a Participant is entitled to receive a distribution of his accrued benefit unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their accrued benefits in a lump sum or to make other provisions for the payment of benefits (e.g. purchase of annuities) immediately following such termination or at such time thereafter as the Board may determine.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement with the Company or its subsidiaries to assume all of the obligations of the Company under this Plan with respect to such Participant.

4. Merger. The Board reserves the right to merge all or part of this Plan with or into another plan, provided (1) such other plan preserves all of the obligations of the Company under this Plan with respect to such Participant and (2) each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger (if the Plan had then terminated).

ARTICLE VIIADMINISTRATION

1. The Committee. This Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and its delegates (including the Claims Administrator) shall have full discretion to construe and interpret the terms and provisions of the Plan, which interpretation or construction shall be final, conclusive and binding on all parties, including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. Except as otherwise provided in Section 5, the Committee delegates the authority to adjudicate claims to the Pension Plans Administration Committee.

2. Delegation and Reliance. 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. In making any determination or in taking or not taking any action under this Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of the Plan or any Participant's rights under the Plan to achieve intended tax consequences, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee from all liability with respect thereto.

5. **Proof of Claims.** The Committee or the Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. **Claim Procedures.** The procedures when a claim under this Plan is wholly or partially denied by the Claims Administrator are as follows:

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.
- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.

- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.
- (e) If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.
- (f) The Claims Administrator shall be the Lockheed Martin Corporation Pension Plans Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

ARTICLE IXGENERAL AND MISCELLANEOUS PROVISIONS

1. This Plan shall not in any way obligate the Company to continue the employment of a Participant with the Company, nor does this Plan limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan by its terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any benefits accrued under this Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of Pension Plan Operations, Human Resource Services. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Plan.

5. Each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Plan.

6. The provisions of this Plan shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this Plan shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This Plan and its operation, including the payment of cash hereunder, is subject to compliance with all applicable Federal and state laws, rules and regulations and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

**ARTICLE X**

**EFFECTIVE DATE**

This Plan, including any amendment and restatement of the prior plans, is generally effective July 1, 2004.

SUPPLEMENTAL RETIREMENT BENEFIT PLAN  
FOR CERTAIN TRANSFERRED EMPLOYEES  
OF LOCKHEED MARTIN CORPORATION

(Effective December 31, 2010)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation (the "Plan") are:

- (a) to provide an additional retirement benefit for certain employees whose regular retirement benefits have been limited as a result of employment service at a Lockheed Martin company that does not have a Qualified Pension Plan; and
- (b) to provide an additional retirement benefit for certain employees hired on or after January 1, 2006 (January 1, 2007 for KAPL, Inc.) at a Lockheed Martin company that has a Qualified Pension Plan that is frozen to new participants as of such date; and
- (c) to provide the above employees with those benefits that cannot be paid from the tax-qualified plans of Lockheed Martin Corporation and its subsidiaries because of the limitations on contributions and benefits contained in Internal Revenue Code sections 415 and 401(a)(17).

The following plans and predecessor plans were amended, restated and merged to form this Plan, effective July 1, 2004:

1. Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation (formerly known as the Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Corporation)
2. Incentive Retirement Benefit Plan for Certain Executives of Lockheed Martin Corporation (formerly known as the Incentive Retirement Benefit Plan for Certain Executives of Lockheed Corporation)

The Plan was amended and restated, effective January 1, 2005, in order to comply with the requirements of Code section 409A. The 2005 amendment and restatement of the Plan applied only to the portion of a Participant's benefit that accrued on or after January 1, 2005. The portion of a Participant's benefit that accrued prior to January 1, 2005 shall be governed by the terms of the Plan in effect on December 31, 2004, attached as Appendix A. The Plan was amended and restated, effective June 26, 2008, in order to clarify certain provisions in accordance with the final Treasury Regulations issued under Code section 409A and to make other clarifications with respect to eligibility and benefits. The Plan was amended and restated effective December 31, 2008 to order to make further clarifications in accordance with the final Treasury Regulations issued under Code section 409A and to make other administrative clarifications. The Plan is hereby amended and restated effective December 31, 2010 to order to make further clarifications in accordance with the final Treasury Regulations issued under Code section 409A and to make other administrative clarifications.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise or the term is defined below, all terms shall be defined in accordance with the Lockheed Martin Corporation Salaried Employee Retirement Program:

1. **ACTUARIAL EQUIVALENT** — The Actuarial Equivalent shall mean a benefit which has the equivalent value computed using the interest rate which would be used by the Pension Benefit Guaranty Corporation to determine the present value of an immediate lump sum distribution on termination of a pension plan, as in effect on first day of the month of termination of employment plus one percent (1%), and the 1983 Group Annuity Mortality Table with sex distinction; provided that for Years beginning on or after January 1, 2011, in no event shall the interest rate plus 1% exceed 7% or be less than 4%.
2. **BENEFICIARY** — The Beneficiary of a Participant shall be (a) the Participant's Spouse or (b) if there is no Spouse surviving the Participant, the Participant's estate.
3. **BOARD** — The Board of Directors of Lockheed Martin Corporation.
4. **CODE** — The Internal Revenue Code of 1986, as amended.
5. **COMMITTEE** — The committee described in Section 1 of Article VIII.
6. **COMPANY** — Lockheed Martin Corporation and its Subsidiaries.
7. **ELIGIBLE EMPLOYEE** — An employee of the Company who meets the eligibility criteria in Section 1 of Article III or Section 1 of Article IV, and who satisfies such additional requirements for participation in this Plan as the Committee may from time to time establish. The Lockheed Martin Pension Plans Administrative Committee (the "Pension Committee") shall interpret the participation requirements established by the Committee for all Participants except elected officers subject to Section 16(b) of the Securities and Exchange Act of 1934. Determinations of participation requirements for elected officers shall be made by the Committee.
8. **GRANDFATHERED 2004 BENEFIT** — The benefit calculated under the terms of the Plan in effect prior to January 1, 2005 (attached as Appendix A), determined as if the Participant had terminated from employment on December 31, 2004 (or the Participant's actual termination date, if earlier).

9. PARTICIPANT — An Eligible Employee who meets the requirements for participation contained in Article III or Article IV; the term shall include a former employee and survivors/beneficiaries whose benefit has not been fully distributed. A Participant shall cease to be an active Participant upon Termination of Employment, when he ceases to be an Eligible Employee, or when he ceases to meet the requirements for participation as amended from time to time.
10. QUALIFIED PENSION PLAN — The Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees, the Lockheed Martin Corporation Retirement Income Plan and the Lockheed Martin Corporation Retirement Income Plan III, or any successor plans.
11. PLAN — The Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation, or any successor plan.
12. SUBSIDIARY — As to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporation), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.
- 12A. TERMINATION OF EMPLOYMENT — A separation from service as such term is defined in Code section 409A and the regulations thereunder.
13. YEAR — The calendar year.

### ARTICLE III

#### TRANSFER BENEFITS

1. Eligibility. Benefits pursuant to this Article III are available to employees of the Company who:
  - (a) are Members of the Qualified Pension Plan, and
  - (i) are transferred to a Participating Company that does not have a Qualified Pension Plan, and
  - (ii) are identified by such Participating Company as a key employee at the time of such transfer, and
  - (iii) are designated in writing by the Committee as a Participant in this Plan;

- (b) effective January 1, 2006 (January 1, 2007 for KAPL, Inc.), are not Members of the Qualified Pension Plan, and
  - (i) are hired by a Participating Company on or after January 1, 2006 (or by KAPL, Inc. on or after January 1, 2007), and
  - (ii) are Vice Presidents (Level 8) or above on their date of hire, or are promoted to Vice President (Level 8) after their date of hire, and
  - (iii) are not hired by a Participating Company pursuant to the Company's acquisition of an entity that does not sponsor a qualified defined benefit pension plan.

A "Participating Company" is a business unit designated in writing by the Committee as a unit participating in this Plan. A list of Participating Units is set forth in Schedule 1.

2. Amount of Benefit. The benefit that each Participant shall be entitled to receive under the Plan is the amount reasonably determined by the Company to be the difference between the Participant's actual benefit, if any, under the Qualified Pension Plan and the benefits that would have been payable under that Plan, subject to the offset below, if:

- (a) the Qualified Pension Plan had determined pensionable earnings on a "mix and match" basis, as defined below;
- (b) the Participant's period of employment service as a Participant at a Participating Company at which no Credited Service is earned was deemed to be years of Credited Service under the Qualified Pension Plan; and
- (c) the Participant's benefit under the Qualified Pension Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under the Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the three (3) highest years of MICP compensation during the last 10 years shall be added to the average of the three (3) highest years of other pensionable earnings during the last 10 years to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

The above benefit (the "Transfer Benefit") shall be offset by the benefits payable on behalf of the Participant under the Lockheed Martin Corporation Capital Accumulation Plan (the "Lockheed Martin CAP") and under the Lockheed Martin Account Balance Retirement Plan ("ABRP"). In calculating the offset, the Participant's total account balance from the Lockheed

Martin CAP shall be converted into an annuity using the 1983 Group Annuity Mortality Table for males and shall be calculated as of the Participant's termination of employment, using the PBGC immediate interest rate for lump sums rate plus 1% and the Participant's age on the date of distribution. If the Participant received any prior distributions from the Lockheed Martin CAP, the Transfer Benefit shall be reduced by the annuity value of the prior distribution, using the Lockheed Martin CAP distribution amount, the PBGC interest rate plus 1% and Participant's age on the date of distribution. The Transfer Benefit is then reduced for the amount of the normal retirement benefit from the ABRP.

Combined benefits under this Article III, the Lockheed Martin CAP and the ABRP are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan on a "mix and match" basis, without regard to the limitations of Code section 415 and Code section 401(a)(17), and with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced Transfer Benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan (without regard to the portion of such benefit attributable to employee contributions, if any), then reduced by the benefit payable from the Lockheed Martin CAP and ABRP, and then reduced by the 2004 Grandfathered Benefit, to the extent permissible under Code section 409A. The remainder of the benefit shall be paid from this Plan. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article III shall be payable to the Participant or Beneficiary or any other person who is receiving or entitled to receive benefits with respect to the Participant under the Qualified Pension Plan.

If the benefits payable under the Qualified Pension Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan.

ARTICLE IV

INCENTIVE BENEFITS

1. Eligibility. Benefits pursuant to this Article IV are available to the employees described below. However, an employee who terminated employment with Lockheed Corporation prior to January 1, 1984, when eligible for a deferred retirement benefit under Section 5.03 of the Lockheed Retirement Plan for Certain Salaried Employees is not eligible to receive a benefit under this Article IV.

An employee or former employee of Lockheed Martin Corporation and its subsidiaries who:

- (a) is employed by a Lockheed Martin business unit that is not covered by a Qualified Pension Plan, and
- (b) is identified by such business unit as a key employee, and
- (c) at the time of eligibility for benefits is, or for any year during his or her last ten (10) years of service with Lockheed Martin Corporation was, a participant in the Lockheed Martin Corporation Management Incentive Compensation Plan (including the Deferred Management Incentive Compensation Plan of Lockheed Martin Corporation), or any incentive compensation plan of any subsidiary or affiliated corporation of Lockheed Martin Corporation which the Committee determines is a corresponding incentive plan; and
- (d) who has been specifically designated in writing by the Committee as a Participant; and
- (e) who is not eligible for a benefit under Article III of this Plan

2. Amount of Benefit.

A. Normal or Disability Retirement. The benefit payable under this Article IV to a Participant is the amount reasonably determined to be the difference between the Participant's actual benefit under the Lockheed Martin Retirement Plan for Certain Salaried Employees (or such other Qualified Pension Plan as designated by the Committee (the "Designated Qualified Plan") and the benefits that would have been payable under that Plan, subject to the offset below, if:

- (a) the Designated Qualified Plan had determined pensionable earnings on a "mix and match" basis, as defined below;

- (b) the Participant's period of employment service as a Participant with the Company during which period no Credited Service is earned either because the Participant was not in a covered group or because of a limitation on Credited Service under the Qualified Pension, was deemed to be years of Credited Service under the Designated Qualified Pension Plan; and
- (c) the Participant's benefit under the Designated Qualified Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under the Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the highest years of MICP compensation shall be added to the average of the highest years of other pensionable earnings to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

The above benefit (the "Incentive Benefit") shall be offset by the benefits payable on behalf of the Participant under the Lockheed Martin Corporation Capital Accumulation Plan (the "Lockheed Martin CAP") and under the Lockheed Martin Account Balance Retirement Plan ("ABRP"). In calculating the offset, the Participant's total account balance from the Lockheed Martin CAP shall be converted into an annuity using the 1983 Group Annuity Mortality Table and shall be calculated as of the Participant's termination of employment, using the PBGC immediate interest rate for lump sums rate plus 1% and Participant's age on the date of distribution. If the Participant received any prior distributions from the Lockheed Martin CAP, the Incentive Benefit shall be reduced by the annuity value of the prior distribution, using the Lockheed Martin CAP distribution amount, PBGC immediate interest rate for lump sums rate plus 1% and Participant's age on the date of distribution. The Incentive Benefit is then reduced for the amount of the Participant's normal retirement benefit from the ABRP, and then reduced by the Participant's 2004 Grandfathered Benefit, to the extent permissible under Code section 409A.

C. No Duplication. Combined benefits under this Article IV, the Lockheed Martin CAP and the ABRP are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan on a "mix and match" basis, without regard to the limitations of Code section 415 and Code section 401(a)(17), and with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced Incentive Benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan then reduced by the benefit payable from the Lockheed Martin CAP and ABRP, and then reduced by the Participant's 2004 Grandfathered Benefit, to the extent permissible under Code section 409A. The remainder of the benefit shall be paid from this Plan. Participants have no right to duplicate benefits with respect to the same

period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article IV shall be payable to the Participant or Beneficiary or any other person who would be entitled to receive benefits with respect to the Participant under the Designated Qualified Plan.

If the benefits that would be payable under the Designated Qualified Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan.

## ARTICLE V

### PAYMENT OF BENEFITS

1. Vesting. Except as provided in Article VI, and subject to the Company's right to discontinue the Plan as provided in Article VII, a Participant shall have a non-forfeitable interest in benefits payable under this Plan to the same extent as benefits are vested under the applicable Qualified Pension Plan. As provided in Article VI, if a Participant acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

2. Form and Timing of Payment. Except as otherwise provided herein, a Participant may make an initial payment election between an annuity and a lump sum payment under the terms and conditions described in this Section 2. All elections under this Section 2 must be made in the form and manner prescribed by the Senior Vice President, Human Resources. No election made pursuant to this Section 2 may affect a payment due in the same calendar year in which the election is made or accelerate payment into the calendar year in which the election is made.

(a) Regular Form. Unless a Participant has elected a lump sum payment under Section 2(b) of this Article V, benefits under this Plan shall be paid in the form of an annuity. Participants who first become eligible for participation in the Plan after December 16, 2005 shall receive their benefits in the form of an annuity. Benefits paid in a form described in this Section 2(a) shall commence as soon as administratively practicable (but no more than 90 days) following the later of (i) the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). Notwithstanding the foregoing sentence, benefits paid in a form described in this Section 2(a) to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(2)(B)(i), shall not commence before the later of (i) six (6) months following the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of Termination of Employment or attainment of age fifty-five (55), as applicable, and the payment date.

i. Selection of Annuity Form. Prior to his Termination of Employment or attainment of age 55, as applicable, a Participant may elect to receive benefits in any actuarially equivalent annuity form that is available under the applicable Qualified Pension Plan on the date of the Participant's election that has been designated by the Senior Vice President, Human Resources as available for election under this Plan. If the Participant has not validly elected an annuity form before his Termination of Employment or attainment of age 55, as applicable, under this Section 2(a) or a lump sum payment as provided in Section 2(b) of Article V, (i) an unmarried Participant shall be deemed to have elected payment in the form of a monthly annuity for the life of the Participant with no further payments to anyone after his or her death, and (ii) a married Participant shall be deemed to have elected payment in the form of a reduced monthly annuity for the life of the Participant with, after the Participant's death, a 50% survivor annuity for the life of the Participant's spouse. Actuarial adjustments shall be based on the factors set forth in the Qualified Pension Plan.

(b) Lump Sum Option. This Section shall not apply to Participants who first become eligible for participation in the Plan after December 16, 2005. In lieu of the forms described in Section 2(a) of Article V, a Participant may make a one-time initial election to receive a full lump sum payment in an amount which is the Actuarial Equivalent of a monthly annuity for the life of the Participant with no further payments to anyone after his or her death, provided the election is filed with the Company in writing no later than December 31, 2008 (or such other date determined by the Senior Vice President, Human Resources and communicated to Participants) and the Participant's employment has not terminated employment prior to filing the election. For all Participants who elect a lump sum under this Section 2(b), the lump sum payment shall be made six (6) months following the later of (i) the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of Termination of Employment or attainment of age fifty-five (55), as applicable, and the payment date. All elections under this Section (b) must be made in the form and manner prescribed by the Company. Such election shall be irrevocable except as provided in Section 2(e) of Article V.

(c) Cash-out of Small Benefits. Notwithstanding the above, if the Value of the sum of the benefits payable to a Participant or Beneficiary under this Plan does not exceed \$10,000, all such benefits will be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits. For purposes of this Section, Value shall be determined as of the Participant's Termination of Employment or attainment of age fifty-five (55), as applicable, and shall mean the present value of a Participant's or Beneficiary's benefits, excluding the Grandfathered 2004 Benefit, based (i) for terminations prior to January 1, 2008 upon the applicable mortality table and applicable interest rate in Code section 417(e)(3)(ii), or for Terminations of Employment on or after January 1, 2008, upon the applicable mortality table and applicable interest rate under Code section 417(e)(3), as amended by the Pension Protection Act of 2006, for the calendar month preceding the Plan Year in which the Termination of Employment or

attainment of age fifty-five (55) occurs. Notwithstanding the foregoing sentence, benefits paid under this Section 2.c. to a Participant who is reasonably determined by the Company to be a “specified employee” within the meaning of Code section 409A(2)(B)(i), shall not commence before six (6) months following the later of (i) the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of Termination of Employment or attainment of age fifty-five (55), as applicable, and the payment date.

(d) Payment Upon Death or Disability.

i. Death. No other death benefits are provided under this Plan other than as specified in this Section 2.d.i.

A. Pre-Retirement Survivor Benefit. In the event the Participant dies prior to Termination of Employment or the attainment of age fifty-five (55), a pre-retirement survivor benefit will be payable to the Participant’s surviving spouse (if any) (the “Pre-Retirement Survivor Benefit” and the “Surviving Spouse”) in the form elected by the Participant under the terms of the Plan. If the Participant’s benefit was payable in a lump sum, the lump sum shall be the Actuarial Equivalent of a monthly annuity payable for the life of the Surviving Spouse with no further payments to anyone after his or her death. The Pre-Retirement Survivor Benefit shall commence as soon as administratively practicable (but no later than 90 days) following the later of (i) the month in which the Participant dies, or (ii) the month in which the Participant would have attained age fifty-five (55). Notwithstanding the foregoing, with respect to all Participants who validly elected a lump sum under Section 2.b., a lump sum Pre-Retirement Survivor Benefit shall be paid to the Participant’s Surviving Spouse six (6) months following the later of (i) the month in which the Participant dies, or (ii) the month in which the Participant would have attained age fifty-five (55). No Pre-Retirement Survivor Benefit is payable to anyone other than the Participant’s Surviving Spouse.

B. Death After Termination of Employment or Attainment of Age 55. If a Participant who is required to wait six (6) months for a lump sum payment (in accordance with Section 2 of Article V) dies after the Participant’s Termination of Employment or attainment of age fifty-five (55), as applicable, but before payment is made, the lump sum payment shall be made to the Participant’s Beneficiary as administratively practicable (but no later than 90 days) following the death of the Participant.

ii. Disability. Notwithstanding the provisions of this Article V, the benefit of a Disabled Participant who is eligible for a disability pension from the Lockheed Martin Retirement Income Plan or the Lockheed Martin Corporation Retirement Income Plan III shall be paid in the form elected by the Participant under the terms of the Plan as soon as administratively practicable (but no later than 90 days) following the date the Participant is reasonably determined by the Company to be Disabled. For the purposes of this Section 2.d.ii., the terms “Disabled” or “Disability” shall have the meaning set forth in the Lockheed Martin Retirement Income Plan or the Lockheed Martin Corporation Retirement Income Plan III, as applicable, to the extent consistent with the requirements of Code section 409A(a)(2)(C).

(e) Prospective Change of Payment Elections. Participants may elect to change the form of payment of benefits or further delay the commencement of benefits as provided in this Section 2(e). All elections under this Section 2(e) must be made in the form and manner prescribed by the Company. This Section 2(e) does not apply to Surviving Spouses or Beneficiaries. Subject to the provisions of Code section 409A, other changes in the form of benefit, including changes between actuarially equivalent forms of benefit, if any, may be made only as determined by the Senior Vice President, Human Resources, of the Company in accordance with Code section 409A.

- i. Form of Payment. A Participant who has validly elected (or deemed to have elected) payment as an annuity (as described in Section 2(a) of Article V) or has validly elected a lump sum payment (in accordance with Section 2(b) of Article V) may later elect to receive payment in any form (annuity or lump sum) designated by the Senior Vice President, Human Resources, of the Company, provided that such election is made in the form and manner determined by the Senior Vice President, Human Resources not less than twelve (12) months before the date the payment would have first commenced under the Participant’s prior election. In addition, the first payment under the new election must commence no earlier than sixty (60) months from the date when the payment would have first commenced under the Participant’s prior election. Such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company.
- j. ii. Timing of Payment. Regardless of the form of payment, a Participant may elect to delay payment of his benefit provided such election is made in writing in the form and manner determined by the Senior Vice President, Human Resources, not less than twelve (12) months before the date the payment would have first commenced under the Participant’s prior election. In addition, the first payment under the new election must commence no earlier

than sixty (60) months from when the payment would have first commenced under the Participant's prior election. No interest shall be paid between the date of Termination of Employment or attainment of age fifty-five (55), as applicable, and the payment date. Such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company.

f. Notwithstanding the above, for periods prior to January 1, 2009, (or such later date as may be provided by the Internal Revenue Service in guidance of general applicability), the Senior Vice President, Human Resources may provide alternative rules for elections with respect to the commencement of payment and form of payment, provided that such rules conform to Code section 409A and Internal Revenue Service guidance issued thereunder.

g. If a Participant participates in more than one supplemental pension plan sponsored by the Corporation, the Participant must make a single election that shall apply to his or her benefits under all such plans with respect to the form of annuity (under Section 2(a) of this Article 5) and with respect to prospective changes of payment (under Section 2(e) of this Article 5).

3. Deductibility of Payments. Subject to the provisions of Section Code section 409A, in the event that the Company reasonably anticipates that the payment of benefits in accordance with the Participant's election under Section 2 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid under Code section 162(m), the Committee shall have the right to delay the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a delayed distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as the Company reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction will not be barred by Code section 162(m) or upon a Termination of Employment in accordance with Treasury Regulation section 1.409A-2(b)(7)(i), consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company. All scheduled payments under this Plan and any other plan required to be aggregated with this Plan must be delayed in order for such payment to be delayed pursuant to this Section 8.

4. Change of Law. Notwithstanding anything herein to the contrary, if the Committee determines in good faith, based on consultation with counsel and in accordance with the requirements of Code section 409A, that the federal income tax treatment or legal status of this Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the benefits of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

5. Acceleration upon Change in Control. Notwithstanding any other provision of the Plan, the accrued benefit of each Participant shall be one-hundred percent (100%) vested and be distributed in a single lump sum within fifteen (15) calendar days following a “Change in Control.”

For purposes of this Plan, a Change in Control shall include and be deemed to occur upon the following events:

- (a) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company’s then outstanding voting securities entitled to vote in the election of directors of the Company.
- (b) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Company Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).
- (c) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company’s then outstanding securities entitled to vote in the election of directors of the Company.
- (d) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the “Incumbent Directors” shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, “Incumbent Directors” shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).
- (e) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company’s business and/or assets as an entirety to an entity that is not a Company Subsidiary.

Notwithstanding the foregoing, no distribution shall be made solely on account of a Change in Control and prior to the benefit commencement date specified in Section 2 of Article V unless the Change in Control is both an event qualifying for a distribution of deferred compensation under Section 409A(a)(2)(A)(v) of the Code and an event qualifying under this Section 5.

This Section 5 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of benefits under this Plan in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

The Committee may cancel or modify this Section 5 at any time prior to a Change in Control. In the event of a Change in Control, this Section 5 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 5 shall not, for purposes of Section 5, be subject to cancellation or modification during the five year period

6. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. No benefit payments shall be made to the Participant until the withholding obligation for taxes under Code sections 3101(a) and 3101(b) has been satisfied with respect to the Participant.

7. Retiree Medical Withholding. A Participant may direct the Company to withhold from the Participant's benefit payments hereunder all or a portion of the amount that the Participant is required to pay for Company-provided retiree medical coverage.

8. Reemployment. The retirement benefit otherwise payable hereunder to any Participant who previously retired or otherwise had a Termination of Employment and is subsequently reemployed may not be suspended during the Participant's period of reemployment except as permitted under Code section 409A.

9. Mistaken Payments. No Participant or Beneficiary shall have any right to any payment made (1) in error, (2) in contravention to the terms of the Plan, the Code, or ERISA, or (3) because the Committee or its delegates were not informed of any death. The Committee shall have full rights under the law and ERISA to recover any such mistaken payment, and the right to recover attorney's fees and other costs incurred with respect to such recovery. Recovery shall be made from future Plan payments, or by any other available means.

ARTICLE VI

EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Plan be satisfied by payments out of such trust or trusts. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary or transfer of an interest in this Plan to a Participant's spouse, former spouse, or child incident to divorce under a Qualified Domestic Relations Order (which shall be interpreted and administered in accordance with Code sections 414(p)(1)(B) and 409A), provided that the form of payment designated in such order is an annuity as provided in Section 2(a) of Article V.

3. Forfeiture. If, following the date on which a Participant shall retire under this Plan, a Participant shall engage in the operation or management of a business, whether as owner, stockholder, partner, officer, employee, consultant, or otherwise, which at such time is in competition with the Company or any of its subsidiaries, or shall disclose to unauthorized persons information relative to the business of the Company or any of its subsidiaries which the Participant shall have reason to believe is confidential, or otherwise act, or conduct oneself, in a manner which the Participant shall have reason to believe is contrary to the best interest of the Company, or shall be found by the Committee to have committed an act during the term of the Participant's employment which would have justified the Participant being discharged for cause, the Participant's retirement benefit under this Plan shall terminate. Application of this Section will be at the discretion of the Committee.

## ARTICLE VII

### AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's accrued benefit or postponing the time when a Participant is entitled to receive a distribution of his accrued benefit unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and at such times that the Board reasonably determines in its discretion is appropriate and conforms to the requirements of Code section 409A, to pay all Participants their accrued benefits in a lump sum or to make other provisions for the payment of benefits (e.g. purchase of annuities) immediately following such termination or at such time thereafter as the Board may determine.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement with the Company or its subsidiaries to assume all of the obligations of the Company under this Plan with respect to such Participant.

4. Merger. The Board reserves the right to merge all or part of this Plan with or into another plan, provided (1) such other plan preserves all of the obligations of the Company under this Plan with respect to such Participant and (2) each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger (if the Plan had then terminated).

## ARTICLE VIII

### ADMINISTRATION

1. The Committee. This Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and its delegates (including the Claims Administrator) shall have full discretion to construe and interpret the terms and provisions of the Plan, which interpretation or construction shall be final, conclusive and binding on all parties, including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. Notwithstanding anything contained in the Plan or in any document issued under the Plan, it is intended that the Plan will at all times conform to the requirements of Code section 409A and any regulations or other guidance issued thereunder, and that the provisions of

the Plan will be interpreted to meet such requirements. If any provision of the Plan is determined not to conform to such requirements, the Plan shall be interpreted to omit such offending provision.

2. Delegation and Reliance. 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. In making any determination or in taking or not taking any action under this Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. Except as otherwise provided in Section 6, the Committee delegates the authority to adjudicate claims to the Pension Plans Administration Committee. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of the Plan or any Participant's rights under the Plan to achieve intended tax consequences, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee or Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is wholly or partially denied by the Claims Administrator are as follows:

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.
- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under Federal law.

- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review. If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.
- (e) The Claims Administrator shall be the Lockheed Martin Corporation Pension Plan Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. This Plan shall not in any way obligate the Company to continue the employment of a Participant with the Company, nor does this Plan limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan by its terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any benefits accrued under this Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of Pension Plan Services, Human Resource Services. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Plan.

5. Each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Plan.

6. The provisions of this Plan shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this Plan shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This Plan and its operation, including the payment of cash hereunder, is subject to compliance with all applicable Federal and state laws, rules and regulations and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

ARTICLE X

EFFECTIVE DATE

This Plan, including any amendment and restatement of the prior plans, is generally effective December 31, 2010.

This Appendix A shall apply to the portion of a Participant's benefit that accrued and vested on or before December 31, 2004. This Appendix A shall not apply to the portion of a Participant's benefit that accrues or becomes vested on or after January 1, 2005.

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation (the "Plan") are:

- (a) to provide an additional retirement benefit for certain employees whose regular retirement benefits have been limited as a result of employment service at a Lockheed Martin company that does not have a Qualified Pension Plan; and
- (b) to provide the above employees with those benefits that cannot be paid from the tax-qualified plans of Lockheed Martin Corporation and its subsidiaries because of the limitations on contributions and benefits contained in Internal Revenue Code sections 415 and 401(a)(17).

The following plans and predecessor plans are amended, restated and merged to form this Plan, effective July 1, 2004:

- 3. Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation (formerly known as the Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Corporation)
- 4. Incentive Retirement Benefit Plan for Certain Executives of Lockheed Martin Corporation (formerly known as the Incentive Retirement Benefit Plan for Certain Executives of Lockheed Corporation)

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise or the term is defined below, all terms shall be defined in accordance with the Lockheed Martin Corporation Salaried Retirement Program:

- 1. **ACTUARIAL EQUIVALENT** — The Actuarial Equivalent shall mean a benefit which has the equivalent value computed using the interest rate which would be used by the Pension Benefit Guaranty Corporation to determine the present value of an immediate lump sum distribution on termination of a pension plan, as in

effect on first day of the month of termination of employment plus one percent (1%), and the 1983 Group Annuity Mortality Table with sex distinction.

2. **BENEFICIARY** — The person or persons designated by the Participant as his or her beneficiary under the applicable Qualified Pension Plan (or, if the Participant has never been covered under a Qualified Pension Plan, the person or persons designated by the Participant as his or her beneficiary under this Plan on such form as required by the Committee). If no beneficiary is designated under the Qualified Pension Plan or under this Plan, or if no designated beneficiary survives the Participant, the Participant's estate shall be the beneficiary.
3. **BOARD** — The Board of Directors of Lockheed Martin Corporation.
4. **CODE** — The Internal Revenue Code of 1986, as amended.
5. **COMMITTEE** — The committee described in Section 1 of Article VIII.
6. **COMPANY** – Lockheed Martin Corporation and its subsidiaries.
7. **ELIGIBLE EMPLOYEE** — An employee of the Company who meets the eligibility criteria in Section 1 of Article III or Section 1 of Article IV, and who satisfies such additional requirements for participation in this Plan as the Committee may from time to time establish. The Lockheed Martin Pension Plans Administrative Committee (the "Pension Committee") shall interpret the participation requirements established by the Committee for all Participants except elected officers subject to Section 16(b) of the Securities and Exchange Act of 1934. Determinations of participation requirements for elected officers shall be made by the Committee
8. **PARTICIPANT** — An Eligible Employee who meets the requirements for participation contained in Article III or Article IV; the term shall include a former employee and survivors/beneficiaries whose benefit has not been fully distributed. A Participant shall cease to be an active Participant upon termination of employment, when he ceases to be an Eligible Employee, or when he ceases to meet the requirements for participation as amended from time to time.
9. **QUALIFIED PENSION PLAN** — The Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees, the Lockheed Martin Corporation Retirement Income Plan and the Lockheed Martin Corporation Retirement Income Plan III, or any successor plans.
10. **PLAN** — The Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation, or any successor plan.
11. **YEAR** — The calendar year.

ARTICLE III

TRANSFER BENEFITS

1. Eligibility. Benefits pursuant to this Article III are available to employees of the Company who:

- (a) are Members of the Qualified Pension Plan, and
- (b) are transferred to a Participating Company that does not have a Qualified Pension Plan, and
- (c) are identified by such Participating Company as a key employee at the time of such transfer, and
- (d) are designated in writing by the Committee as a Participant in this Plan.

A "Participating Company" is a business unit designated in writing by the Committee as a unit participating in this Plan. A list of Participating Units is set forth in Schedule 1.

2. Amount of Benefit. The benefit that each Participant shall be entitled to receive is the difference between the Participant's actual benefit under the Qualified Pension Plan and the benefits that would have been payable under that Plan, subject to the offset below, if:

- (a) the Qualified Pension Plan had determined pensionable earnings on a "mix and match" basis, as defined below;
- (b) the Participant's period of employment service as a Participant at a Participating Company at which no Credited Service is earned was deemed to be years of Credited Service under the Qualified Pension Plan; and
- (c) the Participant's benefit under the Qualified Pension Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under the Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the three (3) highest years of MICP compensation during the last 10 years shall be added to the average of the three (3) highest years of other pensionable earnings during the last 10 years to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

The above benefit (the "Transfer Benefit") shall be offset by the benefits payable on behalf of the Participant under the Lockheed Martin Corporation Capital Accumulation Plan (the "Lockheed Martin CAP") and under the Lockheed Martin Account Balance Retirement Plan ("ABRP"). In calculating the offset, the Participant's total account balance from the Lockheed Martin CAP shall be converted into an annuity using the 1983 Group Annuity Mortality Table for males and the PBGC interest rate. The benefits payable under the Lockheed Martin CAP shall be calculated as of the Participant's termination of employment, using the Actuarial Equivalent. If the Participant received any prior distributions from the Lockheed Martin CAP, the Transfer Benefit shall be reduced by the annuity value of the prior distribution, using the Lockheed Martin CAP distribution amount, the PBGC interest rate plus 1% and Participant's age on the date of distribution. The Transfer Benefit is then reduced for the amount of the normal retirement benefit from the ABRP.

Combined benefits under this Article III, the Lockheed Martin CAP and the ABRP are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan on a "mix and match" basis, without regard to the limitations of Code section 415 and Code section 401(a)(17), and with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced Transfer Benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan, and then reduced by the benefit payable from the Lockheed Martin CAP and ABRP. The remainder of the benefit shall be paid from this Plan. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article III shall be payable to the Participant or Beneficiary or any other person who is receiving or entitled to receive benefits with respect to the Participant under the Qualified Pension Plan.

If the benefits payable under the Qualified Pension Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan unless the Committee expressly so provides in writing.

ARTICLE IV

INCENTIVE BENEFITS

1. Eligibility. Benefits pursuant to this Article IV are available to the employees described below. However, an employee who terminated employment with Lockheed Corporation prior to January 1, 1984, when eligible for a deferred retirement benefit under Section 5.03 of the Lockheed Retirement Plan for Certain Salaried Employees is not eligible to receive a benefit under this Article IV.

An employee or former employee of Lockheed Martin Corporation and its subsidiaries who:

- (a) is employed by a Lockheed Martin business unit that is not covered by a Qualified Pension Plan, and
- (b) is identified by such business unit as a key employee, and
- (c) at the time of eligibility for benefits is, or for any year during his or her last ten (10) years of service with Lockheed Martin Corporation was, a participant in the Lockheed Martin Corporation Management Incentive Compensation Plan (including the Deferred Management Incentive Compensation Plan of Lockheed Martin Corporation), or any incentive compensation plan of any subsidiary or affiliated corporation of Lockheed Martin Corporation which the Committee determines is a corresponding incentive plan; and
- (d) who has been specifically designated in writing by the Committee as a Participant; and
- (e) who is not eligible for a benefit under Article III of this Plan.

2. Amount of Benefit.

A. Normal or Disability Retirement. The benefit payable under this Article IV to a Participant at normal retirement age is the difference between the Participant's actual benefit under the Lockheed Martin Retirement Plan for Certain Salaried Employees (or such other Qualified Pension Plan as designated by the Committee ( the "Designated Qualified Plan") and the benefits that would have been payable under that Plan, subject to the offset below, if:

- (a) the Designated Qualified Plan had determined pensionable earnings on a "mix and match" basis, as defined below;

- (b) the Participant's period of employment service as a Participant with the Company at which no Credited Service is earned because the Participant was not in a covered group or because of a limitation on Credited Service under the Qualified Pension Plan was deemed to be years of Credited Service under the Designated Qualified Pension Plan; and
- (c) the Participant's benefit under the Designated Qualified Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under the Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the highest years of MICP compensation shall be added to the average of the highest years of other pensionable earnings to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

The above benefit (the "Incentive Benefit") shall be offset by the benefits payable on behalf of the Participant under the Lockheed Martin Corporation Capital Accumulation Plan (the "Lockheed Martin CAP") and under the Lockheed Martin Account Balance Retirement Plan ("ABRP"). In calculating the offset, the Participant's total account balance from the Lockheed Martin CAP shall be converted into an annuity using the 1983 Group Annuity Mortality Table and the PBGC interest rate. The benefits payable under the Lockheed Martin CAP shall be calculated as of the Participant's termination of employment, using the Actuarial Equivalent. If the Participant received any prior distributions from the Lockheed Martin CAP, the Incentive Benefit shall be reduced by the annuity value of the prior distribution, using the Lockheed Martin CAP distribution amount, PBGC immediate interest rate for lump sums rate plus 1% and Participant's age on the date of distribution. The Incentive Benefit is then reduced for the amount of the Participant's normal retirement benefit from the ABRP.

B. Early Retirement. The benefit payable under this Article IV to a Participant who satisfies the Designated Qualified Plan rules for early retirement eligibility as set forth in Article IV of the Qualified Pension Plan or for a deferred monthly retirement benefit in accordance with the rules set forth in Article VIII of the Qualified Pension Plan, whether or not such Participant is a member of the Qualified Pension Plan, shall be calculated in accordance with the provisions of Article V of the Qualified Pension Plan, for early retirement, or Article VIII of the Qualified Pension Plan, for deferred retirement, as applied to the benefit amount calculated in accordance with Paragraph A, above.

C. Pre-Retirement Surviving Spouse Benefit. If a Pre-retirement Surviving Spouse Benefit would have applied had the Participant been eligible to participate in the Designated Qualified Plan, such survivor benefit shall automatically apply to any benefit which he or she may be eligible under this Plan. The survivor benefit shall be adjusted and paid in the same manner as such pension payable under the Designated Qualified Plan would be adjusted and paid on account of such survivor benefit.

Combined benefits under this Article IV, the Lockheed Martin CAP and the ABRP are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan on a "mix and match" basis, without regard to the limitations of Code section 415 and Code section 401(a)(17), and with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced Incentive Benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan, and then reduced by the benefit payable from the Lockheed Martin CAP and ABRP. The remainder of the benefit shall be paid from this Plan. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article IV shall be payable to the Participant or Beneficiary or any other person who would be entitled to receive benefits with respect to the Participant under the Designated Qualified Plan.

If the benefits that would be payable under the Designated Qualified Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan unless the Committee expressly so provides in writing.

## ARTICLE V

### PAYMENT OF BENEFITS

1. Vesting. Except as provided in Article VI, and subject to the Company's right to discontinue the Plan as provided in Article VII, a Participant shall have a non-forfeitable interest in benefits payable under this Plan to the same extent as benefits are vested under the applicable Qualified Pension Plan. As provided in Article VI, if a Participant acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

2. Form of Payment. Benefits shall be paid in the same form at the same times and for the same period as benefits are paid with respect to the Participant under the applicable Qualified Pension Plan, except as provided in the following paragraphs. Actuarial adjustments shall be based on the factors set forth in the Qualified Pension Plan, except as provided in the following paragraphs. If the benefits payable under this Plan correspond to Qualified Pension Plan benefits with multiple commencement dates, each portion of the benefits payable under this Plan shall be paid at the same time as the corresponding portion of the benefits is paid from the Qualified Pension Plan. If a Participant is not entitled to benefits under the Qualified Pension Plan, benefits shall be paid as if the Participant had been a member of the Lockheed Martin Retirement Plan for Certain Salaried Employees (or such other Qualified Retirement Plan as designated by the Committee) and had chosen from among the forms of payment available under such Plan. If an Employee's benefits under the Qualified Pension Plan are suspended for any month in accordance with the re-employment provisions thereof, the Participant's benefit for that month shall likewise be suspended under Articles III and IV of this Plan.

Lump Sum Option. A Participant may irrevocably elect to receive a full or partial single lump sum payment in an amount which is the actuarial equivalent of the benefit described above. The actuarial equivalent will be computed using the Actuarial Equivalent, and with no interest for the period between the date of termination of employment and the payment date. This election must be made within the time period for electing the form of benefit under the corresponding Qualified Pension Plan, by filing a written election in the form and manner prescribed by the Company. Payment will be made six (6) months following the date payments would otherwise begin pursuant to the above paragraph. If a Participant is not entitled to benefits under the Qualified Pension Plan, the Participant may make the election at any time after the Participant would have qualified for early retirement under the Qualified Pension Plan had the Participant been a member of such Plan. Payment will be made six (6) months following the date of such Participant's election.

Pre-Retirement Survivor Benefit. In the event the Participant dies prior to the date his or her retirement has commenced under this Plan and the corresponding Qualified Pension Plan, the pre-retirement survivor benefit payable to the surviving spouse (if any) under this Plan (the "Pre-Retirement Survivor Benefit" and the "Surviving Spouse") will be payable, at the election of the Surviving Spouse, in any of the following forms:

- (a) in the form of a monthly annuity payable to the Surviving Spouse for his lifetime, with no further payments to anyone after his death (which will be referred to as the “Regular Form”);
- (b) in the form of a lump sum payment which is the actuarial equivalent of the Regular Form ( the “100% Lump Sum”), but with actuarial equivalence determined as of the Election Date using the Actuarial Equivalent, and with no interest for the period between the Election Date (or, if later, the date the Participant would have attained age 55 had he survived) and the payment date; or
- (c) in the form of a combined lump sum and life annuity benefit of (x) and (y), where (x) equals a lump sum amount selected by the Surviving Spouse which is less than the 100% Lump Sum and (y) is a monthly single life annuity for the life of Surviving Spouse (with no further payments to anyone after his death) in an amount that can be provided with the difference between (x) and the 100% Lump Sum.

Any election to receive the benefit in the form of a lump sum as set forth in (b) above or a combined lump sum and annuity as set forth in (c) above must be made by the Surviving Spouse no later than 90 days after the date of the Participant’s death or, if later, the date the Participant would have attained age 55 had he survived (with the date such election is made by the Surviving Spouse referred to as the “Election Date”). In the event the Surviving Spouse makes an election for a lump sum or partial lump sum payment within this period, payment will not be made to the Surviving Spouse until six months after the Election Date (or, if later, six months after the date the benefit would otherwise be payable under this Plan).

Cash-out of Small Benefits. Notwithstanding the above, if the Value of the sum of the benefits payable to a Participant or Beneficiary under this Plan does not exceed the amount that may be distributed without consent under Section 411(a)(11) of the Code, all such benefits will be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits. For purposes of this Section, Value shall be determined as of the Participant’s termination of employment, and shall mean the present value of a Participant’s or Beneficiary’s benefits based upon the applicable mortality table and applicable interest rate in Code section 417(e)(3)(ii) for the calendar month preceding the Plan Year in which the termination of employment occurs.

3. Deductibility of Payments. In the event that the payment of benefits under Section 2 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the form and timing of distributions as necessary to maximize the Company’s tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the payment method described in Section 2, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant’s accrued benefit under

this Plan or to pay aggregate benefits less than the Participant's accrued benefit in the event that all or a portion thereof would not be deductible by the Company.

4. Change of Law. Notwithstanding anything to the contrary herein, if the Committee determines in good faith, based on consultation with counsel, that the federal income tax treatment or legal status of this Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the benefits of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

5. Acceleration upon Change in Control.

Notwithstanding any other provision of the Plan, the accrued benefit of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

For purposes of this Plan, a Change in Control shall include and be deemed to occur upon the following events:

- (a) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.
- (b) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).
- (c) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.
- (d) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a

contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).

- (e) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

This Section 5 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of benefits under this Plan in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

The Committee may cancel or modify this Section 5 at any time prior to a Change in Control. In the event of a Change in Control, this Section 5 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 5 shall not, for purposes of Section 5, be subject to cancellation or modification during the five year period

6. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. No benefit payments shall be made to the Participant until the withholding obligation for taxes under Code sections 3101(a) and 3101(b) has been satisfied with respect to the Participant.

7. Retiree Medical Withholding. A Participant may direct the Company to withhold from the Participant's benefit payments hereunder all or a portion of the amount that the Participant is required to pay for Company-provided retiree medical coverage.

8. Reemployment. The retirement benefit otherwise payable hereunder to any Participant who previously retired or otherwise had a Termination of Employment and is subsequently reemployed shall be treated in a manner consistent with the treatment of the benefit under the applicable Qualified Pension Plan or Designated Qualified Plan.

9. Mistaken Payments. No Participant or Beneficiary shall have any right to any payment made (1) in error, (2) in contravention to the terms of the Plan, the Code, or ERISA, or (3) because the Committee or its delegates were not informed of any death. The Committee shall have full rights under the law and ERISA to recover any such mistaken payment, and the right to recover attorney's fees and other costs incurred with respect to such recovery. Recovery shall be made from future Plan payments, or by any other available means.

ARTICLE VI

EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Plan be satisfied by payments out of such trust or trusts. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary or transfer of an interest in this Plan to a Participant's former spouse incident to divorce under a Qualified Domestic Relations Order.

3. Forfeiture. If, following the date on which a Participant shall retire under this Plan, a Participant shall engage in the operation or management of a business, whether as owner, stockholder, partner, officer, employee, consultant, or otherwise, which at such time is in competition with the Company or any of its subsidiaries, or shall disclose to unauthorized persons information relative to the business of the Company or any of its subsidiaries which the Participant shall have reason to believe is confidential, or otherwise act, or conduct oneself, in a manner which the Participant shall have reason to believe is contrary to the best interest of the Company, or shall be found by the Committee to have committed an act during the term of the Participant's employment which would have justified the Participant being discharged for cause, the Participant's retirement benefit under this Plan shall terminate. Application of this Section will be at the discretion of the Committee.

## ARTICLE VII

### AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's accrued benefit or postponing the time when a Participant is entitled to receive a distribution of his accrued benefit unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their accrued benefits in a lump sum or to make other provisions for the payment of benefits (e.g. purchase of annuities) immediately following such termination or at such time thereafter as the Board may determine.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement with the Company or its subsidiaries to assume all of the obligations of the Company under this Plan with respect to such Participant.

4. Merger. The Board reserves the right to merge all or part of this Plan with or into another plan, provided (1) such other plan preserves all of the obligations of the Company under this Plan with respect to such Participant and (2) each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger (if the Plan had then terminated).

## ARTICLE VIII

### ADMINISTRATION

1. The Committee. This Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and its delegates (including the Claims Administrator) shall have full discretion to construe and interpret the terms and provisions of the Plan, which interpretation or construction shall be final, conclusive and binding on all parties, including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. Except as otherwise provided in Section 6, the Committee delegates the authority to adjudicate claims to the Pension Plans Administrative Committee.

2. Delegation and Reliance. 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. In making any determination or in taking or not taking any action under this Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of the Plan or any Participant's rights under the Plan to achieve intended tax consequences, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee and the Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is wholly or partially denied by Claims Administrator are as follows:

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.
- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.

- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached,
- (e) The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.
- (f) In the event that the Claims Administrator must make a determination of disability in order to decide a claim, the Claims Administrator shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The Claims Administrator shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.
- (g) For purposes of this Section 6, claimant shall include the duly authorized representative of claimant, if any.
- (h) The Claims Administrator shall be the Lockheed Martin Corporation Pension Plan Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

#### ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. This Plan shall not in any way obligate the Company to continue the employment of a Participant with the Company, nor does this Plan limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan by its terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any benefits accrued under this Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of Pension Plan Operations, Human Resource Services. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Plan.

5. Each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Plan.

6. The provisions of this Plan shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this Plan shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This Plan and its operation, including the payment of cash hereunder, is subject to compliance with all applicable Federal and state laws, rules and regulations and such other

approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

ARTICLE X

EFFECTIVE DATE

This Plan, including any amendment and restatement of the prior plans, is generally effective July 1, 2004.

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

LOCKHEED MARTIN CORPORATION  
SUPPLEMENTAL SAVINGS PLAN

(Amended and Restated as of February 23, 2011)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Supplemental Savings Plan (the “Supplemental Savings Plan” or “Plan”) are to provide certain key management employees of Lockheed Martin Corporation and its Subsidiaries (as such term is defined herein) (the “Company”) the opportunity to defer compensation that cannot be contributed under the Lockheed Martin Salaried Corporation Savings Plan (the “Qualified Savings Plan”) because of the limitation of Code section 402(g), and to provide those employees with matching credits equal to the matching contributions that would have been made by the Company on their behalf under the Qualified Savings Plan if the amounts deferred had been contributed to the Qualified Savings Plan.

The Plan was amended and restated, effective January 1, 2005, in order to comply with the requirements of Code section 409A. The 2005 amendment and restatement of the Plan, as further amended and restated from time to time, applies only to the portion of a Participant’s Account Balance (and any earnings or losses attributable to those amounts) that is deferred or becomes vested on or after January 1, 2005. Notwithstanding anything to the contrary herein, the portion of a Participant’s Account Balance that was deferred and vested prior to January 1, 2005 (and any earnings or losses attributable to those amounts) shall be governed by the terms of the Plan in effect on December 31, 2004, which is attached hereto as Appendix A.

Since 2005, the Plan has been amended and restated from time to time to provide for the treatment of Roth 401(k) contributions, to make installment distribution options consistent among the nonqualified plans sponsored by the Company, to clarify additional provisions in accordance with the final Treasury regulations issued under Code section 409A, to modify the eligibility provisions of the plan, and to make other administrative clarifications. The Plan was amended and restated, effective November 15, 2010, to eliminate deferrals under the Plan based on Compensation in excess of the limitations of Code section 401(a)(17) or 415(c)(1)(A) and to clarify additional provisions in accordance with the final Treasury regulations issued under Code section 409A. The Plan is hereby amended and restated to make distribution options consistent among the nonqualified plans sponsored by the Company.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, the following words and phrases shall have the meanings hereinafter indicated:

1. ACCOUNT — The bookkeeping account maintained by the Company for each Participant which is credited with the Participant's Deferred Compensation, Matching Credits, and earnings (or losses) attributable to the Investment Options selected by the Participant, and which is debited to reflect distributions. The portions of a Participant's Account allocated to different Investment Options will be accounted for separately.
2. ACCOUNT BALANCE — The total amount credited to a Participant's Account at any time, including the portions of the Account allocated to each Investment Option.
3. BENEFICIARY — The person or persons designated by the Participant as his or her beneficiary under the Qualified Savings Plan.
4. BOARD — The Board of Directors of Lockheed Martin Corporation.
5. CODE — The Internal Revenue Code of 1986, as amended.
6. COMMITTEE — The committee described in Section 1 of Article IX.
7. COMPANY — Lockheed Martin Corporation and its Subsidiaries (as such term is defined herein).
8. COMPANY STOCK INVESTMENT OPTION — The Investment Option under which the Participant's Account is credited as if invested under the investment option in the Qualified Savings Plan for the common stock of the Company.
9. COMPENSATION — An employee's base salary from the Company, as defined in the Qualified Savings Plan.
10. DEFERRAL AGREEMENT — The written agreement executed by an Eligible Employee on the form provided by the Company under which the Eligible Employee elects to defer Compensation for a Year in accordance with Article III.
11. DEFERRED COMPENSATION — The amount of Compensation deferred and credited to a Participant's Account under the Supplemental Savings Plan.
12. ELIGIBLE EMPLOYEE –
  - (a) A salaried employee:

(i) who is eligible to participate in the Qualified Savings Plan as of the thirtieth (30th) day preceding the last day on which a Deferral Agreement may be made for a Year, and

(ii) (a) who is a participant in the Lockheed Martin Corporation Management Incentive Compensation Plan as of November 1 of the Year preceding the Year for which a Deferral Agreement is to take effect, or

(b) whose annual rate of Compensation equals or exceeds \$200,000 (increased by \$5,000 for each Year after 2009 for employees who have no Deferral Agreement in effect) as of November 1 of the Year preceding the Year for which a Deferral Agreement is to take effect, and

(iii) who satisfies such additional requirements for participation in this Supplemental Savings Plan as the Committee may from time to time establish. In the exercise of its authority under this provision, the Committee shall limit participation in the Plan to employees whom the Committee believes to be a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended. For example, the Committee may limit participation in the Plan to employees who are engaged full-time in activities related to the management of the Corporation or its Subsidiaries, affiliates, programs, or employees.

(b) Notwithstanding Article II, section 12(a)(ii)(b) above, an employee who was an active Participant in the Plan in 2009, shall remain an Eligible Employee on November 1, 2009 (and November 1 of each succeeding year), provided that (a) his or her annual rate of Compensation on November 1, 2009 (and November 1 of each succeeding year) equals or exceeds \$150,000, (b) he or she continues to participate in the Plan for each Year after 2009, and (c) he or she satisfies section (iii) above (hereinafter referred to as "grandfathered Participants"). If such a grandfathered Participant cancels his or her Deferral Agreement for any Year after 2009, such grandfathered Participant shall no longer be an Eligible Employee until such time as he or she has satisfied Article II, section 12(a)(i), (ii), and (iii) above.

13. EXCHANGE ACT — The Securities Exchange Act of 1934.

14. INVESTMENT OPTION — A measure of investment return pursuant to which Deferred Compensation credited to a Participant's Account shall be further credited with earnings (or losses). The Investment Options available under this Supplemental Savings Plan shall correspond to the investment options available under the Qualified Savings Plan (other than the ESOP Fund or the Self-Managed Account, which are not available under this Plan).

15. MATCHING CREDIT — Any amount credited to a Participant's Account under Article IV.

16. PARTICIPANT — An Eligible Employee for whom Compensation has been deferred under this Supplemental Savings Plan; the term shall include a current or former employee whose Account Balance has not been fully distributed.

17. QUALIFIED SAVINGS PLAN — The Lockheed Martin Corporation Salaried Savings Plan or any successor plan.

18. SECTION 16 PERSON — A Participant who at the relevant time is subject to the reporting and short-swing liability provisions of Section 16 of the Exchange Act.

19. TERMINATION OF EMPLOYMENT — A separation from service as such term is defined in Code section 409A and the regulations thereunder.

20. SUBSIDIARY — As to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporation), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

21. SUPPLEMENTAL SAVINGS PLAN — The Lockheed Martin Corporation Supplemental Savings Plan, which was originally adopted by the Board of Directors of Lockheed Corporation, effective January 1, 1984, as the Lockheed Corporation Supplemental Savings Plan, and which was amended and restated (and re-named) pursuant to action of the Board on July 25, 1996, and as further amended from time to time.

22. YEAR — The calendar year.

ARTICLE III

ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections. An Eligible Employee may elect to defer Compensation for a Year by executing and delivering to the Company a Deferral Agreement by the deadline established by the Committee or its delegate (no later than the end of the immediately preceding Year). An Eligible Employee's Deferral Agreement shall be irrevocable when delivered to the Company and shall remain irrevocably in effect for all succeeding Years, except that the Deferral Agreement may be modified or revoked with respect to any succeeding Year by the Eligible Employee's execution and delivery to the Company of a new or modified Deferral Agreement by the deadline established by the Committee or its delegate (no later than the end of the Year immediately preceding such succeeding Year).

2. Amount of Deferred Compensation. Unless an Eligible Employee elects to make no deferral for a Year, the Eligible Employee's Deferred Compensation for a Year shall equal (i) his or her Compensation from the time when his or her Deferral Agreement takes effect during the Year (as specified under Section 3 of this Article III) until the last day of the Year, multiplied by (ii) the percentage of Compensation that the Eligible Employee has elected to contribute to the Qualified Savings Plan (whether in the form of pre-tax salary reduction contributions, Roth 401(k) contributions, after-tax contributions, or a combination thereof) for that Year. An Eligible Employee who has elected to make a deferral for a Year under this Supplemental Savings Plan shall be precluded from modifying his or her rate of contributions to the Qualified Savings Plan for that Year after the date on which his or her Deferral Agreement for that Year (including any continuing Deferral Agreement) has become irrevocable under Section 1 of this Article III.

3. Time when Deferral Agreement Takes Effect. The Eligible Employee's Deferral Agreement shall take effect with respect to Compensation for a Year after the Eligible Employee's pre-tax salary reduction contributions and/or Roth 401(k) contributions, if applicable, under the Qualified Savings Plan for such Year equal the applicable limit under Code section 402(g). An Eligible Employee's Deferral Agreement shall first take effect and apply to that portion of Compensation for a Year earned by the Eligible Employee for a particular payroll period that exceeds the amount at which, or with respect to which, the triggering event occurs.

ARTICLE IV

MATCHING CREDITS

The Company shall credit to the Account of a Participant as Matching Credits the same percentage of the Participant's Deferred Compensation as it would have contributed as matching contributions to the Qualified Savings Plan if the amount of the Participant's Deferred Compensation had been contributed as pre-tax salary reduction, Roth 401(k), or after-tax contributions to the Qualified Savings Plan.

## ARTICLE V

### CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Deferred Compensation shall be credited to a Participant's Account as of the day on which such amount would have been credited to the Participant's account under the Qualified Savings Plan if the Participant's Deferred Compensation had been contributed as pre-tax salary reduction, Roth 401(k), or after-tax contributions to the Qualified Savings Plan.

2. Crediting of Matching Credits. Matching Credits shall be credited to a Participant's Account as of the day on which the Deferred Compensation to which they relate is credited under Section 1.

3. Crediting of Earnings. Earnings (or losses) shall be credited to a Participant's Account based on the Investment Option or Options to which his or her Account has been allocated, beginning with the day as of which any amounts (or any reallocation of amounts) are credited to the Participant's Account. Any amount distributed from a Participant's Account shall be credited with earnings (or losses) through the date that is four (4) business days before the date on which the distribution is made. The manner in which earnings (or losses) are credited under each of the Investment Options shall be determined in the same manner as under the Qualified Savings Plan.

4. Selection of Investment Options. A Participant may elect to allocate his or her Account among the Investment Options available under the Qualified Savings Plan (other than the options designated as the ESOP Fund or the Self-Managed Account). The procedures for directing allocations and reallocations among the Investment Options in the Supplemental Savings Plan (including the procedures relating to timing, frequency, amount, and the investment of Matching Credits) shall be the same as the procedures for making allocations under the Qualified Savings Plan. In the event a Participant does not make an investment allocation for the Supplemental Savings Plan, his elections will be deemed to be the elections made by the Participant in the Qualified Savings Plan (except that an election for the ESOP Fund or the Self-Managed Account shall be disregarded, and such amounts shall be allocated to the default investment option applicable to the Qualified Savings Plan until reallocated by the Participant).

## ARTICLE VI

### PAYMENT OF BENEFITS

1. General. The Company's liability to pay benefits to a Participant or Beneficiary under this Supplemental Savings Plan shall be measured by and shall in no event exceed the Participant's Account Balance, which shall be fully vested and nonforfeitable at all times. All benefit payments shall be made in cash and, except as otherwise provided, shall reduce allocations to the Investment Options in the same proportions that the Participant's Account Balance is allocated among those Investment Options.

2. Commencement of Payment. The payment of benefits to a Participant shall

commence as soon as administratively feasible (but no more than 90 days) following the Participant's Termination of Employment with the Company. Notwithstanding the foregoing, benefits paid under this Plan to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(a)(2)(B)(i), shall not commence before six (6) months following the month in which the Participant terminates employment.

3. Form of Payment. At the time an Eligible Employee first completes a Deferral Agreement, he or she shall elect the form of payment of his or her Account Balance from among the following options:

(a) A lump sum.

(b) Annual payments, as designated by the Participant for a period not to exceed 25 years (or 25 annual payments). The amount of each annual payment shall be determined by dividing the Participant's Account Balance on the date such payment is processed by the number of years remaining in the designated installment period.

Such election shall be irrevocable except as provided in Section 4 of this Article 6. Such election shall be made in writing in the form and manner designated by the Company. Notwithstanding the foregoing, if the Account Balance of a Participant who is entitled to begin payment equals \$10,000 or less, the Participant's Account Balance shall be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits.

4. Prospective Change of Payment Election.

(a) A Participant may modify his or her payment election at the time the Participant enters into a Deferral Agreement for a Year. Any such modification shall apply to all amounts credited to the Participant's Account under this Supplemental Savings Plan.

(b) In the event a Participant does not make a valid election with respect to the form of benefit, the Participant will be deemed to have elected that payment of benefits be made in a lump sum.

(c) A Participant's election (including a "deemed election" in accordance with the preceding paragraph) shall remain in effect unless and until such election is modified by a subsequent election in accordance with (d) below.

(d) Notwithstanding anything to the contrary in this Article VI, a Participant may make a new election with respect to the commencement of payment and form of payment. A new election under this section shall be made by executing and delivering to the Company an election in such form as prescribed by the Company. To constitute a valid election by a Participant making a prospective change to a previous election, (i) the prospective election must be executed and delivered to the Company at least twelve (12) months before the Participant's Termination of Employment, and (ii) the first payment must be delayed by at least sixty (60) months from the date the first payment would be due under the Participant's previous election, and (iii) such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company. In the event an election fails to satisfy

the provisions set forth in this paragraph, such election shall be void and, if such an election is void, payment shall be made in accordance with the most recent election which was valid.

(e) Notwithstanding the above, for periods prior to January 1, 2009 (or such later date as may be provided by the Internal Revenue Service in guidance of general applicability), the Senior Vice President, Human Resources may provide alternative rules for elections with respect to the commencement of payment and form of payment that conform to the rules provided in Notice 2005-1, and subsequent Internal Revenue Service guidance providing transition relief under Code section 409A.

5. Death Benefits. Upon the death of a Participant before a complete distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in an immediate lump sum. Such lump sum shall be paid as soon as administratively practicable (but no later than 90 days) after the death of the Participant.

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's form of payment election under Section 3 of this Article VI, if, following a Participant's termination of employment with the Company, the Participant takes a position (or accepts a position) with a governmental entity, agency, or instrumentality and that employer has determined or indicated that the Participant's continued participation in the Plan may constitute a conflict of interest precluding the Participant from continuing in his position (or from accepting an offered position) with that employer or subjecting the Participant to penalty, sanction, or otherwise limiting the Participant's responsibilities for that employer, then, to the extent reasonably necessary, the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical (but no later than 90 days) following the later of (i) the date on which the Participant commences employment with the government employer; or (ii) the date on which it is determined that the conflict of interest may exist; provided, however, that if a distribution in accordance with the provisions of this Section 6 from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to such Section 16 Person shall be delayed until the earliest date upon which the Company reasonably anticipates that 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. This Section 6 of Article VI shall apply, however, only to the extent that the accelerated payment upon a conflict of interest determination conforms to Code section 409A.

7. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of this Supplemental Savings Plan, the Account Balance of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

(b) For purposes of this Supplemental Savings Plan, a Change in Control shall include and be deemed to occur upon the following events:

(1) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.

(2) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not the Company's Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).

(3) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

(4) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).

(5) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Company Subsidiary.

Notwithstanding the foregoing, no distribution shall be made solely on account of a Change in Control and prior to the benefit commencement date specified in Section 2 of Article VI unless the Change in Control is an event qualifying for a distribution of deferred compensation under both the definition of Change in Control in this Plan and in Section 409A(a)(2)(A)(v) of the Code.

(c) Notwithstanding the provisions of Section 7(a), if a distribution in accordance with the provisions of Section 7(a) would result in a nonexempt transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(d) This Section 7 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of an Account Balance in any transaction involving the Company's sale, liquidation, merger, or other disposition of any Company Subsidiary.

(e) The Committee may cancel or modify this Section 7 at any time prior to a Change in Control. In the event of a Change in Control, this Section 7 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 7 shall not, for purposes of Section 7, be subject to cancellation or modification during the five year period.

8. Deductibility of Payments. Subject to the provisions of Code section 409A, in the event that the Company reasonably anticipates that the payment of benefits in accordance with the Participant's election under Section 3 of this Article VI would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid under Code section 162(m), the Committee shall have the right to delay the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a delayed distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts that the Company reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction will not be barred by Code section 162(m) or upon a Termination of Employment in accordance with Treasury Regulation section 1.409A-2(b)(7)(i), consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company. All scheduled payments under this Plan and any other plan of deferred compensation that would be aggregated with this Plan must be delayed in order for any such payment to be delayed pursuant to this Section 8.

9. Change of Law. Notwithstanding anything herein to the contrary, if the Committee determines in good faith, based on consultation with counsel and in accordance with the requirements of Code section 409A, that the Federal income tax treatment or legal status of this Supplemental Savings Plan has or may be adversely affected by a change in the Internal Revenue Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the Accounts of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

10. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any amounts credited to a Participant's Account hereunder, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. However, the amount of Deferred Compensation or Matching Credits to be credited to a Participant's Account will not be reduced or adjusted by the amount of any tax that the Company is required to withhold with respect thereto.

## ARTICLE VII

### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Supplemental Savings Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Supplemental Savings Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Supplemental Savings Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422 (generally known as a "rabbi trust"), and the Company may direct that its obligations under this Supplemental Savings Plan be satisfied by payments out of such trust or trusts. It is the Company's intention that this Supplemental Savings Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary. Notwithstanding, any portion of a Participant's benefit under this Plan may be paid to a spouse, former spouse, or child pursuant to the terms of a domestic relations order (which shall be interpreted and administered in accordance with Code sections 414(p)(1)(B) and 409A), provided that the form of payment designated in such order is a lump sum payment described in Section 3(a) of Article VI of this Plan.

## ARTICLE VIII

### AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Supplemental Savings Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's Account Balance or postponing the time when a Participant is entitled to receive a distribution of his or her Account Balance.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their Account Balances in any form and at such times that the Board reasonably determines in its discretion is appropriate and conforms to the requirements of Code section 409A; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

ARTICLE IX

ADMINISTRATION

1. The Committee. This Supplemental Savings Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this Supplemental Savings Plan to comply with the requirements of Rule 16b-3 of the Exchange Act. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and the Claims Administrator shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee or the Claims Administrator shall be final and binding on all parties. Notwithstanding anything contained in the Plan or in any document issued under the Plan, it is intended that the Plan will at all times conform to the requirements of Code section 409A and any regulations or other guidance issued thereunder, and that the provisions of the Plan will be interpreted to meet such requirements. If any provision of the Plan is determined not to conform to such requirements, the Plan shall be interpreted to omit such offending provision.

2. Delegation and Reliance. 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 Supplemental Savings Plan in accordance with its terms and purpose, except that the Committee has not delegated (and may not delegate) any authority the delegation of which would cause this Supplemental Savings Plan to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this Supplemental Savings Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Supplemental Savings Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Supplemental Savings Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Supplemental Savings Plan or for the failure of the Supplemental Savings Plan or any Participant's rights under the Supplemental Savings Plan to achieve intended tax consequences, to qualify for exemption or relief under Section 16 of the Exchange Act and the rules thereunder, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in

accordance with this Section shall completely discharge the Company and the Committee (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee or the Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is wholly or partially denied by Claims Administrator are as follows:

(a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.

(b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.

(c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under Federal law.

(d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.

(e) If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.

(f) The Claims Administrator shall be the Lockheed Martin Corporation Savings Plan Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

## ARTICLE X

### GENERAL AND MISCELLANEOUS PROVISIONS

1. Neither this Supplemental Savings Plan nor a Participant's Deferral Agreement, either singly or collectively, shall in any way obligate the Company to continue the employment of a Participant with the Company, nor does either this Supplemental Savings Plan or a Deferral Agreement limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan or a Deferral Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan or a Deferral Agreement, either singly or collectively, by their terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any amount credited to a Participant's Account under this Supplemental Savings Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of the Senior Vice President, Human Resources. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Supplemental Savings Plan.

5. By electing to become a Participant hereunder, each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Supplemental Savings Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Supplemental Savings Plan.

6. The provisions of this Supplemental Savings Plan and the Deferral Agreements hereunder shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this Supplemental Savings Plan shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this Supplemental Savings Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This Supplemental Savings Plan and its operation, including but not limited to, the mechanics of deferral elections, the issuance of securities, if any, or the payment of cash hereunder is subject to compliance with all applicable Federal and state laws, rules and regulations (including but not limited to state and Federal insider trading, registration, reporting and other securities laws) and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

10. This Supplemental Savings Plan is intended to constitute an "excess benefit plan" within the meaning of Rule 16b-3(b)(2) under the Securities Exchange Act of 1934, and it shall be construed and applied accordingly. It is the intent of the Company that this Supplemental

Savings Plan satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this Supplemental Savings Plan would otherwise frustrate or conflict with the intent expressed in this Section 10, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the Supplemental Savings Plan to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed ineffective. Notwithstanding anything to the contrary in this Supplemental Savings Plan, the provisions of this Supplemental Savings Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Supplemental Savings Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Supplemental Savings Plan to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the provisions of Section 16 of the Exchange Act or the provisions of the Supplemental Savings Plan designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

ARTICLE XI

EFFECTIVE DATE

This amendment and restatement of the Supplemental Savings Plan shall generally become effective on February 23, 2011. Subsequent amendments to the Supplemental Savings Plan are effective as of the date stated in the amendment or the adopting resolution.

APPENDIX A

This Appendix A shall apply only to the portion of a Participant's Account Balance (and any earnings or losses attributable to those amounts) that was deferred and vested prior to January 1, 2005. This Appendix A shall not apply to the portion of a Participant's Account Balance that is deferred or becomes vested on or after January 1, 2005 (and any earnings or losses attributable to those amounts).

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Supplemental Savings Plan (the "Supplemental Savings Plan") are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") the opportunity to defer compensation that cannot be contributed under the Lockheed Martin Salaried Savings Program (the "Qualified Savings Plan") because of the limitations of Code section 401(a)(17), 402(g), or 415(c)(1)(A), and to provide those employees with matching credits equal to the matching contributions that would have been made by the Company on their behalf under the Qualified Savings Plan if the amounts deferred had been contributed to the Qualified Savings Plan.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, the following words and phrases shall have the meanings hereinafter indicated:

1. ACCOUNT — The bookkeeping account maintained by the Company for each Participant which is credited with the Participant's Deferred Compensation, Matching Credits, and earnings (or losses) attributable to the Investment Options selected by the Participant, and which is debited to reflect distributions. The portions of a Participant's Account allocated to different Investment Options will be accounted for separately.
2. ACCOUNT BALANCE — The total amount credited to a Participant's Account at any time, including the portions of the Account allocated to each Investment Option.
3. BENEFICIARY — The person or persons designated by the Participant as his or her beneficiary under the Qualified Savings Plan.
4. BOARD — The Board of Directors of Lockheed Martin Corporation.
5. CODE — The Internal Revenue Code of 1986, as amended.
6. COMMITTEE — The committee described in Section 1 of Article IX.

7. COMPANY — Lockheed Martin Corporation and its subsidiaries.

8. COMPANY STOCK INVESTMENT OPTION — The Investment Option under which the Participant's Account is credited as if invested under the investment option in the Qualified Savings Plan for the common stock of the Company.

9. COMPENSATION — An employee's base salary from the Company, as defined in the Qualified Savings Plan.

10. DEFERRAL AGREEMENT — The written agreement executed by an Eligible Employee on the form provided by the Company under which the Eligible Employee elects to defer Compensation for a Year.

11. DEFERRED COMPENSATION — The amount of Compensation deferred and credited to a Participant's Account under the Supplemental Savings Plan for a Year.

12. ELIGIBLE EMPLOYEE — A salaried employee who is eligible to participate in the Qualified Savings Plan as of the thirtieth (30th) day preceding the last day on which a Deferral Agreement may be made for a Year, and whose annual rate of Compensation equals or exceeds \$150,000 as of November 1 of the Year preceding the Year for which a Deferral Agreement is to take effect, and who satisfies such additional requirements for participation in this Supplemental Savings Plan as the Committee may from time to time establish. In the exercise of its authority under this provision, the Committee shall limit participation in the Plan to employees whom the Committee believes to be a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.

13. EXCHANGE ACT — The Securities Exchange Act of 1934.

14. INVESTMENT OPTION — A measure of investment return pursuant to which Deferred Compensation credited to a Participant's Account shall be further credited with earnings (or losses). The Investment Options available under this Supplemental Savings Plan shall correspond to the investment options available under the Qualified Savings Plan.

15. MATCHING CREDIT — Any amount credited to a Participant's Account under Article IV.

16. PARTICIPANT — An Eligible Employee for whom Compensation has been deferred under this Supplemental Savings Plan; the term shall include a former employee whose Account Balance has not been fully distributed.

17. QUALIFIED SAVINGS PLAN — The Lockheed Martin Salaried Savings Plan or any successor plan.

18. SECTION 16 PERSON — A Participant who at the relevant time is subject to the reporting and short-swing liability provisions of Section 16 of the Exchange Act.

19. SUPPLEMENTAL SAVINGS PLAN — The Lockheed Martin Corporation Supplemental Savings Plan, which was originally adopted by the Board of Directors of Lockheed Corporation, effective January 1, 1984, as the Lockheed Corporation Supplemental Savings Plan, and which has been amended and restated (and re-named) pursuant to action of the Board on July 25, 1996, and as further amended from time to time.

20. YEAR — The calendar year.

### ARTICLE III

#### ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections. An Eligible Employee may elect to defer Compensation for a Year by executing and delivering to the Company a Deferral Agreement no later than November 30 of the preceding Year. An Eligible Employee's Deferral Agreement shall be irrevocable when delivered to the Company and shall remain irrevocably in effect for all succeeding Years, except that the Deferral Agreement may be modified or revoked with respect to any succeeding year by the Eligible Employee's execution and delivery to the Company of a new or modified Deferral Agreement on or before November 30 of such succeeding Year. Notwithstanding the foregoing, deferral elections for the 1997 Year may be made as late as February 28, 1997, in recognition of the fact that the right to enter into Deferral Agreements for the 1997 Year has generally been suspended pending the distribution of prospectuses for the Plan, as amended and restated; provided, however, no Deferral Agreement for the 1997 Year shall take effect, or apply to Compensation earned, before the date that the Eligible Employee's Deferral Agreement is executed and delivered to the Company.

2. Amount of Deferred Compensation. Unless an Eligible Employee elects to make no deferral for a Year, the Eligible Employee's Deferred Compensation for a Year shall equal (i) his or her Compensation from the time when his or her Deferral Agreement takes effect during the Year (as elected under Section 3 of this Article III) until the last day of the Year, multiplied by (ii) the percentage of Compensation that the Eligible Employee has elected to contribute to the Qualified Savings Plan (whether in the form of pre-tax salary reduction contributions, after-tax contributions, or a combination thereof) for that Year. An Eligible Employee who has elected to make a deferral for a Year under this Supplemental Savings Plan shall be precluded from modifying his or her rate of contributions to the Qualified Savings Plan for that Year after the date on which his or her Deferral Agreement for that Year (including any continuing Deferral Agreement) has become irrevocable under Section 1 of this Article III.

3. Time when Deferral Agreement Takes Effect. The Eligible Employee may elect to have his or her Deferral Agreement take effect after the occurrence of either of the following triggering events:

(a) the Eligible Employee's pre-tax salary reduction contributions under the Qualified Savings Plan for the Year equal the applicable limit under Code section 402(g), or

(b) the Compensation paid to the Eligible Employee for the Year equals the applicable compensation limit under Code section 401(a)(17), or, if earlier, the annual additions (within the meaning of Code section 415(c)(2)) of the Eligible Employee for the Year under the Qualified Savings Plan and any other plan maintained by the Company equal the applicable limit under Code section 415(c)(1)(A).

An Eligible Employee's Deferral Agreement shall first take effect and apply to that portion of Compensation earned by the Eligible Employee for a particular payroll period that exceeds the amount at which, or with respect to which, the triggering event occurs.

#### ARTICLE IV

##### MATCHING CREDITS

The Company shall credit to the Account of a Participant as Matching Credits the same percentage of the Participant's Deferred Compensation as it would have contributed as matching contributions to the Qualified Savings Plan if the amount of the Participant's Deferred Compensation had been contributed as pre-tax salary reduction or after-tax contributions to the Qualified Savings Plan.

#### ARTICLE V

##### CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Deferred Compensation shall be credited to a Participant's Account as of the day on which such amount would have been credited to the Participant's account under the Qualified Savings Plan if the Participant's Deferred Compensation had been contributed as pre-tax salary reduction or after-tax contributions to the Qualified Savings Plan.

2. Crediting of Matching Credits. Matching Credits shall be credited to a Participant's Account as of the day on which the Deferred Compensation to which they relate are credited under Section 1.

3. Crediting of Earnings. Earnings (or losses) shall be credited to a Participant's Account based on the Investment Option or Options to which his or her Account has been allocated, beginning with the day as of which any amounts (or any reallocation of amounts) are credited to the Participant's Account. Any amount distributed from a Participant's Account shall be credited with earnings (or losses) through the day on which the distribution is processed. The manner in which earnings (or losses) are credited under each of the Investment Options shall be determined in the same manner as under the Qualified Savings Plan.

4. Selection of Investment Options. The amounts credited to a Participant's Account under this Supplemental Savings Plan shall be allocated among the Investment Options in the same percentages as the Participant's account under the Qualified Savings Plan is allocated

among those Investment Options. In the event that an Account is maintained for a Participant under this Supplemental Savings Plan at a time when an account is no longer maintained for the Participant under the Qualified Savings Plan, the Participant may allocate and reallocate his or her Account Balance among the Investment Options in accordance with the procedures and limitations on allocations and reallocations under the Qualified Savings Plan.

## ARTICLE VI

### PAYMENT OF BENEFITS

1. General. The Company's liability to pay benefits to a Participant or Beneficiary under this Supplemental Savings Plan shall be measured by and shall in no event exceed the Participant's Account Balance, which shall be fully vested and nonforfeitable at all times. All benefit payments shall be made in cash and, except as otherwise provided, shall reduce allocations to the Investment Options in the same proportions that the Participant's Account Balance is allocated among those Investment Options.

2. Commencement of Payment. The payment of benefits to a Participant shall commence as soon as administratively feasible following the Participant's termination of employment with the Company and his or her entitlement to commence receiving benefits under the Qualified Savings Plan.

3. Form of Payment. At the time an Eligible Employee first completes a Deferral Agreement, he or she shall irrevocably elect the form of payment of his or her Account Balance from among the following options:

- (a) A lump sum.
- (b) Annual payments for a period of 5, 10, 15, or 20 years, as designated by the Participant. The amount of each annual payment shall be determined by dividing the Participant's Account Balance on the date such payment is processed by the number of years remaining in the designated installment period. The installment period may be shortened, in the sole discretion of the Committee, if the Committee at any time determines that the amount of the annual payments that would be made to the Participant during the designated installment period would be too small to justify the maintenance of the Participant's Account and the processing of payments.

4. Prospective Change of Payment Election. The Committee may, in its discretion, permit a Participant to modify his or her payment election under Section 3 of this Article VI at the time the Participant enters into a Deferral Agreement for a Year; if accepted, any such modification shall apply to all amounts credited to the Participant's Account under this Supplemental Savings Plan. No such modification will be effective if made within one year of the date of the Participant's termination of employment.

5. Death Benefits. Upon the death of a Participant before a complete distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in an immediate lump sum.

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's form of payment election under Section 3 of this Article VI, if following a Participant's termination of employment with the Company, the Participant takes a position (or accepts a position) with a governmental entity, agency, or instrumentality and that employer has determined or indicated that the Participant's continued participation in the Plan may constitute a conflict of interest precluding the Participant from continuing in his position (or from accepting an offered position) with that employer or subjecting the Participant to penalty, sanction, or otherwise limiting the Participant's responsibilities for that employer, then the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical following the later of (i) the date on which the Participant commences employment with the government employer; or (ii) the date on which it is determined that the conflict of interest may exist.

7. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of this Supplemental Savings Plan, the Account Balance of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

(b) For purposes of this Supplemental Savings Plan, a Change in Control shall include and be deemed to occur upon the following events:

(1) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.

(2) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).

(3) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

(4) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).

(5) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

(c) Notwithstanding the provisions of Section 7(a), if a distribution in accordance with the provisions of Section 7(a) would result in a nonexempt transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(d) This Section 7 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of an Account Balance in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

(e) The Committee may cancel or modify this Section 7 at any time prior to a Change in Control. In the event of a Change in Control, this Section 6 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 7 shall not, for purposes of Section 7, be subject to cancellation or modification during the five year period.

8. Deductibility of Payments. In the event that the payment of benefits in accordance with the Participant's election under Section 3 of this Article VI would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the Participant's election, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company.

9. Change of Law. Notwithstanding anything to the contrary herein, if the Committee determines in good faith, based on consultation with counsel, that the Federal income tax treatment or legal status of this Supplemental Savings Plan has or may be adversely affected by a change in the Internal Revenue Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the Accounts of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

10. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any amounts credited to a Participant's Account hereunder, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. However, the amount of Deferred Compensation or Matching Credits to be credited to a Participant's Account will not be reduced or adjusted by the amount of any tax that the Company is required to withhold with respect thereto.

## ARTICLE VII

### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Supplemental Savings Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Supplemental Savings Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Supplemental Savings Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422 (generally known as a "rabbi trust"), and the Company may direct that its obligations under this Supplemental Savings Plan be satisfied by payments out of such trust or trusts. It is the Company's intention that this Supplemental Savings Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights to benefit payments under this Supplemental Savings Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or the Participant's Beneficiary.

ARTICLE VIII

AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Supplemental Savings Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's Account Balance or postponing the time when a Participant is entitled to receive a distribution of his or her Account Balance.

2. Termination. The Board reserves the right to terminate this Supplemental Savings Plan at any time and to pay all Participants their Account Balances in a lump sum immediately following such termination or at such time thereafter as the Board may determine; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

ARTICLE IX

ADMINISTRATION

1. The Committee. This Supplemental Savings Plan shall be administered by the Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this Supplemental Savings Plan to comply with the requirements of Rule 16b-3 of the Exchange Act. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and the Claims Administrator shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee or Claims Administrator shall be final and binding on all parties.

2. Delegation and Reliance. 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 Supplemental Savings Plan in accordance with its terms and purpose, except that the Committee may not delegate any authority the delegation of which would cause this Supplemental Savings Plan to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this Supplemental Savings Plan, the Committee may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Supplemental Savings Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Supplemental Savings Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Supplemental Savings Plan or for the failure of the Supplemental Savings Plan or any Participant's rights under the Supplemental Savings Plan to achieve intended tax consequences, to qualify for exemption or relief under Section 16 of the Exchange Act and the rules thereunder, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee or the Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is denied by the Claims Administrator are as follows:

(A) The Claims Administrator shall:

- (i) notify the claimant within a reasonable time of such denial, setting forth the specific reasons therefore; and
- (ii) afford the claimant a reasonable opportunity for a review of the decision.

(B) The notice of such denial shall set forth, in addition to the specific reasons for the denial, the following:

- (i) identification of pertinent provisions of this Plan;
- (ii) such additional information as may be relevant to the denial of the claim; and
- (iii) an explanation of the claims review procedure and advice that the claimant may request an opportunity to submit a statement of issues and comments.

- (C) Within sixty days following advice of denial of a claim, upon request made by the claimant, the Claims Administrator shall take appropriate steps to review its decision in light of any further information or comments submitted by the claimant. The Claims Administrator may hold a hearing at which the claimant may present the basis of any claim for review.
- (D) The Claims Administrator shall render a decision within a reasonable time (not to exceed 120 days) after the claimant's request for review and shall advise the claimant in writing of its decision, specifying the reasons and identifying the appropriate provisions of the Plan.
- (E) The Claims Administrator shall be the Lockheed Martin Corporation Savings Plan Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

## ARTICLE X

### GENERAL AND MISCELLANEOUS PROVISIONS

1. Neither this Supplemental Savings Plan nor a Participant's Deferral Agreement, either singly or collectively, shall in any way obligate the Company to continue the employment of a Participant with the Company, nor does either this Supplemental Savings Plan or a Deferral Agreement limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan or a Deferral Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan or a Plan Agreement, either singly or collectively, by their terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any amount credited to a Participant's Account under this Supplemental Savings Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of the Vice President, Human Resources. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may

perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Supplemental Savings Plan.

5. By electing to become a Participant hereunder, each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Supplemental Savings Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Supplemental Savings Plan.

6. The provisions of this Supplemental Savings Plan and the Deferral Agreements hereunder shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this Supplemental Savings Plan shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this Supplemental Savings Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This Supplemental Savings Plan and its operation, including but not limited to, the mechanics of deferral elections, the issuance of securities, if any, or the payment of cash hereunder is subject to compliance with all applicable Federal and state laws, rules and regulations (including but not limited to state and Federal insider trading, registration, reporting and other securities laws) and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

10. This Supplemental Savings Plan is intended to constitute an "excess benefit plan" within the meaning of Rule 16b-3(b)(2) under the Securities Exchange Act of 1934, and it shall be construed and applied accordingly. It is the intent of the Company that this Supplemental Savings Plan satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this Supplemental Savings Plan would otherwise frustrate or conflict with the intent expressed in this Section 10, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the Supplemental Savings Plan to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed ineffective. Notwithstanding anything to the contrary in this Supplemental Savings Plan, the provisions of this Supplemental Savings Plan may at any time be bifurcated by the Board or the Committee in

any manner so that certain provisions of this Supplemental Savings Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Supplemental Savings Plan to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the provisions of Section 16 of the Exchange Act or the provisions of the Supplemental Savings Plan designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

ARTICLE XI

EFFECTIVE DATE

This amendment and restatement of the Supplemental Savings Plan shall generally become effective on January 1, 1997. Subsequent amendments to the Supplemental Savings Plan are effective as of the date stated in the amendment or the adopting resolution.

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

LOCKHEED MARTIN CORPORATION  
DEFERRED MANAGEMENT INCENTIVE  
COMPENSATION PLAN

(As Amended and Restated Effective December 31, 2010)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan (the "Deferral Plan") are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") the opportunity to defer receipt of (i) Incentive Compensation awards under the Lockheed Martin Corporation Management Incentive Compensation Plan (the "MICP"); (ii) Long Term Incentive Award payments under the Lockheed Martin Corporation 1995 Omnibus Performance Award Plan (the "Omnibus Plan") and the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "IPA Plan"); and (iii) certain benefits payable under the Lockheed Martin Corporation Post-Retirement Death Benefit Plan for Elected Officers ("Death Benefit Plan"). Providing this opportunity to defer income under the Deferral Plan will encourage key employees to maintain a financial interest in the Company's performance. Except as expressly provided hereinafter, the provisions of this Deferral Plan and the MICP, the Omnibus Plan, the IPA Plan, and the Death Benefit Plan shall be construed and applied independently of each other.

The Deferral Plan applies solely to MICP awards, Long Term Incentive Award payments under the Omnibus Plan and the IPA Plan, and certain payments under the Death Benefit Plan, and expressly does not apply to any special awards which may be made under any of the Company's other incentive plans, except and to the extent specifically provided under the terms of such other incentive plans and the relevant awards.

The Deferral Plan was amended and restated, effective January 1, 2005, in order to comply with the requirements of Code section 409A. The 2005 amendment and restatement of the Deferral Plan applied only to the portion of a Participant's Account Balance that is earned or becomes vested on or after January 1, 2005 (and any earnings or losses attributable to that portion). The portion of a Participant's Account Balance that was earned and vested prior to January 1, 2005 (and any earnings or losses attributable to that portion) shall be governed by the terms of the Deferral Plan in effect on December 31, 2004, which is attached hereto as Appendix A. The Deferral Plan was subsequently amended and restated, effective January 1, 2007, to permit eligible executives of the Company to defer payments that are available to them pursuant to the partial termination of the Death Benefit Plan.

The Deferral Plan was amended and restated, effective January 1, 2008 to modify the annual installment payment option to conform to other nonqualified plans maintained by the Company. The Deferral Plan and Appendix A were further amended and restated, effective January 1, 2008, to provide for new investment options in which Participants may invest their Account Balances, whether earned and vested before or after January 1, 2005. The addition of the new investment option in Appendix A is not intended to constitute a material modification within the meaning of Code section 409A.

The Deferral Plan was amended and restated, effective June 26, 2008, to clarify certain provisions in accordance with the final Treasury regulations issued under Code section 409A, and to make other administrative changes. The Deferral Plan was amended and restated, effective December 31, 2008, to clarify additional provisions in accordance with the final Treasury regulations issued under Code section 409A and to make other administrative clarifications. The Deferral Plan was amended and restated, effective February 26, 2009, to prospectively eliminate an investment option and change the number of available installment payments.

The Deferral Plan is hereby amended and restated, effective December 31, 2010, to clarify additional provisions in accordance with the final Treasury regulations issued under Code section 409A and to make other administrative clarifications.

## ARTICLE II

### DEFINITIONS

Unless the context indicates otherwise, the following words and phrases shall have the meanings hereinafter indicated:

1. ACCOUNT — The bookkeeping account maintained by the Company for each Participant which is credited with the Participant's Deferred Compensation and earnings (or losses) attributable to the investment options selected by the Participant, and which is debited to reflect distributions and forfeitures; the portions of a Participant's Account allocated to different investment options and the portions attributable to the deferral of Incentive Compensation awards, Long Term Incentive Award payments, and Death Benefit payments will be accounted for separately.
2. ACCOUNT BALANCE — The total amount credited to a Participant's Account at any point in time, including the portions of the Account allocated to each investment option.
3. AWARD YEAR — As to Incentive Compensation, the calendar year with respect to which an Eligible Employee is awarded Incentive Compensation; as to a Long Term Incentive Award payment and the related Company Deferral, the first calendar year in the Performance Period for which the Long Term Incentive Award is effective with respect to an Eligible Employee.

4. **BENEFICIARY** — The person or persons (including a trust or trusts) validly designated by a Participant, on the form provided by the Company, to receive distributions of the Participant's Account Balance, if any, upon the Participant's death. In the absence of a valid designation, or if the designated Beneficiary has predeceased the Participant, the Participant's Beneficiary shall be the personal representative of the Participant's estate in the event of a Participant's death. A Participant may amend his or her Beneficiary designation at any time before the Participant's death.
5. **BOARD** — The Board of Directors of Lockheed Martin Corporation.
6. **CODE** — the Internal Revenue Code of 1986, as amended from time to time, including the regulations and guidance of general applicability thereunder.
7. **COMMITTEE** — The committee described in Section 1 of Article VIII.
8. **COMMON STOCK** — The \$1.00 par value common stock of the Company.
9. **COMPANY** — Lockheed Martin Corporation and its Subsidiaries.
10. **COMPANY DEFERRALS** — The amount deferred by the Company, and not at the election of the Participant, for the two-year period following the end of a Performance Period for a Long Term Incentive Award.
11. **COMPANY STOCK INVESTMENT OPTION** — The investment option under which the amount credited to a Participant's Account will be based on the market value and investment return of the Company's Common Stock.
12. **DEATH BENEFIT** — The amount payable to an Eligible Employee pursuant to Article X, Section 1 of the Death Benefit Plan.
13. **DEATH BENEFIT PLAN** — The Lockheed Martin Corporation Post-Retirement Death Benefit Plan for Elected Officers.
14. **DEFERRAL AGREEMENT** — The written agreement executed by an Eligible Employee on the form provided by the Company under which the Eligible Employee elects to defer Incentive Compensation for an Award Year, a Long Term Incentive Award and any related Company Deferral for an Award Year, or a Death Benefit payable pursuant to the Death Benefit Plan.
15. **DEFERRAL PLAN** — The Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, adopted by the Board on July 27, 1995, and as amended from time to time.
16. **DEFERRED COMPENSATION** — The amount of Incentive Compensation credited to a Participant's Account under the Deferral Plan, the amount of any Long Term Incentive Award payment credited to a Participant's Account under the Deferral Plan

(other than Company Deferrals), and the amount of the Death Benefit payment credited to a Participant's Account under the Deferral Plan.

17. **ELIGIBLE EMPLOYEE** — An employee of the Company who is a participant in the MICP, who receives a Long Term Incentive Award under the Omnibus Plan or the IPA Plan, who is eligible to receive a Death Benefit under the Death Benefit Plan, and who has satisfied such additional requirements for participation in this Deferral Plan as the Committee may from time to time establish. In the exercise of its authority under this provision, the Committee shall limit participation in the Plan to employees whom the Committee believes to be a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.

18. **EXCHANGE ACT** — The Securities Exchange Act of 1934.

19. **INCENTIVE COMPENSATION** — The MICP amount granted to an employee for an Award Year.

20. **IPA PLAN** — The Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan.

21. **INTEREST OPTION** — The investment option under which earnings will be credited to a Participant's Account based on the interest rate applicable under Cost Accounting Standard 415, Deferred Compensation.

22. **INVESTMENT FUND OPTION** — The investment option under which earnings will be credited to a Participant's Account based on the market value and investment return of the investment options (including target date funds and core funds (and successor funds), and excluding the Company Stock Fund, ESOP Fund, and Self-Managed Account) that are available to participants pursuant to the terms of the Qualified Savings Plan, provided that the Committee retains the discretion to add certain funds to, or to exclude certain funds from, the Investment Fund Option.

23. **LONG TERM INCENTIVE AWARD** — A long term incentive performance award granted to an employee under the Omnibus Plan or the IPA Plan.

24. **MICP** — The Lockheed Martin Corporation Management Incentive Compensation Plan or the 2006 Lockheed Martin Corporation Management Incentive Compensation Plan (for incentive compensation awarded after February 1, 2006).

25. **OMNIBUS PLAN** — The Lockheed Martin Corporation 1995 Omnibus Performance Award Plan.

26. **PARTICIPANT** — An Eligible Employee for whom Incentive Compensation, a Long Term Incentive Award payment, or a Death Benefit payment has been deferred for one or more years under this Deferral Plan; the term shall include a former employee whose Deferred Compensation has not been fully distributed.

27. PAYMENT DATE — As to any Participant, the January 15 or July 15 on or about on which payment to the Participant is to be made or to begin in accordance with Article V.

28. PERFORMANCE PERIOD — The period set forth in a Long Term Incentive Award over which the Company's performance is measured by reference to total stockholder return to determine whether any payment will be made under such Long Term Incentive Award.

29. QUALIFIED SAVINGS PLAN — The Lockheed Martin Corporation Salaried Savings Plan or any successor plan.

30. SECTION 16 PERSON — A Participant who is subject to the reporting and short-swing liability provisions of Section 16 of the Securities Exchange Act of 1934 on the date a Deferral Agreement or other election form is delivered to the Company in accordance with the terms of this Deferral Plan.

31. SPECIFIED EMPLOYEE — A Participant who is reasonably determined to be a "specified employee" within the meaning of Code section 409A(2)(B)(i) as of December 31 of a calendar year and who shall be treated as such for the 12-month period beginning the next April 1 and for twelve calendar months thereafter.

32. SUBSIDIARY — As to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporation), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

32A. TERMINATION OF EMPLOYMENT — A separation from service as such term is defined in Code section 409A and the regulations thereunder.

33. TRADING DAY — A day upon which transactions with respect to Company Common Stock are reported in the consolidated transaction reporting system.

### ARTICLE III

#### ELECTION OF DEFERRED AMOUNT

##### 1. Timing of Deferral Elections.

(a) Incentive Compensation. An Eligible Employee may elect to defer Incentive Compensation for an Award Year by executing and delivering to the Company a Deferral Agreement no later than June 30 of the Award Year.

(b) Long Term Incentive Awards and Company Deferrals. An Eligible Employee may elect to defer the payment of a Long Term Incentive Award and a Company Deferral for an Award Year by executing and delivering to the Company a Deferral Agreement as of a date specified by the Senior Vice

President, Human Resources, which shall be no later than six months prior to the end of the Performance Period.

(c) Irrevocability of Elections. No Eligible Employee shall have the right to modify or revoke a Deferral Agreement after the applicable deadline described in Section 1(a), Section 1(b), or Section 1(d) of this Article III for delivering a Deferral Agreement to the Company, provided no Section 16 Person shall have the right to modify or revoke a Deferral Agreement after such applicable deadline or, if earlier, after the date the agreement has been delivered to the Company. The Senior Vice President, Human Resources may establish policies and procedures to determine when a Deferral Agreement or other election called for under this Plan has been delivered to the Company. Each Deferral Agreement that relates to an Award Year shall apply only to amounts deferred in that Award Year, and a separate Deferral Agreement must be completed for each Award Year for which an Eligible Employee defers Incentive Compensation or a Long Term Incentive Award. A Deferral Agreement relating to a Death Benefit payment shall relate only to such Death Benefit payment.

(d) Death Benefit. An Eligible Employee may elect to defer a Death Benefit payable under the Death Benefit Plan by executing and delivering to the Company a Deferral Agreement no later than the date specified by the Senior Vice President, Human Resources in accordance with Code section 409A.

2. Amount of Deferral Elections. An Eligible Employee's deferral election may be stated as:

(a) a dollar amount which is at least \$5,000 and is an even multiple of \$1,000;

(b) the greater of \$5,000 or a designated percentage of the Eligible Employee's Incentive Compensation, Long Term Incentive Award payment, or Death Benefit payment;

(c) the excess of the Eligible Employee's Incentive Compensation, Long Term Incentive Award payment, or Death Benefit payment over a dollar amount specified by the Eligible Employee; or

(d) all of the Eligible Employee's Incentive Compensation, Long Term Incentive Award payment, or Death Benefit payment.

In the case of a deferral election under paragraph (c) of this Section 2, an Eligible Employee's deferral election shall be effective only if the resulting excess amount is at least \$5,000.

3. Effect of Taxes on Deferred Compensation. The amount that would otherwise be deferred and credited to an Eligible Employee's Account will be reduced by the amount of any tax that the Company is required to withhold with respect to the Deferred Compensation. The reduction for taxes shall be made proportionately out of amounts otherwise

allocable to the Interest Option, the Company Stock Investment Option, or the Investment Fund Option.

4. Multiple Awards. In the case of an Eligible Employee who receives more than one Long Term Incentive Award with respect to the same Performance Period, the elections made by the Eligible Employee under this Article III as well as under Articles V and VI for the first Long Term Incentive Award granted to the Eligible Employee with respect to a Performance Period shall be deemed to be the elections made by that Eligible Employee for any other Long Term Incentive Awards granted to that Eligible Employee with respect to that same Performance Period.

5. Company Deferrals. Pursuant to the terms of the Long Term Incentive Awards, 50% of the amount payable at the end of the Performance Period will be automatically deferred until the second anniversary of the last day of the Performance Period with respect to a particular award. The Company may establish an account for Company Deferrals under the Company Stock Investment Option of this Deferral Plan. However, the terms governing the Company Deferrals will be governed for the two year period of deferral by the terms of the award agreement entered into under the Omnibus Plan or the IPA Plan with respect to the Long Term Incentive Award and not by this Deferral Plan except to the extent the award agreement expressly refers to the terms of this Deferral Plan. Notwithstanding the foregoing, if the Participant elects to defer the Company Deferrals beyond the second anniversary of the end of the Performance Period, the deferrals will be treated as made under this Deferral Plan for the period following the second anniversary of the end of the Performance Period.

#### ARTICLE IV

##### CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Incentive Compensation or a Long Term Incentive Award payment, that a Participant has elected to defer under this Deferral Plan shall be credited to the Participant's Account as of the Trading Day set by action of the Committee or, if the Committee does not act to set such a day, on the second Trading Day which follows the date of approval of the related Incentive Compensation or Long Term Incentive Award payment (other than Company Deferrals). A Death Benefit payment that a Participant has elected to defer under this Deferral Plan shall be credited to the Participant's Account as of the date on which the amount of the Death Benefit payment was determined and paid to eligible employees absent any election to defer. If the Company establishes an account for Company Deferrals pursuant to Section 5 of Article III, the Company Deferrals shall be credited to such account as of the last Trading Day in the Performance Period. Any Deferred Compensation credits under this Section 1 which are allocable to the Interest Option shall be credited at the dollar amount of such credits. Any Deferred Compensation and Company Deferral credits under this Section 1 which are allocable to the Company Stock Investment Option shall be credited as if the dollar amount of credits had been invested in the Company's Common Stock at the published closing price of the Company's Common Stock on the applicable Trading Day described in this Section 1. Any Deferred Compensation and Company Deferral credits under this Section 1 which are allocable to the Investment Fund Option shall be credited as if the dollar

amount of credits had been invested in the applicable fund at the published closing price of the applicable fund on the applicable Trading Day described in this Section 1.

2. Crediting of Earnings.

(a) General Rules.

(i) Earnings (or losses) shall be credited to a Participant's Account based on the investment option or options to which the Account has been allocated beginning with the applicable Trading Day described in this Article IV.

(ii) Any amount distributed from a Participant's Account in cash pursuant to Article V shall be credited with earnings (or losses) through the Trading Day that is four (4) business days prior to the date on which a distribution is to be made. Any amount distributed from a Participant's Account in stock pursuant to Article V shall be credited with earnings (or losses) through the last Trading Day preceding the date on which a distribution is to be made.

(iii) Company Deferrals shall be credited with earnings (or losses) through the last Trading Day in the period which ends on the second anniversary of the end of the applicable Performance Period unless deferred further pursuant to a Deferral Agreement.

(b) Interest Option. The portion of a Participant's Account allocated or reallocated to the Interest Option shall be credited with interest, valued daily, while so allocated or reallocated at a rate equivalent to the then published rate for computing the present value of future benefits at the time cost is assignable under Cost Accounting Standard 415, Deferred Compensation, as determined by the Secretary of the Treasury on a semi-annual basis pursuant to Pub. L. 92-41, 85 Stat. 97. Effective with respect to amounts deferred on or after February 26, 2009, no Incentive Compensation may be invested in the Interest Option. Amounts deferred prior to February 26, 2009 may remain invested in the Interest Option until such amounts are transferred to the Company Stock Investment Option or the Investment Fund Option on or after July 1, 2009. No amounts may be credited or reallocated to the Interest Option on or after July 1, 2009.

(c) Company Stock Investment Option.

(i) The portion of a Participant's Account allocated to the Company Stock Investment Option shall be credited when so allocated on the applicable Trading Day described in this Article IV as if such amount had been invested in the Company's Common Stock at the published closing price of the Company's Common Stock on such Trading Day.

(ii) The portion of the Participant's Account Balance allocated to the Company Stock Investment Option shall reflect any post-allocation appreciation or depreciation in the market value of the Company's Common Stock based on the published closing price of the stock on each Trading Day and shall reflect

dividends paid and any other distributions made with respect to the Company's Common Stock.

(iii) Cash dividends shall be treated as if such dividends had been reinvested in the Company's Common Stock at the published closing price of the Company's Common Stock on the Trading Day on which the cash dividend is paid or, if the dividend is paid on a day which is not a Trading Day, on the Trading Day which immediately precedes the day the dividend is paid.

(d) Investment Fund Option. Earnings (or losses) shall be credited to a Participant's Account based on the investment option or options within the Investment Fund Option to which his or her Account has been allocated. The manner in which earnings (or losses) are credited under each of the investment options shall be determined in the same manner as under the Qualified Savings Plan. The procedures for directing the allocation and reallocation among the investment options in the Investment Fund Option shall be the same as the procedures for making allocations under the Qualified Savings Plan.

3. Election of Investment Options. A Participant's initial investment elections for a particular type of award for an Award Year or a Death Benefit shall be made in his or her Deferral Agreement for such Award Year or Death Benefit, and no Participant shall have the right to modify or revoke any such election after the time the Participant no longer has the right to make or revoke a Deferral Agreement under Section 1 of Article II. A Participant's allocations between investment options shall be subject to such minimum allocations as the Committee may establish. In the event a Participant fails to specify an investment election in his or her Deferral Agreement, the amount subject to that Deferral Agreement shall be deemed allocated to the Interest Option for amounts credited before December 31, 2008 and to the default option designated under the Qualified Savings Plan for amounts credited on or after December 31, 2008.

4. Reallocation Among Investment Options. Effective June 16, 2008, a Participant may reallocate the portion of his Account Balance that is invested in the Interest Option and the Investment Fund Option to the Interest Option (through June 30, 2009), the Company Stock Investment Option, and the various investment funds in the Investment Fund Option, subject to the trading restrictions that apply to the transfer and reallocation of investments under the terms of the Qualified Savings Plan, applied as if such Qualified Savings Plan restrictions also pertain to the Interest Option; provided that a Participant may not at any time reallocate the portion of his Account Balance that has been invested at any time in the Company Stock Investment Option. Notwithstanding the foregoing, any election by a Section 16 Person to reallocate any portion of his Account Balance to the Company Stock Investment Option shall only become effective if the election is made at least six months following the most recent election with respect to any plan of the Corporation that involved the disposition of the Corporation's equity securities pursuant to a "Discretionary Transaction" (as defined in Exchange Act Rule 16b-3). No amounts may be credited or reallocated to the Interest Option on or after July 1, 2009.

ARTICLE V

PAYMENT OF BENEFITS

1. General.

(a) Account Balance and Elections. The Company's liability to pay benefits to a Participant or Beneficiary under this Deferral Plan shall be measured by and shall in no event exceed the Participant's Account Balance. Except as otherwise provided in this Deferral Plan (including but not limited to Section 5 of Article III with respect to Company Deferrals), a Participant's Account Balance shall be paid to him in accordance with the Participant's elections under this Article V.

(b) Cash and Stock Payments. All benefit payments shall be made in cash to the extent a Participant's Account is allocated to the Interest Option or Investment Fund Option or is attributable to Company Deferrals and shall be made in whole shares of the Company's Common Stock to the extent that a Participant's Account is allocated to the Company Stock Investment Option (other than with respect to Company Deferrals) and, except as otherwise provided, shall reduce allocations to the Interest Option, Investment Fund Option, and the Company Stock Investment Option in the same proportions that the Participant's Account Balance is allocated between those investment options at the end of the month preceding the date of distribution. Notwithstanding the foregoing, no amount of Deferred Compensation attributable to the Company Stock Investment Option shall be distributed to a Section 16 Person under this Deferral Plan unless such amount was allocated to the Company Stock Investment Option in accordance with Section 1 of Article IV at least six months prior to the date of distribution. At the Company's discretion a distribution of Common Stock may be made directly to a Participant or to a brokerage account opened in the name of the Participant. When an Account is distributed in a lump sum or, if an Account is distributed in installments, cash shall be distributed (or withheld for payment of applicable taxes) at that time in lieu of any fractional share of Common Stock. The cash distribution in lieu of fractional shares shall be based on the published closing price of the Company's Common Stock on the last Trading Day preceding the date the distribution is scheduled to be made.

2. Election for Commencement of Payment. At the time a Participant completes a Deferral Agreement, he or she shall elect from among the following options governing the date on which the payment of benefits shall commence:

(a) Payment to begin on the Payment Date next following the date of the Participant's Termination of Employment with the Company for any reason.

(b) Payment to begin on the first Payment Date of the year next following the year in which the Participant has a Termination of Employment with the Company for any reason.

(c) Payment to begin on the first Payment Date of the year next following the date on which the Participant has both had a Termination of Employment with the Company for any reason and attained the age designated by the Participant in the Deferral Agreement.

Notwithstanding a Participant's election or any other provision of the Deferral Plan, the following specific rules apply to Participants who are Section 16 Persons or Specified Employees. Subject to the rules regarding distributions to a Specified Employee, any payment of benefits in the form of shares of Common Stock that would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act shall be delayed until the earliest date upon which the Company reasonably anticipates that 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. Any distributions to a Specified Employee (including a Section 16 Person) on account of a termination of employment shall commence or be made on the Payment Date determined pursuant to the Specified Employee's election (or as otherwise provided under this Deferral Plan), except that if such Payment Date would be within six (6) months of the date of the Specified Employee's Termination of Employment from the Company, distributions shall commence or be made on the next date that is at least six (6) months following such termination of employment, regardless of whether such date is a Payment Date.

3. Election for Form of Payment. At the time a Participant completes a Deferral Agreement, he or she shall elect the form of payment of his or her Deferred Compensation for the specified Award Year or Death Benefit, as applicable, from among the following options:

(a) A lump sum.

(b) Annual installment payments for a period of years designated by the Participant not to exceed:

(i) Fifteen (15) annual installments for distributions commencing prior to January 1, 2008:

(ii) Twenty (20) annual installments for distributions commencing on or after January 1, 2008 and prior to January 1, 2010:

(iii) Twenty-Five (25) annual installments for distributions commencing on or after January 1, 2010;

Such election shall be irrevocable except as provided in Section 4 of this Article V. The amount of each annual payment shall be determined by dividing the Participant's Account Balance at the end of the month prior to such payment by the number of installment payments then remaining in the designated installment period.

Notwithstanding the foregoing, if the Account Balance of a Participant who is entitled to begin payment equals \$10,000 or less, the Participant's Account

Balance shall be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits.

4. Prospective Change of Payment Elections.

(a) If a Participant has different payment options in effect with respect to his or her Account Balance, the Company shall maintain sub-accounts for the Participant to determine the amounts subject to each payment election.

(b) In the event a Participant does not make a valid election with respect to the commencement of payment and form of benefit for an Award Year or for a Death Benefit, the Participant will be deemed to have elected that payment of benefits with respect to that Award Year or Death Benefit be made in a lump sum on or about the Payment Date next following the date of the Participant's termination of employment.

(c) A Participant's election with respect to an Award Year or Death Benefit (including a "deemed election" in accordance with the preceding paragraph) shall remain in effect unless and until such election is modified by a subsequent election in accordance with (d) below.

(d) Notwithstanding anything to the contrary in this Article V, a Participant may make a new election with respect to the commencement of payment and form of payment with respect to any sub-account maintained for Award Years or a Death Benefit or with respect to his or her entire Account Balance. A new election under this section shall be made by executing and delivering to the Company an election in such form as prescribed by the Company. To constitute a valid election by a Participant making a prospective change to a previous election, (i) the prospective election must be executed and delivered to the Company at least twelve (12) months before the date the first payment would be due under the Participant's previous election, and (ii) the first payment must be delayed by at least sixty (60) months from the date the first payment would be due under the Participant's previous election, and (iii) such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company. In the event an election fails to satisfy the provisions set forth in this paragraph, such election shall be void and, if such an election is void, payment shall be made in accordance with the most recent election which was valid.

(e) Notwithstanding the above, for periods prior to January 1, 2009, (or such later date as may be provided by the Internal Revenue Service in guidance of general applicability), the Senior Vice President, Human Resources may provide alternative rules for elections with respect to the commencement of payment and form of payment that conform to the rules provided in Notice 2005-1, and subsequent Internal Revenue Service guidance providing transition relief under Code section 409A.

(f) A Participant may not make or modify an election with respect to commencement of payment or form of payment after the date a Participant terminates employment.

5. Distribution upon Early Termination. Notwithstanding a Participant's payment elections under this Article V, subject to the requirements of Code section 409A, if the Participant terminates employment with the Company, other than by reason of death or disability (as defined in Section 8(b) of this Article V), and before the Participant has attained age 55, except as provided in Section 5 of Article III with respect to Company Deferrals, the Participant's Account Balance shall be distributed to him or her in a lump sum on or about the Payment Date next following the date of the Participant's Termination of Employment with the Company; provided, however, that if a distribution in accordance with the provisions of this Section 6 from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to such Section 16 Person shall be delayed until the earliest date upon which the Company reasonably anticipates that 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. Distributions under this Section 5 are subject to any delay in distribution required for Specified Employees as provided in Section 2 of this Article V.

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's payment elections under this Article V, if following a Participant's termination of employment with the Company, the Participant takes a position (or accepts a position) with a governmental entity, agency, or instrumentality and that employer has determined that the Participant's continued participation in the Plan may constitute a conflict of interest precluding the Participant from continuing in his position (or from accepting an offered position) with that employer or subjecting the Participant to penalty, sanction, or otherwise limiting the Participant's responsibilities for that employer, except as provided in Section 5 of Article III with respect to Company Deferrals, then, to the extent reasonably necessary, the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical (but no later than 90 days) following the later of (i) the date on which the Participant commences employment with the government employer; or (ii) the date on which it is determined or indicated that the conflict of interest may exist; provided, however, that if a distribution in accordance with the provisions of this Section 6 from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to such Section 16 Person shall be delayed until the earliest date upon which the Company reasonably anticipates that 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. This Section 6 of Article V shall apply, however, only to the extent that the accelerated payment upon a conflict of interest determination conforms to Code section 409A.

7. Benefits Payable Upon Death. Upon the death of a Participant before a complete distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in accordance with the payment elections applicable to the Participant. If a Participant dies while actively employed or otherwise before the payment of benefits has

commenced, payments to the Beneficiary shall commence on the date payments to the Participant would have commenced, taking account of the Participant's Termination of Employment (by death or before) and, if applicable, by postponing commencement until after the date the Participant would have attained the commencement age specified by the Participant. Whether the Participant dies before or after the commencement of distributions, payments to the Beneficiary shall be made for the period or remaining period elected by the Participant.

8. Early Distributions in Special Circumstances. Notwithstanding a Participant's payment elections under this Article V, a Participant or Beneficiary may request an earlier distribution in the following limited circumstances (except as provided in Section 5 of Article III with respect to Company Deferrals):

(a) Hardship Distributions. A Participant may apply for a hardship distribution pursuant to this Section 8(a) on such form and in such manner as the Committee shall prescribe and, subject to the last sentence of this Section 8(a) with respect to Section 16 Persons, the Committee shall have the power and discretion at any time to approve a payment to a Participant if the Committee determines that the Participant is suffering from an unforeseeable severe financial emergency (within the meaning of Code section 409A(A)(2)(A)(vi) and 409A(A)(2)(B)(ii)) caused by circumstances beyond the Participant's control which would cause a hardship to the Participant unless such payment were made. Any such hardship payment will be in a lump sum and will not exceed the lesser of (i) the amount necessary to satisfy the financial emergency (taking account of the income tax liability associated with the distribution), or (ii) the Participant's Account Balance; provided, however, that if a distribution in accordance with the provisions of this Section 8(a) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to such Section 16 Person shall be delayed until the earliest date upon which the Company reasonably anticipates that 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. The Committee's determination under this Section 8(a) shall conform to the requirements of Code section 409A(a)(2)(B)(iv).

(b) Disability. If the Committee determines that a Participant has become permanently disabled within the meaning of Section 409A(a)(2)(C) of the Code before the Participant's entire Account Balance has been distributed, the Participant's remaining Account Balance will be distributed within 90 days in a lump sum payment; provided, however, that if a distribution in accordance with the provisions of this Section 8(b) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to any Section 16 Person shall be delayed until the earliest date upon which the Company reasonably anticipates that 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.

9. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of the Deferral Plan, except as provided in Section 5 of Article III with respect to Company Deferrals, the Account Balance of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a “Change in Control.”

(b) For purposes of this Deferral Plan, a Change in Control shall include and be deemed to occur upon the following events:

(i) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company’s then outstanding voting securities entitled to vote in the election of directors of the Company.

(ii) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not the Company’s Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).

(iii) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1 (b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company’s then outstanding securities entitled to vote in the election of directors of the Company.

(iv) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the “Incumbent Directors” shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, “Incumbent Directors” shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board

members who were then Board members (or successors or additional members so elected or nominated).

(v) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Company Subsidiary.

Notwithstanding the foregoing, no distribution shall be made solely on account of a Change in Control and prior to the benefit commencement date specified in Section 2 of Article V unless the Change in Control is an event qualifying for a distribution of deferred compensation under both the definition of Change in Control in this Plan and in Section 409A(a)(2)(A)(v) of the Code.

(c) Notwithstanding the provisions of Section 9(a), if a distribution in accordance with the provisions of Section 9(a) would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person shall be delayed until the earliest date upon which the Company reasonably anticipates that 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.

(d) This Section 9 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of Deferred Compensation in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

(e) The Committee may cancel or modify this Section 9 at any time prior to a Change in Control. In the event of a Change in Control, this Section 9 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 9 shall not, for purposes of Section 9, be subject to cancellation or modification during the five-year period.

10. Deductibility of Payments. Subject to the provisions of Code section 409A, in the event that the Company reasonably anticipates that the payment of benefits in accordance with the Participant's election under Section 3 of this Article VI would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid under Code section 162(m), the Committee shall have the right to delay the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a delayed distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as the Company reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction will not be barred by Code section 162(m) or upon a Termination of Employment in accordance with Treasury Regulation section 1.409A-2(b)(7)(i), consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the

event that all or a portion thereof would not be deductible by the Company. All scheduled payments under this Plan and any other plan required to be aggregated with this Plan must be delayed in order for such payment to be delayed pursuant to this Section 8.

11. Change of Law. Notwithstanding anything herein to the contrary, if the Committee determines in good faith, based on consultation with counsel and in accordance with the requirements of Code section 409A, that the Federal income tax treatment or legal status of the Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the Accounts of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

12. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any Incentive Compensation, Long Term Incentive Award, or Death Benefit payment deferred hereunder or credit contributed by the Company under Article IV, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required.

## ARTICLE VI

### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Deferral Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Deferral Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Deferral Plan, the Company may set aside assets in a trust described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Deferral Plan be satisfied by payments out of such trust. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Deferral Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary. Notwithstanding, any portion of a Participant's benefit under this Plan may be paid to a spouse, former spouse, or child pursuant to the terms of a domestic relations order (which shall be interpreted and administered in accordance with Code sections 414(p)(1)(B) and 409A), provided that the form of payment designated in such order is a lump sum payment described in Section 3(a) of Article V of this Deferral Plan.

## ARTICLE VII

### AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Deferral Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's Account Balance or postponing the time when a Participant is entitled to receive a distribution of his Account Balance. Further, no amendment may alter the formula for crediting interest to Participants' Accounts with respect to amounts for which deferral elections have previously been made, unless the amended formula is not less favorable to Participants than that previously in effect, or unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their Account Balances in any form and at such times that the Board reasonably determines in its discretion is appropriate and conforms to the requirements of Code section 409A; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person 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.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement to assume all of the obligations of the Company under this Plan with respect to such Participant.

## ARTICLE VIII

### ADMINISTRATION

1. The Committee. This Deferral Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this Deferral Plan to comply with the disinterested administration requirements of Rule 16b-3 of the Exchange Act. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and the Claims Administrator (identified in Section 6 below) shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee or the Claims Administrator shall be final and binding on all parties. Notwithstanding anything contained in the Deferral Plan or in any document issued under the Deferral Plan, it is intended that the Deferral Plan will at all times conform to the requirements of Code section 409A and any regulations or other guidance issued thereunder, and that the provisions of the Deferral Plan will be interpreted to meet such requirements. If any provision

of the Deferral Plan is determined not to conform to such requirements, the Deferral Plan shall be interpreted to omit such offending provision.

2. Delegation and Reliance. The Committee has delegated 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 Deferral Plan in accordance with its terms and purpose, except that the Committee has not delegated (and may not delegate) any authority the delegation of which would cause this Deferral Plan to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this Deferral Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Deferral Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Deferral Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Deferral Plan or for the failure of the Deferral Plan or any Participant's rights under the Deferral Plan to achieve intended tax consequences, to qualify for exemption or relief under Section 16 of the Exchange Act and the rules thereunder, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee or the Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Deferral Plan is wholly or partially denied by the Claims Administrator are as follows:

(a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Deferral Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or

information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90-day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90-day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.

(b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.

(c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under Federal law.

(d) The Deferral Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60-day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Deferral Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil

action under section 502(a) of ERISA following an adverse benefit determination on review. If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.

(e) The Claims Administrator shall be the Lockheed Martin Corporation Savings Plan Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

## ARTICLE IX

### GENERAL AND MISCELLANEOUS PROVISIONS

1. No Guarantee of Employment or Award. Neither this Deferral Plan, a Company Deferral nor a Participant's Deferral Agreement, either singly or collectively, shall in any way obligate the Company to continue the employment of a Participant with the Company, nor does either this Deferral Plan, a Company Deferral or a Deferral Agreement limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Deferral Plan, a Company Deferral or a Deferral Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Deferral Plan, a Company Deferral or a Deferral Agreement, either singly or collectively, by their terms or implications in any way obligate the Company to award Incentive Compensation, grant any award under the Omnibus Plan or IPA Plan, pay any Death Benefit, or make any Long Term Incentive Award payment to any Eligible Employee for any Award Year, whether or not the Eligible Employee is a Participant in the Deferral Plan for that Award Year, nor in any other way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Notice. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of the Senior Vice President, Human Resources. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her last-known place of residence or business address.

3. Performance of Acts. In the event it should become impossible for the Company or the Committee to perform any act required by this Deferral Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Deferral Plan.

4. Employee Consent. By electing to become a Participant hereunder, each Eligible Employee shall be deemed conclusively to have accepted and consented to all of the terms of this Deferral Plan.

5. Terms Binding. The provisions of this Deferral Plan and the Deferral Agreements hereunder shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

6. Copy of Plan. A copy of this Deferral Plan shall be available for inspection by Participants or other persons entitled to benefits under the Deferral Plan at reasonable times at the offices of the Company.

7. State Law. The validity of this Deferral Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

8. Regulatory Requirements. This Deferral Plan and its operation, including but not limited to, the mechanics of deferral elections, the reallocation of all or a portion of a Participant's Account Balance, the issuance of securities, if any, or the payment of cash hereunder is subject to compliance with all applicable Federal and state laws, rules and regulations (including but not limited to state and Federal insider trading, registration, reporting and other securities laws) and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

9. Section 16 of Exchange Act. It is the intent of the Company that this Deferral Plan satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this Deferral Plan would otherwise frustrate or conflict with the intent expressed in this Section 9, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the Deferral Plan to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed ineffective. Notwithstanding anything to the contrary in this Deferral Plan, the provisions of this Deferral Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Deferral Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Deferral Plan to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the provisions of Section 16 of the Exchange Act or the provisions of the Deferral Plan designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in

any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

10. Securities Laws. This Deferral Plan, allocations to and from the Company Stock Investment Option and the issuance and delivery of shares of Common Stock and/or other securities or property or the payment of cash under this Deferral Plan, are subject to compliance with all applicable Federal and state laws, rules and regulations (including but not limited to state and Federal insider trading, registration, reporting and other securities laws and Federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company be necessary or advisable to comply with all legal requirements. Any securities delivered under this Deferral Plan shall be subject to such restrictions (and the person acquiring such securities shall, if requested by the Company provide such evidence, assurance and representations to the Company as to compliance with any thereof) as counsel to the Company may deem necessary or desirable to assure compliance with all applicable legal requirements.

11. Electronic Notice and Signatures. Whenever a signature notice or delivery of a document is required or appropriate under this Deferral Plan, signature, notice or delivery may be accomplished by paper or written format or, to the extent authorized by the Committee, by electronic means. In the event the Committee authorizes electronic means for the signature, notice or delivery of a document under this Deferral Plan, the electronic record or confirmation of that signature, notice or delivery maintained by or on behalf of the Committee shall for purposes of this Deferral Plan be treated as if it was a written signature or notice and was delivered in the manner provided herein for a written document.

#### ARTICLE X

#### EFFECTIVE DATE

This Deferral Plan was originally adopted by the Board on July 27, 1995 and became effective upon adoption to awards of Incentive Compensation for the Company's fiscal year ending December 31, 1995 and subsequent fiscal years. Subsequent amendments to the Deferral Plan are effective as of the date stated in the amendment or the adopting resolution.

This Deferral Plan has been amended and restated effective as of the date stated on the first page herein.

APPENDIX A

This Appendix A shall govern the portion of a Participant's Account Balance that was earned and vested prior to January 1, 2005 (and any earnings attributable to that portion). This Appendix A shall not apply to the portion of a Participant's Account Balance that is earned or becomes vested on or after January 1, 2005 (and any earnings attributable to that portion).

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan (the "Deferral Plan") are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") the opportunity to defer receipt of (i) Incentive Compensation awards under the Lockheed Martin Corporation Management Incentive Compensation Plan (the "MICP") and (ii) Long Term Incentive Award payments under the Lockheed Martin Corporation 1995 Omnibus Performance Award Plan (the "Omnibus Plan") and the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (the "IPA Plan"). Providing this opportunity to defer income under the Deferral Plan will encourage key employees to maintain a financial interest in the Company's performance. Except as expressly provided hereinafter, the provisions of this Deferral Plan and the MICP, the Omnibus Plan and the IPA Plan shall be construed and applied independently of each other.

The Deferral Plan applies solely to MICP awards and Long Term Incentive Award payments under the Omnibus Plan and the IPA Plan and expressly does not apply to any special awards which may be made under any of the Company's other incentive plans, except and to the extent specifically provided under the terms of such other incentive plans and the relevant awards.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, the following words and phrases shall have the meanings hereinafter indicated:

1. ACCOUNT — The bookkeeping account maintained by the Company for each Participant which is credited with the Participant's Deferred Compensation and earnings (or losses) attributable to the investment options selected by the Participant, and which is debited to reflect distributions and forfeitures; the portions of a Participant's Account allocated to different investment options and the portions attributable to the deferral of Incentive Compensation awards and Long Term Incentive Award payments will be accounted for separately.

2. ACCOUNT BALANCE — The total amount credited to a Participant's Account at any point in time, including the portions of the Account allocated to each investment option.

3. AWARD YEAR — As to Incentive Compensation, the calendar year with respect to which an Eligible Employee is awarded Incentive Compensation; as to a Long Term Incentive Award payment and the related Company Deferral, the first calendar year in the Performance Period for which the Long Term Incentive Award is effective with respect to an Eligible Employee.

4. BENEFICIARY — The person or persons (including a trust or trusts) validly designated by a Participant, on the form provided by the Company, to receive distributions of the Participant's Account Balance, if any, upon the Participant's death. In the absence of a valid designation, or if the designated Beneficiary has predeceased the Participant, the Participant's Beneficiary shall be the personal representative of the Participant's estate in the event of a Participant's death. A Participant may amend his or her Beneficiary designation at any time before the Participant's death.

5. BOARD — The Board of Directors of Lockheed Martin Corporation.

6. COMMITTEE — The committee described in Section 1 of Article VIII.

7. COMMON STOCK — The \$1.00 par value common stock of the Company.

8. COMPANY — Lockheed Martin Corporation and its subsidiaries.

9. COMPANY DEFERRALS — The amount deferred by the Company, and not at the election of the Participant, for the two-year period following the end of a Performance Period for a Long Term Incentive Award.

10. COMPANY STOCK INVESTMENT OPTION — The investment option under which the amount credited to a Participant's Account will be based on the market value and investment return of the Company's Common Stock.

11. DEFERRAL AGREEMENT — The written agreement executed by an Eligible Employee on the form provided by the Company under which the Eligible Employee elects to defer Incentive Compensation for an Award Year, or a Long Term Incentive Award and any related Company Deferral for an Award Year.

12. DEFERRAL PLAN — The Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, adopted by the Board on July 27, 1995, and as amended from time to time.

13. DEFERRED COMPENSATION — The amount of Incentive Compensation credited to a Participant's Account under the Deferral Plan and the amount of any Long Term Incentive Award payment credited to a Participant's Account under the Deferral Plan (other than Company Deferrals).

14. ELIGIBLE EMPLOYEE — An employee of the Company who is a participant in the MICP or who receives a Long Term Incentive Award under the Omnibus Plan or the IPA Plan and who has satisfied such additional requirements for participation in this Deferral Plan as the Committee may from time to time establish. In the exercise of its authority under this provision, the Committee shall limit participation in the Plan to employees whom the Committee believes to be a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.

15. EXCHANGE ACT — The Securities Exchange Act of 1934.

16. INCENTIVE COMPENSATION — The MICP amount granted to an employee for an Award Year.

17. IPA PLAN — The Lockheed Martin Corporation 2003 Incentive Performance Award Plan.

18. INTEREST OPTION — The investment option under which earnings will be credited to a Participant's Account based on the interest rate applicable under Cost Accounting Standard 415, Deferred Compensation.

19. INVESTMENT FUND OPTION — The investment option under which earnings (or losses) will be credited to a Participant's Account based on the market value and investment return of the investment options (including target date funds and core funds (and successor funds), and excluding the Company Stock Fund, ESOP Fund, and Self-Managed Account) that are available to participants pursuant to the terms of the Qualified Savings Plan, provided that the Committee retains the discretion to add certain funds to, or to exclude certain funds from, the Investment Fund Option.

20. LONG TERM INCENTIVE AWARD — A long term incentive award granted to an employee under the Omnibus Plan or the IPA Plan.

21. MICP — The Lockheed Martin Corporation Management Incentive Compensation Plan.

22. OMNIBUS PLAN — The Lockheed Martin Corporation 1995 Omnibus Performance Award Plan.

23. PARTICIPANT — An Eligible Employee for whom Incentive Compensation or a Long Term Incentive Award payment has been deferred for one or more years under this Deferral Plan; the term shall include a former employee whose Deferred Compensation has not been fully distributed.

24. PAYMENT DATE — As to any Participant, the January 15 or July 15 on or about on which payment to the Participant is to be made or to begin in accordance with Article V.

25. **PERFORMANCE PERIOD** — The period set forth in a Long Term Incentive Award over which the Company's performance is measured by reference to total stockholder return to determine whether any payment will be made under such Long Term Incentive Award. **QUALIFIED SAVINGS PLAN** — The Lockheed Martin Corporation Salaried Savings Plan or any successor plan.

26. **REALLOCATION EFFECTIVE DATE** — The date a reallocation elected by a Participant or Beneficiary under Section 6(a) of Article IV is effected, which shall be the June 30, July 31, August 31 or September 30 immediately following the end of the Reallocation Election Period in which his or her election under Section 6(a) becomes irrevocable.

27. **REALLOCATION ELECTION PERIOD** — A period in which a Participant or Beneficiary may under Section 6(a) of Article IV elect a reallocation of his or her Account Balance from one investment option to another investment option, and there shall be four such election periods: June 1 through June 15, 2004, June 16 through July 15, 2004, July 16 through August 15, 2004 and August 16 through September 15, 2004.

28. **SECTION 16 PERSON** — A Participant who is subject to the reporting and short-swing liability provisions of Section 16 of the Securities Exchange Act of 1934 on the date a Deferral Agreement or other election form is delivered to the Company in accordance with the terms of this Deferral Plan.

29. **SUBSIDIARY** — As to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporation), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

30. **TRADING DAY** — A day upon which transactions with respect to Company Common Stock are reported in the consolidated transaction reporting system.

### ARTICLE III

#### ELECTION OF DEFERRED AMOUNT

##### 1. Timing of Deferral Elections.

(a) Incentive Compensation. An Eligible Employee may elect to defer Incentive Compensation for an Award Year by executing and delivering to the Company a Deferral Agreement no later than October 31 of the Award Year, provided that any election by a Section 16 Person shall be subject to the provisions of Section 4 of Article IV.

(b) Long Term Incentive Awards and Company Deferrals. An Eligible Employee may elect to defer the payment of a Long Term Incentive Award and a Company Deferral for an Award Year by executing and delivering to the Company a Deferral

Agreement no later than October 31 of the Award Year, provided that any election by a Section 16 Person shall be subject to the provisions of Section 4 of Article IV.

(c) Irrevocability of Elections. No Eligible Employee shall have the right to modify or revoke a Deferral Agreement for an Award Year after the applicable deadline described in Section 1(a) and Section 1(b) of this Article III for delivering a Deferral Agreement to the Company for such Award Year, provided no Section 16 Person shall have the right to modify or revoke a Deferral Agreement after such applicable deadline or, if earlier, after the date the agreement has been delivered to the Company. The Committee may establish policies and procedures to determine when a Deferral Agreement or other election called for under this Plan has been delivered to the Company. Each Deferral Agreement shall apply only to amounts deferred in that Award Year and a separate Deferral Agreement must be completed for each Award Year for which an Eligible Employee defers Incentive Compensation or a Long Term Incentive Award.

2. Amount of Deferral Elections. An Eligible Employee's deferral election may be stated as:

(a) a dollar amount which is at least \$5,000 and is an even multiple of \$1,000,

(b) the greater of \$5,000 or a designated percentage of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment (adjusted to the next highest multiple of \$1,000),

(c) the excess of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment over a dollar amount specified by the Eligible Employee (which must be an even multiple of \$1,000), or

(d) all of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment.

An Eligible Employee's deferral election shall be effective only if the Participant is awarded, in the case of Incentive Compensation, at least \$10,000 of Incentive Compensation for that Award Year, or in the case of Long Term Incentive Award, at least \$10,000 is payable to the Participant in cash at the conclusion of the Performance Period applicable to a Long Term Incentive Award payment. In addition, in the case of a deferral election under paragraph (c) of this Section 2, an Eligible Employee's deferral election shall be effective only if the resulting excess amount is at least \$5,000.

3. Effect of Taxes on Deferred Compensation. The amount that would otherwise be deferred and credited to an Eligible Employee's Account will be reduced by the amount of any tax that the Company is required to withhold with respect to the Deferred Compensation. The reduction for taxes shall be made proportionately out of amounts otherwise allocable to the Interest Option and the Company Stock Investment Option.

4. Multiple Awards. In the case of an Eligible Employee who receives more than one Long Term Incentive Award with respect to the same Performance Period, the

elections made by the Eligible Employee under this Article III as well as under Articles V and VI for the first Long Term Incentive Award granted to the Eligible Employee with respect to a Performance Period shall be deemed to be the elections made by that Eligible Employee for any other Long Term Incentive Awards granted to that Eligible Employee with respect to that same Performance Period.

5. Company Deferrals. Pursuant to the terms of the Long Term Incentive Awards, 50% of the amount payable at the end of the Performance Period will be automatically deferred until the second anniversary of the last day of the Performance Period with respect to a particular award. The Company may establish an account for Company Deferrals under the Company Stock Investment Option of this Deferral Plan. However, the terms governing the Company Deferrals will be governed for the two year period of deferral by the terms of the award agreement entered into under the Omnibus Plan or the IPA Plan with respect to the Long Term Incentive Award and not by this Deferral Plan except to the extent the award agreement expressly refers to the terms of this Deferral Plan. Notwithstanding the foregoing, if the Participant elects to defer the Company Deferrals beyond the second anniversary of the end of the Performance Period, the deferrals will be treated as made under this Deferral Plan for the period following the second anniversary of the end of the Performance Period.

#### ARTICLE IV

##### CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Incentive Compensation or a Long Term Incentive Award payment that a Participant has elected to defer under this Deferral Plan shall be credited to the Participant's Account as of the Trading Day set by action of the Committee or, if the Committee does not act to set such a day, on the second Trading Day which follows the date of approval of the related Incentive Compensation or Long Term Incentive Award. If the Company establishes an account for Company Deferrals pursuant to Section 5 of Article III, the Company Deferrals shall be credited to such account as of the last Trading Day in the Performance Period. Any Deferred Compensation credits under this Section 1 which are allocable to the Interest Option shall be credited at the dollar amount of such credits. Any Deferred Compensation and Company Deferral credits under this Section 1 which are allocable to the Company Stock Investment Option shall be credited as if the dollar amount of credits had been invested in the Company's Common Stock at the published closing price of the Company's Common Stock on the applicable Trading Day described in this Section 1. Any Deferred Compensation and Company Deferral credits under this Section 1 which are allocable to the Investment Fund Option shall be credited as if the dollar amount of credits had been invested in the applicable fund at the published closing price of the applicable fund on the applicable Trading Day described in this Section 1.

##### 2. Crediting of Earnings (Losses) and Reallocations.

###### (a) General Rules.

(i) Earnings (or losses) shall be credited to a Participant's Account based on the investment option or options to which the Account has been allocated beginning with the applicable Trading Day described in this Article IV.

(ii) Earnings (or losses) on amounts reallocated in accordance with this Article IV shall be credited to the Participant's Account as of the applicable day or Trading Day described for such reallocation in this Article IV.

(iii) Any amount distributed from a Participant's Account in cash pursuant to Article V shall be credited with earnings (or losses) through the Trading Day that is four (4) business days prior to the Payment Date on which a distribution is to be made. Any amount distributed from a Participant's Account in stock pursuant to Article V shall be credited with earnings (or losses) through the last Trading Day preceding the date on which a distribution is to be made.

(iv) Company Deferrals shall be credited with earnings (or losses) through the last Trading Day in the period which ends on the second anniversary of the end of the applicable Performance Period unless deferred further pursuant to a Deferral Agreement.

(b) Interest Option. The portion of a Participant's Account allocated or reallocated to the Interest Option shall be credited with interest, valued daily, while so allocated or reallocated at a rate equivalent to the then published rate for computing the present value of future benefits at the time cost is assignable under Cost Accounting Standard 415, Deferred Compensation, as determined by the Secretary of the Treasury on a semi-annual basis pursuant to Pub. L. 92-41, 85 Stat. 97. No amounts may be reallocated to the Interest Option on or after July 1, 2009. Amounts deferred prior to January 1, 2005 may remain invested in the Interest Option until such amounts are transferred to the Company Stock Investment Option or the Investment Fund Option on or after July 1, 2009.

(c) Company Stock Investment Option.

(i) The portion of a Participant's Account allocated or reallocated to the Company Stock Investment Option shall be credited when so allocated or reallocated on the applicable Trading Day described in this Article IV as if such amount had been invested in the Company's Common Stock at the published closing price of the Company's Common Stock on such Trading Day.

(ii) The portion of the Participant's Account Balance allocated to the Company Stock Investment Option shall reflect any post-allocation appreciation or depreciation in the market value of the Company's Common Stock based on the published closing price of the stock on each Trading Day and shall reflect dividends paid and any other distributions made with respect to the Company's Common Stock.

(iii) Cash dividends shall be treated as if such dividends had been reinvested in the Company's Common Stock at the published closing price of the

Company's Common Stock on the Trading Day on which the cash dividend is paid or, if the dividend is paid on a day which is not a Trading Day, on the Trading Day which immediately precedes the day the dividend is paid.

(iv) If any portion of a Participant's Account was reallocated in accordance with paragraph 5 (or paragraph 4 prior to October 1, 2004) of this Article IV from the Company Stock Investment Option to the Interest Option or the , the reallocation shall be credited to the Interest Option as if the Company's Common Stock had been bought or sold at the published closing price of the Company's Common Stock on the Trading Day on which the reallocation is effective, or if the reallocation is effective as of the day that is not a Trading Day, the Trading Day which immediate precedes the effective date of the reallocation.

(d) Investment Fund Option. Earnings (or losses) shall be credited to a Participant's Account based on the investment option or options within the Investment Fund Option to which his or her Account has been allocated. The manner in which earnings (or losses) are credited under each of the investment options shall be determined in the same manner as under the Qualified Savings Plan. The procedures for directing the allocation and reallocation among the investment options in the Investment Fund Option shall be the same as the procedures for making allocations under the Qualified Savings Plan.

3. Election of Investment Options. A Participant's initial investment elections for a particular type of award for an Award Year shall be made in his or her Deferral Agreement for such Award Year, and no Participant shall (except as provided for in Section 6 and Section 7 of this Article IV) have the right to modify or revoke any such election after the time the Participant no longer has the right to modify or revoke a Deferral Agreement under Section 1 of Article III. A Participant's allocations between investment options shall be subject to such minimum allocations as the Committee may establish.

4. Special Rule for Section 16 Persons. An election by a Section 16 Person to have any Deferred Compensation allocated to the Company Stock Investment Option shall be effective on the Trading Day described in Section 1 of this Article IV unless he or she delivers the related Deferral Agreement to the Company less than six months before such Trading Day. If he or she delivers the related Deferral Agreement to the Company less than six months before such date, his or her Company Stock Investment Option election automatically shall be treated as an Interest Option election under Section 1 of this Article IV until the first Trading Day of the seventh month following the month in which the Deferral Agreement is delivered to the Company. The Deferred Compensation so allocated to the to the Interest Option together with any related interest credits shall by operation of this Deferral Plan automatically be reallocated and credited to the Company Stock Investment Option on such Trading Day in accordance with Section 2(b) of this Article IV.

Reallocations to Interest Option (deleted effective September 30, 2004). If benefit payments to a Participant or Beneficiary are to be paid or commenced to be paid over a period that extends more than six months after the date of the Participant's termination of employment with the Company, the Participant or Beneficiary, as applicable, may make a one-time

irrevocable election under this Section 5 at any time after the Participant's termination of employment and before the completion of benefit payments to have the portion of the Participant's Account that is allocated to the Company Stock Investment Option reallocated to the Interest Option. A reallocation under this Section 5 shall take effect as of the first Trading Day of the month following the month in which an executed reallocation election is delivered to the Company, provided an election by a Participant or Beneficiary who is a Section 16 Person on the date the election is delivered to the Company shall be effective only if such election satisfies on such date all the requirements of the exemption under Rule 16b-3 of the Exchange Act for a "discretionary transaction" or otherwise would not result in a short swing profit recovery pursuant to Rule 16b-3 under the Exchange Act. In the event such election does not satisfy the exemption pursuant to Rule 16b-3 under the Exchange Act for a "discretionary transaction" and if giving effect to the election would result in liability under Section 16(b) of the Exchange Act, the election shall not be given effect until the first Trading Day of the month following the month in which the election could be given effect without creating liability under Section 16(b) of the Exchange Act. Notwithstanding anything herein to the contrary, no election may be made under this Section 5 after September 15, 2004, and any such election made during September 2004 will be valued and take effect as of September 30, 2004.

**5. One-Time Reallocation Right.**

(a) **General Rule.** Subject to Section 5(b) of this Article IV, a Participant or Beneficiary may during a Reallocation Election Period execute and deliver to the Company an election made on such form and in such manner as prescribed by the Committee to the Company to reallocate all or a portion (in five (5) percent increments) of his or her Account Balance (other than Company Deferrals) which is then allocated to one investment option to the other investment option. Any such election shall be irrevocable when received by the Company, and the reallocation which the Participant or Beneficiary elects shall be effective as of the Reallocation Effective Date that immediately follows the end of the Reallocation Election Period in which his or her election becomes irrevocable. Only one reallocation election may be made by a Participant or Beneficiary with the result that a reallocation made in one Reallocation Election Period will preclude a reallocation election in a subsequent Reallocation Election Period.

(b) **Exception.** If a Participant or a Beneficiary is a Section 16 Person on any date in a Reallocation Election Period and delivers an election to the Company in such period, such election shall have no force or effect under Section 6(a) unless such election complies with the exemption under Rule 16b-3 of the Exchange Act for a "discretionary transaction".

(c) **Additional Credit.** The Company shall credit to the Account of each Participant or Beneficiary that has Deferred Compensation (other than Company Deferrals) credited to the Stock Investment Option as of September 30, 2004 an amount equal to the greater of (i) \$24.95 per Account Balance; or (ii) \$0.10 for each whole share of Common Stock reflected in the Participant's or Beneficiary's Account Balance (exclusive of Company Deferrals). Such amount shall be allocated and credited to the Interest Option as of September 30, 2004, after taking into account any reallocation under Section 6(a) of this Article IV.

6. Reallocation Among Investment Options. Effective June 16, 2008, a Participant may reallocate the portion of his Account Balance that is invested in the Interest Option and the Investment Fund Option to the Interest Option (through June 30, 2009), the Company Stock Investment Option, and the various investment funds in the Investment Fund Option, subject to the trading restrictions that apply to the transfer and reallocation of investments under the terms of the Qualified Savings Plan, applied as if such Qualified Savings Plan restrictions also pertain to the Interest Option; provided that a Participant may not at any time reallocate the portion of his Account Balance that is invested at any time in the Company Stock Investment Option. Notwithstanding the foregoing, any election by a Section 16 Person to reallocate any portion of his Account Balance to the Company Stock Investment Option shall only become effective if the election is made at least six months following the most recent election with respect to any plan of the Corporation that involved the disposition of the Corporation's equity securities pursuant to a "Discretionary Transaction" (as defined in Exchange Act Rule 16b-3). . No amounts may be reallocated to the Interest Option on or after July 1, 2009.

## ARTICLE V

### PAYMENT OF BENEFITS

#### 1. General.

(a) Account Balance and Elections. The Company's liability to pay benefits to a Participant or Beneficiary under this Deferral Plan shall be measured by and shall in no event exceed the Participant's Account Balance. Except as otherwise provided in this Deferral Plan (including but not limited to Section 5 of Article III with respect to Company Deferrals), a Participant's Account Balance shall be paid to him in accordance with the Participant's elections under this Article V.

(b) Cash Only Payment. With respect to benefit payments made on a Payment Date which is on or before September 30, 2004, all such benefit payments shall be made in accordance with the terms of this Deferral Plan as in effect on such date in cash and, except as otherwise provided under such terms, shall reduce allocations to the Interest Option and the Company Stock Investment Option in the same proportions that the Participant's Account Balance is allocated between those investment options at the end of the month preceding the date of distribution. Notwithstanding the foregoing, no amount of Deferred Compensation shall be distributed to a Section 16 Person under this Deferral Plan which is attributable to the Stock Investment Option unless such amount was allocated to the Participant's Account in accordance with Section 1 of Article 4 at least six months prior to the date of distribution or no portion of such amount was allocated to the Company Stock Investment Option in the six months prior to distribution.

(c) Cash and Stock Payments. With respect to benefit payments made after September 30, 2004, all such benefit payments shall be made in cash to the extent a Participant's Account is allocated to the Interest Option or Investment Fund Option or is attributable to Company Deferrals and shall be made in whole shares of the Company's Common Stock to the

extent that a Participant's Account is allocated to the Company Stock Investment Option (other than with respect to Company Deferrals) and, except as otherwise provided, shall reduce allocations to the Interest Option, the Investment Fund Option, and the Company Stock Investment Option in the same proportions that the Participant's Account Balance is allocated between those investment options at the end of the month preceding the date of distribution (for distributions occurring prior to June 16, 2008) or the Trading Day that is four (4) business days prior to the date of the distribution (for distributions occurring on or after June 16, 2008). Notwithstanding the foregoing, no amount of Deferred Compensation shall be distributed to a Section 16 Person under this Deferral Plan unless such amount was allocated to the Participant's Account in accordance with Section 1 of Article 4 at least six months prior to the date of distribution. At the Company's discretion a distribution of Common Stock may be made directly to a Participant or to a brokerage account opened in the name of the Participant. When an Account is distributed in a lump sum or, if an Account is distributed in installments, when the final installment is made, cash shall be distributed (or withheld for applicable taxes) at that time in lieu of any fractional share of Common Stock. The cash distribution in lieu of fractional shares shall be based on the published closing price of the Company's Common Stock on the last Trading Day preceding the date the distribution is scheduled to be made.

2. Election for Commencement of Payment. At the time a Participant first completes a Deferral Agreement, he or she shall elect from among the following options governing the date on which the payment of benefits shall commence:

(a) Payment to begin on the Payment Date next following the date of the Participant's termination of employment with the Company for any reason.

(b) Payment to begin on the first Payment Date of the year next following the year in which the Participant terminates employment with the Company for any reason.

(c) Payment to begin on the Payment Date next following the date on which the Participant has both terminated employment with the Company for any reason and attained the age designated by the Participant in the Deferral Agreement.

Notwithstanding a Participant's election, any payment of benefits in the form of shares of Common Stock that would otherwise commence within six months of the date on which a Participant ceased to be Section 16 Person shall not be paid on that date but instead shall be paid on the first Payment Date that is at least six months after the date on which that Participant ceased to be a Section 16 Person.

3. Election for Form of Payment. At the time a Participant first completes a Deferral Agreement, he or she shall elect the form of payment of his or her Account Balance from among the following options:

(A) A lump sum.

(B) Annual installment payments for a period of years designated by the Participant, which shall not exceed fifteen (15) annual installments. The amount of each annual payment shall be determined by dividing the Participant's Account Balance at the

end of the month prior to such payment by the number of installment payments then remaining in the designated installment period. The installment period may be shortened, in the sole discretion of the Committee, if the Committee at any time determines that the amount of the annual payments that would be made to the Participant during the designated installment period would be too small to justify the maintenance of the Participant's Account and the processing of payments.

#### 4. Prospective Change of Payment Elections.

(a) Notwithstanding anything to the contrary in this Article V, a Participant may make an election with respect to the commencement of payment (from among the options set forth in Section 2(A), (B), or (C) above) and form of payment (from among the options set forth in Section 3(A) or (B) above) of his or her entire Account Balance, or with respect to specific Award Years, by executing and delivering to the Company an election form on or after October 1, 2002 in such form as prescribed by the Company. If a Participant has different payment options in effect with respect to his or her Account Balance, the Company shall maintain sub-accounts for the Participant to determine the amounts subject to each payment election; however, no election or modification of an election will be accepted if it would require the Company to maintain more than five sub-accounts within the Participant's Account in order to make payments in accordance with the Participant's elections.

(b) In the event a Participant does not make a valid election with respect to the commencement of payment and form of benefit for an Award Year commencing on or after October 1, 2002, the Participant will be deemed to have elected that payment of benefits with respect to that Award Year be made in a lump sum on or about the Payment Date next following the date of the Participant's termination of employment.

(c) A Participant's election with respect to an Award Year (including a "deemed election" in accordance with the preceding paragraph) shall remain in effect unless and until such election is modified by a subsequent election in accordance with the second preceding paragraph above.

(d) To constitute a valid election by a Participant making a prospective change to a previous election, the prospective election must be executed and delivered to the Company (i) at least six months before the date the first payment would be due under the Participant's previous election and (ii) in a different calendar year than the date the first payment would be due under the Participant's previous election. In the event an election fails to satisfy the provisions set forth in this paragraph, such election shall be void and, if such an election is void, payment shall be made in accordance with the most recent election which was valid. In addition, no prospective election will be considered valid to the extent the prospective election would (i) result in a payment being made within six months of the date of the prospective election or (ii) result in a payment under the prospective election in the same calendar year as the date of the prospective election. In the event a prospective election fails to satisfy the provisions set forth in the preceding sentence, the first payment under the prospective election will be

delayed until the first Payment Date that is both (i) at least six months after the date of the prospective election and (ii) in a calendar year after the date of the prospective election.

(e) A Participant may not make or modify an election with respect to commencement of payment or form of payment after the date a Participant terminates employment.

5. Acceleration upon Early Termination. Notwithstanding a Participant's payment elections under this Article V, if the Participant terminates employment with the Company other than by reason of layoff, death or disability and before the Participant is eligible to commence receiving retirement benefits under a pension plan maintained by the Company (or before the Participant has attained age 55 if the Participant does not participate in such a pension plan), except as provided in Section 5 of Article III with respect to Company Deferrals, the Participant's Account Balance shall be distributed to him or her in a lump sum on or about the Payment Date next following the date of the Participant's termination of employment with the Company; provided, however, that if a distribution in accordance with the provisions of this Section 5 would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person 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.

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's payment elections under this Article V, if following a Participant's termination of employment with the Company, the Participant takes a position (or accepts a position) with a governmental entity, agency, or instrumentality and that employer has determined or indicated that the Participant's continued participation in the Plan may constitute a conflict of interest precluding the Participant from continuing in his position (or from accepting an offered position) with that employer or subjecting the Participant to penalty, sanction, or otherwise limiting the Participant's responsibilities for that employer, except as provided in Section 5 of Article III with respect to Company Deferrals, then the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical following the later of (i) the date on which the Participant commences employment with the government employer; or (ii) the date on which it is determined or indicated that the conflict of interest may exist. This Section 6 shall be applicable only to the extent that such distribution conforms to Code section 409A.

#### 7. Death Benefits.

(a) General Rule. Upon the death of a Participant before a complete distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in accordance with the payment elections applicable to the Participant. If a Participant dies while actively employed or otherwise before the payment of benefits has commenced, payments to the Beneficiary shall commence on the date payments to the Participant would have commenced, taking account of the Participant's termination of employment (by death or before) and, if applicable, by postponing commencement until after the date the Participant would have attained the commencement age specified by the Participant.

Whether the Participant dies before or after the commencement of distributions, payments to the Beneficiary shall be made for the period or remaining period elected by the Participant.

(b) Special Rule. Notwithstanding Section 7(a) of this Article V, in the event that a Participant dies before the Participant's entire Account Balance has been distributed, the Committee, in its sole discretion, may modify the timing of distributions from the Participant's Account, including the commencement date and number of distributions, if it concludes that such modification is necessary to relieve the financial burdens of the Participant's Beneficiary; provided, however, that if a distribution in accordance with the provisions of this Section 7(b) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to any Section 16 Person 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.

8. Early Distributions in Special Circumstances. Notwithstanding a Participant's payment elections under this Article V, a Participant or Beneficiary may request an earlier distribution in the following limited circumstances (except as provided in Section 5 of Article III with respect to Company Deferrals):

(a) Hardship Distributions. A Participant may apply for a hardship distribution pursuant to this Section 8(a) on such form and in such manner as the Committee shall prescribe and, subject to the last sentence of this Section 8(a) with respect to Section 16 Persons, the Committee shall have the power and discretion at any time to approve a payment to a Participant if the Committee determines that the Participant is suffering from a serious financial emergency caused by circumstances beyond the Participant's control which would cause a hardship to the Participant unless such payment were made. Any such hardship payment will be in a lump sum and will not exceed the lesser of (i) the amount necessary to satisfy the financial emergency (taking account of the income tax liability associated with the distribution), or (ii) the Participant's Account Balance; provided, however, that if a distribution in accordance with the provisions of this Section 8(a) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to such Section 16 Person 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.

(b) Withdrawal with Forfeiture. A Participant may elect on such form and in such manner as the Committee shall prescribe at any time to withdraw ninety percent (90%) of the amount credited to the Participant's Account. If such a withdrawal is made, the remaining ten percent (10%) of the Participant's Account shall be permanently forfeited, and the Participant will be prohibited from deferring any amount under the Deferral Plan for the Award Year in which

the withdrawal is received (or the first Award Year in which any portion of the withdrawal is received); provided, however, that if a distribution in accordance with the provisions of this Section 8(b) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to any Section 16 Person 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.

(c) Disability. If the Committee determines that a Participant has become permanently disabled before the Participant's entire Account Balance has been distributed, the Committee, in its sole discretion, may modify the timing of distributions from the Participant's Account, including the commencement date and number of distributions, if it concludes that such modification is necessary to relieve the financial burdens of the Participant; provided, however, that if a distribution in accordance with the provisions of this Section 8(c) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16 (b) of the Exchange Act, the date of distribution with respect to such portion to any Section 16 Person 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.

9. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of the Deferral Plan, except as provided in Section 5 of Article III with respect to Company Deferrals, the Account Balance of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

(b) For purposes of this Deferral Plan, a Change in Control shall include and be deemed to occur upon the following events:

(1) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.

(2) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders

entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event)

(3) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1 (b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

(4) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated)

(5) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

(c) Notwithstanding the provisions of Section 9(a), if a distribution in accordance with the provisions of Section 9(a) would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person 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.

(d) This Section 9 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of Deferred Compensation in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

(e) The Committee may cancel or modify this Section 9 at any time prior to a Change in Control. In the event of a Change in Control, this Section 9 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 9 shall not, for purposes of Section 9, be subject to cancellation or modification during the five-year period.

10. Deductibility of Payments. In the event that the payment of benefits in accordance with the Participant's elections under this Article V would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the Participant's elections, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company.

11. Change of Law. Notwithstanding anything to the contrary herein, if the Committee determines in good faith, based on consultation with counsel, that the Federal income tax treatment or legal status of the Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the Accounts of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

12. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any Incentive Compensation or Long Term Incentive Award payment deferred hereunder or credit contributed by the Company under Article IV, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required.

## ARTICLE VI

### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Deferral Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Deferral Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Deferral Plan, the Company may set aside assets in a trust described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Deferral Plan be satisfied by payments out of such trust. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Deferral Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Deferral Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or

other encumbrance or attachment of any payments or benefits under this Deferral Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary. Notwithstanding, any portion of a Participant's benefit under this Plan may be paid to a spouse or former spouse pursuant to the terms of a domestic relations order (as defined in Code section 414(p)(1)(B)), provided that the form of payment designated in such order is one that is provided for under Section 3 of Article V of this Deferral Plan.

## ARTICLE VII

### AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Deferral Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's Account Balance or postponing the time when a Participant is entitled to receive a distribution of his Account Balance. Further, no amendment may alter the formula for crediting interest to Participants' Accounts with respect to amounts for which deferral elections have previously been made, unless the amended formula is not less favorable to Participants than that previously in effect, or unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their Account Balances in a lump sum immediately following such termination or at such time thereafter as the Board may determine; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person 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.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement to assume all of the obligations of the Company under this Plan with respect to such Participant.

## ARTICLE VIII

### ADMINISTRATION

1. The Committee. This Deferral Plan shall be administered by the Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this Deferral Plan to comply with the disinterested administration requirements of Rule 16b-3 of the Exchange Act. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The

Committee or its delegate shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee or its delegate shall be final and binding on all parties.

2. Delegation and Reliance. 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 Deferral Plan in accordance with its terms and purpose, except that the Committee may not delegate any authority the delegation of which would cause this Deferral Plan to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this Deferral Plan, the Committee may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Deferral Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Deferral Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Deferral Plan or for the failure of the Deferral Plan or any Participant's rights under the Deferral Plan to achieve intended tax consequences, to qualify for exemption or relief under Section 16 of the Exchange Act and the rules thereunder, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or its delegate may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or its delegate) from all liability with respect thereto.

5. Proof of Claims. The Committee or its delegate may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. If a claim under this Deferral Plan is denied by the Committee, the Committee or its delegate shall communicate such denial and shall provide an opportunity to appeal such denial in a manner which the Committee deems appropriate under the circumstances, which may include following the then applicable claims procedures under the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. No Guarantee of Employment or Award. Neither this Deferral Plan, a Company Deferral nor a Participant's Deferral Agreement, either singly or collectively, shall in any way obligate the Company to continue the employment of a Participant with the Company, nor does either this Deferral Plan, a Company Deferral or a Deferral Agreement limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Deferral Plan, a Company Deferral or a Deferral Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Deferral Plan, a Company Deferral or a Deferral Agreement, either singly or collectively, by their terms or implications in any way obligate the Company to award Incentive Compensation, grant any award under the Omnibus Plan or IPA Plan or make any Long Term Incentive Award payment to any Eligible Employee for any Award Year, whether or not the Eligible Employee is a Participant in the Deferral Plan for that Award Year, nor in any other way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Affect on Retirement Plans. Neither Incentive Compensation nor Long Term Incentive Award payments deferred under this Deferral Plan shall be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Notice. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of the Vice President, Human Resources. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her last-known place of residence or business address.

4. Performance of Acts. In the event it should become impossible for the Company or the Committee to perform any act required by this Deferral Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Deferral Plan.

5. Employee Consent. By electing to become a Participant hereunder, each Eligible Employee shall be deemed conclusively to have accepted and consented to all of the terms of this Deferral Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Deferral Plan.

6. Terms Binding. The provisions of this Deferral Plan and the Deferral Agreements hereunder shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. Copy of Plan. A copy of this Deferral Plan shall be available for inspection by Participants or other persons entitled to benefits under the Deferral Plan at reasonable times at the offices of the Company.

8. State Law. The validity of this Deferral Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. Regulatory Requirements. This Deferral Plan and its operation, including but not limited to, the mechanics of deferral elections, the reallocation of all or a portion of a Participant's Account Balance, the issuance of securities, if any, or the payment of cash hereunder is subject to compliance with all applicable Federal and state laws, rules and regulations (including but not limited to state and Federal insider trading, registration, reporting and other securities laws) and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

10. Section 16 of Exchange Act. It is the intent of the Company that this Deferral Plan satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this Deferral Plan would otherwise frustrate or conflict with the intent expressed in this Section 10, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the Deferral Plan to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed ineffective. Notwithstanding anything to the contrary in this Deferral Plan, the provisions of this Deferral Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Deferral Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Deferral Plan to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the provisions of Section 16 of the Exchange Act or the provisions of the Deferral Plan designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

11. Securities Laws. This Deferral Plan, allocations to and from the Company Stock Investment Option and the issuance and delivery of shares of Common Stock and/or other securities or property or the payment of cash under this Deferral Plan, are subject to compliance with all applicable Federal and state laws, rules and regulations (including but not limited to state and Federal insider trading, registration, reporting and other securities laws and

Federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company be necessary or advisable to comply with all legal requirements. Any securities delivered under this Deferral Plan shall be subject to such restrictions (and the person acquiring such securities shall, if requested by the Company provide such evidence, assurance and representations to the Company as to compliance with any thereof) as counsel to the Company may deem necessary or desirable to assure compliance with all applicable legal requirements.

12. 1995 Awards. Notwithstanding any other provision of this Deferral Plan, each Eligible Employee who is a Section 16 Person and has entered into a Deferral Agreement prior to the initial distribution of a prospectus relating to this Deferral Plan shall be entitled, during a ten-business-day period following the initial distribution of that prospectus, to make an irrevocable election to (i) receive a distribution of all or any portion of his or her Account Balance attributable to Deferred Compensation for the 1995 Award Year during the seventh month following the month of the election, or (ii) reallocate all or any part of his or her Account Balance attributable to Deferred Compensation for the 1995 Award Year to a different investment option as of the end of the sixth month following the month of the election.

13. Limits on Accounts. At no time shall the aggregate Account Balances of all Participants to the extent allocated to the Company Stock Investment Option exceed an amount equal to the then fair market value of 5,000,000 shares of the Company's Common Stock, nor shall the cumulative amount of Incentive Compensation and Long Term Incentive Award payments deferred under this Deferral Plan by all Eligible Employees for all Award Years exceed \$250,000,000.

14. Electronic Notice and Signatures. Whenever a signature notice or delivery of a document is required or appropriate under this Deferral Plan, signature, notice or delivery may be accomplished by paper or written format or, to the extent authorized by the Committee, by electronic means. In the event the Committee authorizes electronic means for the signature, notice or delivery of a document under this Deferral Plan, the electronic record or confirmation of that signature, notice or delivery maintained by or on behalf of the Committee shall for purposes of this Deferral Plan be treated as if it was a written signature or notice and was delivered in the manner provided herein for a written document.

## ARTICLE X

### EFFECTIVE DATE AND SHAREHOLDER APPROVAL

This Deferral Plan was adopted by the Board on July 27, 1995 and became effective upon adoption to awards of Incentive Compensation for the Company's fiscal year ending December 31, 1995 and subsequent fiscal years; provided, however, that with respect to Section 16 Persons, the availability of the Company Stock Investment Option is conditioned upon the approval of this Deferral Plan by the stockholders of Lockheed Martin Corporation. In the event that this Deferral Plan is not approved by the stockholders, then Section 16 Persons shall not be entitled to have Deferred Compensation allocated to the Company Stock Investment Option; any prior elections by Section 16 Persons to have allocations made to the Company Stock Investment Option shall retroactively be deemed ineffective, and the Account Balances of

those Section 16 Persons shall be restated as if all of their Deferred Compensation had been allocated to the Interest Option at all times. Subsequent amendments to the Deferral Plan are effective as of the date stated in the amendment or the adopting resolution.

This Deferral Plan has been amended and restated effective as of the date stated on the first page herein.

LOCKHEED MARTIN CORPORATION  
SUPPLEMENTAL RETIREMENT PLAN

(Effective December 31, 2010)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Supplemental Retirement Plan (the "Plan") are:

- (a) to provide certain employees of Lockheed Martin Corporation and its subsidiaries (the "Company") with those benefits that cannot be paid from the Company's tax-qualified plans because of the limitations on contributions and benefits contained in Internal Revenue Code section 415;
- (b) to provide certain key management employees of the Company with those benefits that cannot be paid from the Company's tax-qualified plans because of other limitations on contributions and benefits contained in the Internal Revenue Code, such as the limitations contained in Code section 401(a)(17); and
- (c) to provide certain key management employees of the Company with other supplemental benefits.

The following plans and predecessor plans were amended, restated and merged to form a single Plan, effective July 1, 2004:

1. Supplemental Retirement Benefit Plan of Lockheed Martin Corporation (formerly the Supplemental Retirement Benefit Plan of Lockheed Corporation)
2. Lockheed Martin Corporation Supplemental Excess Retirement Plan (formerly the Martin Marietta Corporation Supplemental Excess Retirement Plan)
3. Lockheed Martin Supplemental Retirement Income Plan (formerly the Martin Marietta Supplemental Retirement Income Plan)
4. Lockheed Martin Tactical Systems Supplemental Executive Retirement Plan (formerly the Loral Supplemental Executive Retirement Plan).

The Plan was amended and restated, effective January 1, 2005, in order to comply with the requirements of Code section 409A. The 2005 amendment and restatement of the Plan, as further amended and restated from time to time, shall apply only to the portion of a Participant's benefit that accrued and vested on or after January 1, 2005. The portion of a Participant's benefit that accrued and vested prior to January 1, 2005 shall be governed by the terms of the Plan in effect on December 31, 2004, attached as Appendix B. The Plan was amended and restated, effective June 26, 2008, in order to clarify certain provisions in accordance with the final Treasury Regulations issued under Code section 409A and to make other clarifications with respect to eligibility and benefits. The Plan is hereby amended and restated effective December 31, 2008 to order to make further clarifications in accordance with the final Treasury Regulations issued under Code section 409A and to make other administrative clarifications.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise or the term is defined below, all terms shall be defined in accordance with the Lockheed Martin Corporation Retirement Program.

1. ACTUARIAL EQUIVALENT — The Actuarial Equivalent shall mean a benefit which has the equivalent value computed using the interest rate which would be used by the Pension Benefit Guaranty Corporation to determine the present value of an immediate lump sum distribution on termination of a pension plan, as in effect on the first day of the month of termination of employment plus one percent (1%), and the 1983 Group Annuity Mortality Table with sex distinction; provided that for Years beginning on or after January 1, 2011, in no event shall the interest rate plus 1% exceed 7% or be less than 4%.

2. BENEFICIARY — The Beneficiary of a Participant shall be (a) the Participant's Spouse or (b) if there is no Spouse surviving the Participant, the Participant's estate.

3. BOARD — The Board of Directors of Lockheed Martin Corporation.

4. CODE — The Internal Revenue Code of 1986, as amended.

5. COMMITTEE — The committee described in Section 1 of Article VIII.

6. COMPANY — Lockheed Martin Corporation and its Subsidiaries.

7. ELIGIBLE EMPLOYEE — An employee of the Company who (1) participates in a Qualified Pension Plan and whose benefits thereunder are affected by the limitation on benefits imposed by Section 415 or 401(a)(17) of the Code, or (2) is designated by the Committee as eligible to participate in the Plan; and who satisfies such additional requirements for participation in this Plan as the Committee may from time to time establish. The Lockheed Martin Pension Plans Administration Committee (the "Pension Committee") shall interpret the participation requirements established by the Committee for all participants except elected officers subject to Section 16(b) of the Securities and Exchange Act of 1934. Determinations of participation requirements for elected officers shall be made by the Committee.

8. GRANDFATHERED 2004 BENEFIT — The benefit calculated under the terms of the Plan in effect prior to January 1, 2005 (attached as Appendix B), including benefits calculated under the Annexes to such Plan, determined as if the Participant had terminated from employment on December 31, 2004 (or the Participant's actual termination date, if earlier).

9. PARTICIPANT — An Eligible Employee who meets the requirements for participation contained in Article III or the Annexes; the term shall include a former employee and survivors/beneficiaries whose benefit has not been fully distributed. A Participant shall cease to be an active Participant upon termination of employment, when he otherwise ceases to be an

Eligible Employee, or when he otherwise ceases to meet the requirements for participation as amended from time to time.

10. QUALIFIED PENSION PLAN — A defined benefit plan specified in Appendix A in which the Participant participates.

11. PLAN — The Lockheed Martin Corporation Supplemental Retirement Plan, or any successor plan.

12. SUBSIDIARY — As to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporation), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

12A. TERMINATION OF EMPLOYMENT — A separation from service as such term is defined in Code section 409A and the regulations thereunder.

13. YEAR — The calendar year.

### ARTICLE III

#### EXCESS BENEFIT PROVISIONS

1. Introduction. This Article sets forth the terms of the Plan relating to benefits determined by reference to the limitations imposed by Code section 415 and/or Code section 401(a)(17). This Article amends and restates the provisions relating to those benefits previously contained in the following plans:

- (a) the Supplemental Retirement Benefit Plan of Lockheed Martin Corporation (formerly known as the Supplemental Benefit Plan of Lockheed Corporation);
- (b) the Lockheed Martin Corporation Supplemental Excess Retirement Plan (formerly know as the Martin Marietta Corporation Supplemental Excess Retirement Plan); and
- (c) the Lockheed Martin Tactical Systems Supplemental Executive Retirement Plan (formerly known as the Loral Supplemental Executive Retirement Plan).

2. Purpose. Benefits under this Article III supplement the benefits of Eligible Employees to the extent that such benefits cannot be paid from the Company's tax-qualified defined benefit plans because of the limitations on benefits contained in Code section 415 and/or Code section 401(a)(17). It is intended that the provisions of this Article which relate to the

limitations imposed by Code section 415 constitute a separate plan for purposes of Section 3(36) of the Employee Retirement Income Security Act of 1974 (ERISA).

3. Eligibility. An Eligible Employee who is entitled to benefits under a Qualified Pension Plan, and whose retirement income benefits are limited by the provisions of the Qualified Pension Plan (as amended from time to time) relating to the limits under Code section 415 and/or Code section 401(a)(17) shall receive benefits pursuant to this Article III.

4. Amount of Benefit. The benefit that each Participant shall be entitled to receive under the Plan is the amount reasonably determined by the Company to be the difference between the Participant's actual benefit under the applicable Qualified Pension Plan and the benefits that would have been payable under that Plan if:

- (a) the Qualified Pension Plan had determined pensionable earnings on a "mix and match" basis, as defined below; and
- (b) the Participant's benefit under the Qualified Pension Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under a Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the three (3) highest years of MICP compensation during the last 10 years shall be added to the average of the three (3) highest years of other pensionable earnings during the last 10 years to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

Benefits under this Article III are intended to supplement the Participant's actual benefit under the applicable Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the applicable Qualified Pension Plan on a "mix and match" basis and without regard to the limitations of Code section 415 and Code section 401(a)(17). To prevent duplication of benefits, the full benefit under the applicable Qualified Pension Plan (without regard to the portion of the benefit attributable to employee contributions, if any) shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the applicable Qualified Pension Plan, and then reduced further by the Grandfathered 2004 Benefit, then further reduced by the benefit payable from other nonqualified pension plans of the Company which corresponds to the benefit payable under the applicable Qualified Pension Plan (including any benefit payable under Annex B of this Plan and excluding any nonqualified plans designed to supplement qualified defined contribution plans) to the extent permitted under Code section 409A. The remaining benefit shall be paid from this Plan pursuant to this Article III. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article III shall be payable to the Participant or Beneficiary who is receiving or entitled to receive benefits with respect to the Participant under the Qualified Pension Plan.

If the benefits payable under the Qualified Pension Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan.

#### ARTICLE IV

##### SUPPLEMENTAL BENEFITS

In addition to the benefits described in Article III, the Plan also provides benefits to certain key management employees, as set forth in the Annexes. Eligibility for, and the amount of, such benefits is set forth in the applicable Annex. Payment options for such benefits are described in Article V.

#### ARTICLE V

##### PAYMENT OF BENEFITS

1. Vesting. Except as provided in Article VI, and subject to the Company's right to discontinue the Plan as provided in Article VII, a Participant shall have a non-forfeitable benefit payable under this Plan to the same extent as benefits are vested under the applicable Qualified Pension Plan. As provided in Article VI, if a Participant acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

2. Form and Timing of Payment. Except as otherwise provided herein, a Participant may make an initial payment election between an annuity and a lump sum payment under the terms and conditions described in this Section 2. All elections under this Section 2 must be made in the form and manner prescribed by the Senior Vice President, Human Resources. No election made pursuant to this Section 2 may affect a payment due in the same calendar year in which the election is made or accelerate payment into the calendar year in which the election is made.

a. Regular Form. Unless a Participant has elected a lump sum payment under Section 2.b of this Article V, benefits under this Plan shall be paid in the form of an annuity. Participants who first become eligible for participation in the Plan after December 16, 2005 shall receive their benefits in the form of an annuity. Benefits paid in a form described in this Section 2.a. shall commence as soon as administratively practicable (but no more than 90 days) following the later of (i) the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). Notwithstanding the foregoing sentence, benefits paid in a form described in this Section 2.a. to a Participant who is reasonably determined by the Company to be a "specified employee" within

the meaning of Code section 409A(2)(B)(i), shall not commence before the later of (i) six (6) months following the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of Termination of Employment or attainment of age fifty-five (55), as applicable, and the payment date.

i. Selection of Annuity Form. Prior to his Termination of Employment or attainment of age 55, as applicable, a Participant may elect to receive benefits in any actuarially equivalent annuity form that is available under the applicable Qualified Pension Plan on the date of the Participant's election that has been designated by the Senior Vice President, Human Resources as available for election under this Plan. If the Participant has not validly elected an annuity form before his Termination of Employment or attainment of age 55, as applicable, under this Section 2.a. or a lump sum payment as provided in Section 2.b. of Article V, (i) an unmarried Participant shall be deemed to have elected payment in the form of a monthly annuity for the life of the Participant with no further payments to anyone after his or her death, and (ii) a married Participant shall be deemed to have elected payment in the form of a reduced monthly annuity for the life of the Participant with, after the Participant's death, a 50% survivor annuity for the life of the Participant's spouse. Actuarial adjustments shall be based on the factors set forth in the Qualified Pension Plan.

b. Lump Sum Option. This Section shall not apply to Participants who first become eligible for participation in the Plan after December 16, 2005. In lieu of the forms described in Section 2.a. of Article V, a Participant may make a one-time initial election to receive a full lump sum payment in an amount which is the Actuarial Equivalent of a monthly annuity for the life of the Participant with no further payments to anyone after his or her death, provided the election is filed with the Company in writing no later than December 31, 2008 (or such other date determined by the Senior Vice President, Human Resources and communicated to Participants) and the Participant's employment has not terminated employment prior to filing the election. For all Participants who elect a lump sum under this Section 2.b., the lump sum payment shall be made six (6) months following the later of (i) the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of Termination of Employment or attainment of age fifty-five (55), as applicable, and the payment date. All elections under this Section 2.b. must be made in the form and manner prescribed by the Company. Such election shall be irrevocable except as provided in Section 2(e) of Article V.

c. Cash-out of Small Benefits. Notwithstanding the above, if the Value of the sum of the benefits payable to a Participant or Beneficiary under this Plan does not exceed \$10,000, all such benefits will be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits. For purposes of this Section, Value shall be determined as of the Participant's Termination of Employment or attainment of age fifty-five (55), as applicable, and shall mean the present value of a Participant's or Beneficiary's benefits, excluding the Grandfathered 2004 Benefit, based (i) for Terminations of Employment prior to January 1, 2008 upon the applicable mortality table and applicable interest rate in Code section 417(e)(3)(ii), or for terminations on or after January 1, 2008, upon the applicable mortality table

and applicable interest rate under Code section 417(e)(3), as amended by the Pension Protection Act of 2006, for the calendar month preceding the Plan Year in which the termination of employment or attainment of age fifty-five (55) occurs. Notwithstanding the foregoing sentence, benefits paid under this Section 2.c. to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(2)(B) (i), shall not commence before six (6) months following the later of (i) the month in which the Participant has a Termination of Employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of Termination of Employment or attainment of age fifty-five (55), as applicable, and the payment date.

d. Payment Upon Death or Disability.

i. Death. No other death benefits are provided under this Plan other than as specified in this Section 2.d.i.

A. Pre-Retirement Survivor Benefit. In the event the Participant dies prior to terminating employment or attaining age 55, a pre-retirement survivor benefit will be payable to the Participant's surviving spouse (if any) (the "Pre-Retirement Survivor Benefit" and the "Surviving Spouse") in the form elected by the Participant under the terms of the Plan. If the Participant's benefit was payable in a lump sum, the lump sum shall be the Actuarial Equivalent of a monthly annuity payable for the life of the Surviving Spouse with no further payments to anyone after his or her death. The Pre-Retirement Survivor Benefit shall commence as soon as administratively practicable (but no later than 90 days) following the later of (i) the month in which the Participant dies, or (ii) the month in which the Participant would have attained age fifty-five (55). No Pre-Retirement Survivor Benefit is payable to anyone other than the Participant's Surviving Spouse. Notwithstanding the foregoing, with respect to all Participants who elected a lump sum under Section 2.b., a lump sum Pre-Retirement Survivor Benefit shall be paid to the Participant's Surviving Spouse six (6) months following the later of (i) the month in which the Participant dies, or (ii) the month in which the Participant would have attained age fifty-five (55).

B. Death After Termination of Employment or Attainment of Age 55. If a Participant who is required to wait six (6) months for a lump sum payment (in accordance with Section 2 of Article V) dies after the Participant's Termination of Employment or attainment of age fifty-five (55), as applicable, but before payment is made, the lump sum payment shall be made to the Participant's Beneficiary as administratively practicable (but no later than 90 days) following the death of the Participant.

ii. Disability. Notwithstanding the provisions of this Article V, the benefit of a Disabled Participant who is eligible for a disability pension from the Lockheed Martin Retirement Income Plan, the KAPL Inc. Pension Plan for Salaried Employees, or the Lockheed Martin Corporation Retirement Income Plan III shall be paid in the form elected by the Participant under the terms of the Plan as soon as administratively practicable (but no later than 90 days) following the date the Participant is reasonably determined by the Company to be Disabled. For the purposes of this Section 2.d.ii., the terms "Disabled" or "Disability" shall have the meaning set forth in the Lockheed Martin Retirement Income Plan, the KAPL Inc. Pension

Plan for Salaried Employees, or the Lockheed Martin Corporation Retirement Income Plan III, as applicable, to the extent consistent with the requirements of Code section 409A(a)(2)(C).

e. Prospective Change of Payment Elections. Participants may elect to change the form of payment of benefits or further delay the commencement of benefits as provided in this Section 2.e. All elections under this Section 2.e. must be made in the form and manner prescribed by the Company. This Section 2.e. does not apply to Surviving Spouses or Beneficiaries. Subject to the requirements of Code section 409A, other changes in the form of benefit, including changes between actuarially equivalent forms of benefit, if any, may be made only as determined by the Senior Vice President, Human Resources, of the Company in accordance with Code section 409A.

i. Form of Payment. A Participant who has validly elected (or deemed to have elected) payment as an annuity (as described in Section 2.a. of Article V) or has validly elected a lump sum payment (in accordance with Section 2.b. of Article V) may later elect to receive payment in any form (annuity or lump sum) designated by the Senior Vice President, Human Resources, of the Company, provided that such election is made in the form and manner determined by the Senior Vice President, Human Resources not less than twelve (12) months before the date the payment would have first commenced under the Participant's prior election. In addition, the first payment under the new election must commence no earlier than sixty (60) months from the date when the payment would have first commenced under the Participant's prior election. Such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company.

ii. Timing of Payment. Regardless of the form of payment, a Participant may elect to delay payment of his benefit provided such election is made in writing in the form and manner determined by the Senior Vice President, Human Resources, not less than twelve (12) months before the date the payment would have first commenced under the Participant's prior election. In addition, the first payment under the new election must commence no earlier than sixty (60) months from when the payment would have first commenced under the Participant's prior election. No interest shall be paid between the date of termination of employment or attainment of age fifty-five (55), as applicable, and the payment date. Such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company.

This Section 2.e. does not apply to Surviving Spouses or Beneficiaries.

f. Notwithstanding the above, for periods prior to January 1, 2009, (or such later date as may be provided by the Internal Revenue Service in guidance of general applicability), the Senior Vice President, Human Resources may provide alternative rules for elections with respect to the commencement of payment and form of payment, provided that such rules conform to Code section 409A and Internal Revenue Service guidance issued thereunder.

g. If a Participant participates in more than one supplemental pension plan sponsored by the Corporation, the Participant must make a single election that shall apply to his or her benefits under all such plans with respect to the form of annuity (under Section 2.a. of this Article 5) and with respect to prospective changes of payment (under Section 2.e. of this Article 5).

3. Deductibility of Payments. Subject to the provisions of Section Code section 409A, in the event that the Company reasonably anticipates that the payment of benefits in accordance with the Participant's election under Section 2 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid under Code section 162(m), the Committee shall have the right to delay the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a delayed distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as the Company reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction will not be barred by Code section 162(m) or upon a Termination of Employment in accordance with Treasury Regulation section 1.409A-2(b)(7)(i), consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company. All scheduled payments under this Plan and any other plan required to be aggregated with this Plan must be delayed in order for such payment to be delayed pursuant to this Section 3.

4. Change of Law. Notwithstanding anything herein to the contrary, if the Committee determines in good faith, based on consultation with counsel and in accordance with the requirements of Code section 409A, that the federal income tax treatment or legal status of this Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the benefits of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

5. Acceleration upon Change in Control. Notwithstanding any other provision of the Plan, the accrued benefit of each Participant shall be one-hundred percent (100%) vested and be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

For purposes of this Plan, a Change in Control shall include and be deemed to occur upon the following events:

- (a) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.

- (b) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Company Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).
- (c) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.
- (d) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).
- (e) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Company Subsidiary.

Notwithstanding the foregoing, no distribution shall be made solely on account of a Change in Control and prior to the benefit commencement date specified in Section 2 of Article V unless the Change in Control is both an event qualifying for a distribution of deferred compensation under Section 409A(a)(2)(A)(v) of the Code and an event qualifying under this Section 5. This Section 5 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of benefits under this Plan in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

The Committee may cancel or modify this Section 5 at any time prior to a Change in Control. In the event of a Change in Control, this Section 5 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 5 shall not, for purposes of Section 5, be subject to cancellation or modification during the five year period.

6. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. No benefit payments shall be made to the Participant until the withholding obligation for taxes under Code sections 3101(a) and 3101(b) has been satisfied with respect to the Participant.

7. Retiree Medical Withholding. A Participant may direct the Company to withhold from the Participant's benefit payments hereunder all or a portion of the amount that the Participant is required to pay for Company-provided retiree medical coverage.

8. Reemployment. The retirement benefit otherwise payable hereunder to any Participant who previously retired or otherwise had a Termination of Employment and is subsequently reemployed may not be suspended during the Participant's period of reemployment except as permitted under Code section 409A.

9. Mistaken Payments. No Participant or Beneficiary shall have any right to any payment made (1) in error, (2) in contravention to the terms of the Plan, the Code, or ERISA, or (3) because the Committee or its delegates were not informed of any death. The Committee shall have full rights under the law and ERISA to recover any such mistaken payment, and the right to recover attorney's fees and other costs incurred with respect to such recovery. Recovery shall be made from future Plan payments, or by any other available means.

## ARTICLE VI

### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Plan be satisfied by payments out of such trust or trusts. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary or transfer of an interest in this Plan to a Participant's spouse, former spouse, or

child incident to divorce under a Qualified Domestic Relations Order (which shall be interpreted and administered in accordance with Code sections 414(p)(1)(B) and 409A), provided that the form of payment designated in such order is an annuity as provided in Section 2.a. of Article V.

3. **Forfeiture.** If, following the date on which a Participant shall retire under this Plan, a Participant shall engage in the operation or management of a business, whether as owner, stockholder, partner, officer, employee, consultant, or otherwise, which at such time is in competition with the Company or any of its subsidiaries, or shall disclose to unauthorized persons information relative to the business of the Company or any of its subsidiaries which the Participant shall have reason to believe is confidential, or otherwise act, or conduct oneself, in a manner which the Participant shall have reason to believe is contrary to the best interest of the Company, or shall be found by the Committee to have committed an act during the term of the Participant's employment which would have justified the Participant being discharged for cause, the Participant's retirement benefit under this Plan shall terminate. Application of this Section will be at the discretion of the Committee.

## ARTICLE VII

### AMENDMENT OR TERMINATION

1. **Amendment.** The Board or its authorized delegate may amend, modify, suspend or discontinue this Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's accrued benefit or postponing the time when a Participant is entitled to receive a distribution of his accrued benefit unless each affected Participant consents to such change.

2. **Termination.** The Board reserves the right to terminate this Plan at any time and at such times that the Board reasonably determines in its discretion is appropriate and conforms to the requirements of Code section 409A, to pay all Participants their accrued benefits in a lump sum or to make other provisions for the payment of benefits (e.g. purchase of annuities) immediately following such termination or at such time thereafter as the Board may determine.

3. **Transfer of Liability.** The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement with the Company or its subsidiaries to assume all of the obligations of the Company under this Plan with respect to such Participant.

4. **Merger.** The Board reserves the right to merge all or part of this Plan with or into another plan, provided (1) such other plan preserves all of the obligations of the Company under this Plan with respect to such Participant and (2) each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger (if the Plan had then terminated).

ARTICLE VIII

ADMINISTRATION

1. The Committee. This Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and its delegates shall have full discretion to construe and interpret the terms and provisions of the Plan, which interpretation or construction shall be final, conclusive and binding on all parties, including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. Notwithstanding anything contained in the Plan or in any document issued under the Plan, it is intended that the Plan will at all times conform to the requirements of Code section 409A, including the rules for “grandfathered” benefits under Code section 409A, and any regulations or other guidance issued thereunder, and that the provisions of the Plan will be interpreted to meet such requirements. If any provision of the Plan is determined not to conform to such requirements, the Plan shall be interpreted to omit such offending provision.

2. Delegation and Reliance. 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. In making any determination or in taking or not taking any action under this Plan, the Committee may obtain and rely upon the advice of experts, including professional advisors to the Company. Except as otherwise provided in Section 6, the Committee delegates the authority to adjudicate claims to the Pension Plans Administrative Committee. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of the Plan or any Participant’s rights under the Plan to achieve intended tax consequences, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Pension Plans Administrative Committee may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or Pension Plans Administrative Committee) from all liability with respect thereto.

5. Proof of Claims. The Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is wholly or partially denied by the Claims Administrator are as follows:

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.

- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.
- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.

- (e) If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.
- (f) The Claims Administrator shall be the Lockheed Martin Corporation Pension Plans Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

#### ARTICLE IX

##### GENERAL AND MISCELLANEOUS PROVISIONS

1. This Plan shall not in any way obligate the Company to continue the employment of a Participant with the Company, nor does this Plan limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan by its terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any benefits accrued under this Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of Pension Plan Services, Human Resource Services. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Plan.

5. Each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Plan.

6. The provisions of this Plan shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

8. This Plan and its operation, including the payment of cash hereunder, is subject to compliance with all applicable Federal and state laws, rules and regulations and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

#### ARTICLE X

#### EFFECTIVE DATE

This Plan, including any amendment and restatement of the prior plans, is generally effective December 31, 2010.



Additional Benefits Previously Provided under the  
Lockheed Martin Corporation Supplemental Excess Retirement Plan

1. Introduction. The benefits described in this Annex previously were provided as part of the Lockheed Martin Corporation Supplemental Excess Retirement Plan. That Plan was formerly known as the Martin Marietta Corporation Supplemental Excess Retirement Plan, and included provisions previously contained in the Lockheed Martin Supplemental Retirement Income Plan.

2. Purpose. This Annex provides a supplemental benefit to salaried employees who were considered highly compensated employees as of December 31, 1990 and who were also participants in the Martin Marietta Corporation Retirement Income Plan as of September 30, 1975, whose benefits are limited by Code section 401(a)(4).

3. Eligibility. This Annex provides benefits to salaried employees who were considered highly compensated employees as of December 31, 1990 (as determined under the Martin Marietta Corporation Retirement Income Plan as in effect on that date) and who were also covered employees in the Martin Marietta Corporation Retirement Income Plan as of September 30, 1975 or were participants for 12 consecutive months prior to September 30, 1975 who receive a pension benefit calculated under the Pre-ERISA formula in the Martin Marietta Corporation Retirement Income Plan.

4. Amount of Benefit. Participants shall receive a retirement benefit from this Plan that is reasonably determined by the Company to equal to the excess, if any, of (1) the pension benefit calculated based on the formula described in Article V(1)(b) or Article IX(2)(b) of the January 1, 1995 Martin Marietta Corporation Retirement Income Plan without regard to the limitation described in Article V(1)(c), Article IX(2)(c) or Code section 415 or Code section 401(a)(17), reduced by the greater of the pension benefits described in Article V(1)(b) or Article IX(2)(b) of the January 1, 1995 Retirement Income Plan. To prevent duplication of benefits, the benefit payable under this Annex shall be coordinated with any benefit payable under Article III of the Plan, as set forth in Article III.

In no event shall the computation of benefits under this Annex take into account any service performed by a Participant after separation from employment with the Company or its subsidiaries.

Qualified Pension Plans

1. Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees
2. Lockheed Martin Corporation Retirement Income Plan
3. Lockheed Martin Account Balance Retirement Plan
4. Lockheed Martin Corporation Retirement Income Plan III
5. Lockheed Martin Pension Plan for Former Salaried and Hourly Employees of Inactive Commercial Divisions
6. KAPL Inc. Pension Plan for Salaried Employees
7. Lockheed Martin Global Telecommunications Retirement Plan

This Appendix B shall govern the portion of a Participant's benefit that accrued and vested under the Plan on or before December 31, 2004. This Appendix B shall not apply to the portion of a Participant's benefit that accrued and vested under the Plan on or after January 1, 2005.

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Supplemental Retirement Plan (the "Plan") are:

- (a) to provide certain employees of Lockheed Martin Corporation and its subsidiaries (the "Company") with those benefits that cannot be paid from the Company's tax-qualified plans because of the limitations on contributions and benefits contained in Internal Revenue Code section 415;
- (b) to provide certain key management employees of the Company with those benefits that cannot be paid from the Company's tax-qualified plans because of other limitations on contributions and benefits contained in the Internal Revenue Code, such as the limitations contained in Code section 401(a)(17); and
- (c) to provide certain key management employees of the Company with other supplemental benefits.

The following plans and predecessor plans are amended, restated and merged to form this Plan, effective July 1, 2004:

- 5. Supplemental Retirement Benefit Plan of Lockheed Martin Corporation (formerly the Supplemental Retirement Benefit Plan of Lockheed Corporation)
- 6. Lockheed Martin Corporation Supplemental Excess Retirement Plan (formerly the Martin Marietta Corporation Supplemental Excess Retirement Plan)
- 7. Lockheed Martin Supplemental Retirement Income Plan (formerly the Martin Marietta Supplemental Retirement Income Plan)
- 8. Lockheed Martin Tactical Systems Supplemental Executive Retirement Plan (formerly the Loral Supplemental Executive Retirement Plan).

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise or the term is defined below, all terms shall be defined in accordance with the Lockheed Martin Corporation Retirement Program.

3. ACTUARIAL EQUIVALENT — The Actuarial equivalent shall mean a benefit which has the equivalent value computed using the interest rate which would be used by the Pension Benefit Guaranty Corporation to determine the present value of an immediate lump sum distribution on termination of a pension plan, as in effect on first day of the month of termination of employment plus one percent (1%), and the 1983 Group Annuity Mortality Table with sex distinction.

4. BENEFICIARY — The person or persons designated by the Participant as his or her beneficiary under the Qualified Pension Plan. If no beneficiary is designated under the Qualified Pension Plan, then the beneficiary shall be (a) the Participant's Spouse or (b) if there is no Spouse surviving the Participant, the Participant's estate.

3. BOARD — The Board of Directors of Lockheed Martin Corporation.

4. CODE — The Internal Revenue Code of 1986, as amended.

5. COMMITTEE — The committee described in Section 1 of Article VIII.

6. COMPANY — Lockheed Martin Corporation and its subsidiaries.

7. ELIGIBLE EMPLOYEE — An employee of the Company who (1) participates in a Qualified Pension Plan and whose benefits thereunder are affected by the limitation on benefits imposed by Section 415 or 401(a)(17) of the Code, or (2) is designated by the Committee as eligible to participate in the Plan; and who satisfies such additional requirements for participation in this Plan as the Committee may from time to time establish. The Lockheed Martin Pension Plans Administration Committee (the "Pension Committee") shall interpret the participation requirements established by the Committee for all participants except elected officers subject to Section 16(b) of the Securities and Exchange Act of 1934. Determinations of participation requirements for elected officers shall be made by the Committee.

8. PARTICIPANT — An Eligible Employee who meets the requirements for participation contained in Article III or the Annexes; the term shall include a former employee and survivors/beneficiaries whose benefit has not been fully distributed. A Participant shall cease to be an active Participant upon termination of employment, when he otherwise ceases to be an Eligible Employee, or when he otherwise ceases to meet the requirements for participation as amended from time to time.

---

9. QUALIFIED PENSION PLAN — A defined benefit plan specified in Appendix A in which the Participant participates.

10. PLAN — The Lockheed Martin Corporation Supplemental Retirement Plan, or any successor plan.

11. YEAR — The calendar year.

ARTICLE III

EXCESS BENEFIT PROVISIONS

1. Introduction. This Article sets forth the terms of the Plan relating to benefits determined by reference to the limitations imposed by Code section 415 and/or Code section 401(a)(17). This Article amends and restates the provisions relating to those benefits previously contained in the following plans:

- (a) the Supplemental Retirement Benefit Plan of Lockheed Martin Corporation (formerly known as the Supplemental Benefit Plan of Lockheed Corporation);
- (b) the Lockheed Martin Corporation Supplemental Excess Retirement Plan (formerly known as the Martin Marietta Corporation Supplemental Excess Retirement Plan); and
- (c) the Lockheed Martin Tactical Systems Supplemental Executive Retirement Plan (formerly known as the Loral Supplemental Executive Retirement Plan).

2. Purpose. Benefits under this Article III supplement the benefits of Eligible Employees to the extent that such benefits cannot be paid from the Company's tax-qualified defined benefit plans because of the limitations on benefits contained in Code section 415 and/or Code section 401(a)(17). It is intended that the provisions of this Article which relate to the limitations imposed by Code section 415 constitute a separate plan for purposes of Section 3(36) of the Employee Retirement Income Security Act of 1974 (ERISA).

3. Eligibility. An Eligible Employee who is entitled to benefits under a Qualified Pension Plan, and whose retirement income benefits are limited by the provisions of the Qualified Pension Plan (as amended from time to time) relating to the limits under Code section 415 and/or Code section 401(a)(17) shall receive benefits pursuant to this Article III.

4. Amount of Benefit. The benefit that each Participant shall be entitled to receive is the difference between the Participant's actual benefit under the applicable Qualified Pension Plan and the benefits that would have been payable under that Plan if:

- (a) the Qualified Pension Plan had determined pensionable earnings on a "mix and match" basis, as defined below; and
- (b) the Participant's benefit under the Qualified Pension Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under a Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual

compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the three (3) highest years of MICP compensation during the last 10 years shall be added to the average of the three (3) highest years of other pensionable earnings during the last 10 years to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

Benefits under this Article III are intended to supplement the Participant's actual benefit under the applicable Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the applicable Qualified Pension Plan on a "mix and match" basis and without regard to the limitations of Code section 415 and Code section 401(a)(17). To prevent duplication of benefits, the full benefit under the applicable Qualified Pension Plan shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the applicable Qualified Pension Plan, and then reduced further by the benefit payable from other nonqualified pension plans of the Company which corresponds to the benefit payable under the applicable Qualified Pension Plan (including any benefit payable under Annex B of this Plan and excluding any nonqualified plans designed to supplement qualified defined contribution plans). The remaining benefit shall be paid from this Plan pursuant to this Article III. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article III shall be payable to the Participant or Beneficiary or any other person who is receiving or entitled to receive benefits with respect to the Participant under the Qualified Pension Plan.

If the benefits payable under the Qualified Pension Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan unless the Committee expressly so provides in writing.

---

ARTICLE IV

SUPPLEMENTAL BENEFITS

In addition to the benefits described in Article III, the Plan also provides benefits to certain key management employees, as set forth in the Annexes. Eligibility for, and the amount of, such benefits is set forth in the applicable Annex. Payment options for such benefits are described in Article V.

ARTICLE V

PAYMENT OF BENEFITS

1. Vesting. Except as provided in Article VI, and subject to the Company's right to discontinue the Plan as provided in Article VII, a Participant shall have a non-forfeitable benefit payable under this Plan to the same extent as benefits are vested under the applicable Qualified Pension Plan. As provided in Article VI, if a Participant acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

2. Form of Payment. Benefits shall be paid in the same form at the same times and for the same period as benefits are paid with respect to the Participant under the applicable Qualified Pension Plan, except as provided in the following paragraphs. Actuarial adjustments shall be based on the factors set forth in the Qualified Pension Plan, except as provided in the following paragraphs. If the benefits payable under this Plan correspond to Qualified Pension Plan benefits with multiple commencement dates, each portion of the benefits payable under this Plan shall be paid at the same time as the corresponding portion of the benefits is paid from the Qualified Pension Plan. If an Employee's benefits under the Qualified Pension Plan are suspended for any month in accordance with the re-employment provisions thereof, the Participant's benefit for that month shall likewise be suspended under this Plan.

Lump Sum Option. A Participant may irrevocably elect to receive a full or partial single lump sum payment in an amount which is the Actuarial Equivalent of the benefit described above, and with no interest for the period between the date of termination of employment and the payment date. This election must be made within the time period for electing the form of benefit under the corresponding Qualified Pension Plan, by filing a written election in the form and manner prescribed by the Company. Payment will be made six (6) months following the date payments would otherwise begin pursuant to the above paragraph.

Pre-Retirement Survivor Benefit. In the event the Participant dies prior to the date his or her retirement has commenced under this Plan and the corresponding Qualified Pension Plan, the pre-retirement survivor benefit payable to the surviving spouse (if any) under this Plan (the "Pre-Retirement Survivor Benefit" and the "Surviving Spouse") will be payable, at the election of the Surviving Spouse, in any of the following forms:

- (a) in the form of a monthly annuity payable to the Surviving Spouse for his lifetime, with no further payments to anyone after his death (which will be referred to as the "Regular Form");
- (b) in the form of a lump sum payment which is the Actuarial Equivalent of the Regular Form (the "100% Lump Sum"), but with Actuarial Equivalent

determined as of the Election Date , and with no interest for the period between the Election Date (or, if later, the date the Participant would have attained age 55 had he survived) and the payment date; or

- (c) in the form of a combined lump sum and life annuity benefit of (x) and (y), where (x) equals a lump sum amount selected by the Surviving Spouse which is less than the 100% Lump Sum and (y) is a monthly single life annuity for the life of Surviving Spouse (with no further payments to anyone after his death) in an amount that can be provided with the difference between (x) and the 100% Lump Sum.

Any election to receive the benefit in the form of a lump sum as set forth in (b) above or a combined lump sum and annuity as set forth in (c) above must be made by the Surviving Spouse no later than 90 days after the date of the Participant's death or, if later, the date the Participant would have attained age 55 had he survived (with the date such election is made by the Surviving Spouse referred to as the "Election Date"). In the event the Surviving Spouse makes an election for a lump sum or partial lump sum payment within this period, payment will not be made to the Surviving Spouse until six months after the Election Date (or, if later, six months after the date the benefit would otherwise be payable under this Plan).

Cash-out of Small Benefits. Notwithstanding the above, if the Value of the sum of the benefits payable to a Participant or Beneficiary under this Plan does not exceed the amount that may be distributed without consent under Section 411(a)(11) of the Code, all such benefits will be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits. For purposes of this Section, Value shall be determined as of the Participant's termination of employment, and shall mean the present value of a Participant's or Beneficiary's benefits based upon the applicable mortality table and applicable interest rate in Code section 417(e)(3)(ii) for the calendar month preceding the Plan Year in which the termination of employment occurs.

3. Deductibility of Payments. In the event that the payment of benefits under Section 2 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the form and timing of distributions as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the payment method described in Section 2, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's accrued benefit under this Plan or to pay aggregate benefits less than the Participant's accrued benefit in the event that all or a portion thereof would not be deductible by the Company.

4. Change of Law. Notwithstanding anything to the contrary herein, if the Committee determines in good faith, based on consultation with counsel, that the federal income tax treatment or legal status of this Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the benefits of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

5. Acceleration upon Change in Control.

Notwithstanding any other provision of the Plan, the accrued benefit of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

For purposes of this Plan, a Change in Control shall include and be deemed to occur upon the following events:

- (a) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.
- (b) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).
- (c) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.
- (d) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons

who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).

- (e) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

This Section 5 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of benefits under this Plan in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

The Committee may cancel or modify this Section 5 at any time prior to a Change in Control. In the event of a Change in Control, this Section 5 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 6 shall not, for purposes of Section 5, be subject to cancellation or modification during the five year period

6. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. No benefit payments shall be made to the Participant until the withholding obligation for taxes under Code sections 3101(a) and 3101(b) has been satisfied with respect to the Participant.

7. Retiree Medical Withholding. A Participant may direct the Company to withhold from the Participant's benefit payments hereunder all or a portion of the amount that the Participant is required to pay for Company-provided retiree medical coverage.

8. Reemployment. The retirement benefit otherwise payable hereunder to any Participant who previously retired or otherwise had a Termination of Employment and is subsequently reemployed shall be treated in a manner consistent with the treatment of the benefit under the applicable Qualified Plan.

9. Mistaken Payments. No participant or Beneficiary shall have any right to any payment made (1) in error, (2) in contravention to the terms of the Plan, the Code, or ERISA, or (3) because the Committee or its delegates were not informed of any death. The Committee shall have full rights under the law and ERISA to recover any such mistaken payment, and the right to recover attorney's fees and other costs incurred with respect to such recovery. Recovery shall be made from future Plan payments, or by any other available means.

ARTICLE VI

EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Plan be satisfied by payments out of such trust or trusts. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary or transfer of an interest in this Plan to a Participant's former spouse incident to divorce under a Qualified Domestic Relations Order.

3. Forfeiture. If, following the date on which a Participant shall retire under this Plan, a Participant shall engage in the operation or management of a business, whether as owner, stockholder, partner, officer, employee, consultant, or otherwise, which at such time is in competition with the Company or any of its subsidiaries, or shall disclose to unauthorized persons information relative to the business of the Company or any of its subsidiaries which the Participant shall have reason to believe is confidential, or otherwise act, or conduct oneself, in a manner which the Participant shall have reason to believe is contrary to the best interest of the Company, or shall be found by the Committee to have committed an act during the term of the Participant's employment which would have justified the Participant being discharged for cause, the Participant's retirement benefit under this Plan shall terminate. Application of this Section will be at the discretion of the Committee.

ARTICLE VII

AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's accrued benefit or postponing the time when a Participant is entitled to receive a distribution of his accrued benefit unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their accrued benefits in a lump sum or to make other provisions for the payment of benefits (e.g. purchase of annuities) immediately following such termination or at such time thereafter as the Board may determine.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement with the Company or its subsidiaries to assume all of the obligations of the Company under this Plan with respect to such Participant.

4. Merger. The Board reserves the right to merge all or part of this Plan with or into another plan, provided (1) such other plan preserves all of the obligations of the Company under this Plan with respect to such Participant and (2) each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger (if the Plan had then terminated).

ARTICLE VIII

ADMINISTRATION

1. The Committee. This Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and its delegates (including the Claims Administrator) shall have full discretion to construe and interpret the terms and provisions of the Plan, which interpretation or construction shall be final, conclusive and binding on all parties, including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. Except as otherwise provided in Section 6, the Committee delegates the authority to adjudicate claims to the Pension Don's comment—Plans Administrative Committee.

2. Delegation and Reliance. 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. In making any determination or in taking or not taking any action under this Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of the Plan or any Participant's rights under the Plan to achieve intended tax consequences, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Pension Plans Administrative Committee may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is wholly or partially denied by the Claims Administrator are as follows:

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.
- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.

- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.
- (e) If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.
- (f) The Claims Administrator shall be the Lockheed Martin Corporation Pension Plans Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. This Plan shall not in any way obligate the Company to continue the employment of a Participant with the Company, nor does this Plan limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan by its terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any benefits accrued under this Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of Pension Plan Don's comment—Services, Human Resource Services. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Plan.

5. Each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Plan.

6. The provisions of this Plan shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

8. This Plan and its operation, including the payment of cash hereunder, is subject to compliance with all applicable Federal and state laws, rules and regulations and such other

---

approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

ARTICLE X

EFFECTIVE DATE

This Plan, including any amendment and restatement of the prior plans, is generally effective July 1, 2004.

ANNEX A TO APPENDIX B

Additional Benefits under  
Lockheed Martin Corporation Termination Benefits Agreements

1. Introduction. The benefits described in this Annex previously were provided as part of the Supplemental Retirement Benefit Plan of Lockheed Martin Corporation. That Plan was formerly known as the Supplemental Benefit Plan of Lockheed Corporation.
2. Purpose. This Annex provides a supplemental benefit to those employees who entered into certain Termination Benefits Agreements with Lockheed Corporation (now Lockheed Martin Corporation).
3. Eligibility. An Eligible Employee who entered into a Termination Benefits Agreement with Lockheed Corporation (now Lockheed Martin Corporation) prior to August 29, 1994, shall receive benefits pursuant to this Annex.
4. Amount of Benefit. The benefit that each Eligible Employee shall be entitled to receive is any additional benefit to which the Eligible Employee becomes entitled with respect to the Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees pursuant to Section 6(a) of his or her Termination Benefits Agreement on account of the merger of Lockheed Corporation contemplated by the Agreement and Plan of Reorganization, dated as of August 29, 1994, by and among Lockheed Martin Corporation, Martin Marietta Corporation, and Lockheed Corporation.

ANNEX B TO APPENDIX B

Additional Benefits Previously Provided under the  
Lockheed Martin Corporation Supplemental Excess Retirement Plan

1. Introduction. The benefits described in this Annex previously were provided as part of the Lockheed Martin Corporation Supplemental Excess Retirement Plan. That Plan was formerly known as the Martin Marietta Corporation Supplemental Excess Retirement Plan, and included provisions previously contained in the Lockheed Martin Supplemental Retirement Income Plan.

2. Purpose. This Annex provides a supplemental benefit to salaried employees who were considered highly compensated employees as of December 31, 1990 and who were also participants in the Martin Marietta Corporation Retirement Income Plan as of September 30, 1975, whose benefits are limited by Code section 401(a)(4).

3. Eligibility. This Annex provides benefits to salaried employees who were considered highly compensated employees as of December 31, 1990 (as determined under the Martin Marietta Corporation Retirement Income Plan as in effect on that date) and who were also covered employees in the Martin Marietta Corporation Retirement Income Plan as of September 30, 1975 or were participants for 12 consecutive months prior to September 30, 1975 who receive a pension benefit calculated under the Pre-ERISA formula in the Martin Marietta Corporation Retirement Income Plan.

4. Amount of Benefit. Participants shall receive a retirement benefit from this Plan equal to the excess, if any, of (1) the pension benefit calculated based on the formula described in Article V(1)(b) or Article IX(2)(b) of the January 1, 1995 Martin Marietta Corporation Retirement Income Plan without regard to the limitation described in Article V(1)(c), Article IX(2)(c) or Code section 415 or Code section 401(a)(17), reduced by the greater of the pension benefits described in Article V(1)(b) or Article IX(2)(b) of the January 1, 1995 Retirement Income Plan. To prevent duplication of benefits, the benefit payable under this Annex shall be coordinated with any benefit payable under Article III of the Plan, as set forth in Article III.

In no event shall the computation of benefits under this Annex take into account any service performed by a Participant after separation from employment with the Company or its subsidiaries.

Qualified Pension Plans

1. Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees
2. Lockheed Martin Corporation Retirement Income Plan
3. Lockheed Martin Account Balance Retirement Plan
4. Lockheed Martin Corporation Retirement Income Plan III
5. Lockheed Martin Pension Plan for Former Salaried and Hourly Employees of Inactive Commercial Divisions
6. KAPL Inc. Pension Plan for Salaried Employees

LOCKHEED MARTIN CORPORATION  
NONQUALIFIED CAPITAL ACCUMULATION PLAN

(Amended and Restated Generally Effective as of December 31, 2010)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Nonqualified Capital Accumulation Plan (the "NCAP" or the "Plan") are (i) to provide contributions for certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") in circumstances where the Company cannot make contributions on behalf of employees under the Lockheed Martin Salaried Corporation Capital Accumulation Plan (the "Qualified CAP") because of the limitations of Code section 401(a)(17) or 415(c)(1)(A); and (ii) to provide a company contribution based on amounts awarded under Lockheed Martin Corporation Management Incentive Compensation Plan ("MICP"). This Plan is also intended to comply with the requirements of Code section 409A.

The Plan was amended and restated, effective January 1, 2008 to modify the annual installment payment option to conform to other nonqualified plans maintained by the Company. The Plan was amended and restated, effective June 26, 2008, to clarify certain provisions in accordance with the final Treasury regulations issued under Code section 409A, and to make other administrative changes.

The Plan was amended and restated, effective December 31, 2008, to clarify additional provisions in accordance with the final Treasury regulations issued under Code section 409A and to make other administrative clarifications. The Plan is hereby amended and restated, effective December 31, 2010, to clarify additional provisions in accordance with the final Treasury regulations issued under Code section 409A and to make other administrative clarifications.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, the following words and phrases shall have the meanings hereinafter indicated:

1. ACCOUNT — The bookkeeping account maintained by the Company for each Participant which is credited with Contributions made on behalf of the Participant, and earnings (or losses) attributable to the Investment Options selected by the Participant, and which is debited to reflect distributions. The portions of a Participant's Account allocated to different Investment Options will be accounted for separately.

2. ACCOUNT BALANCE — The total amount credited to a Participant’s Account at any time, including the portions of the Account allocated to each Investment Option.
3. BENEFICIARY — The person or persons designated by the Participant as his or her beneficiary under the Qualified CAP.
4. BOARD — The Board of Directors of Lockheed Martin Corporation.
5. CODE — The Internal Revenue Code of 1986, as amended.
6. COMMITTEE — The committee described in Section 1 of Article IX.
7. COMPANY — Lockheed Martin Corporation and its subsidiaries.
8. COMPANY STOCK INVESTMENT OPTION — The Investment Option under which the Participant’s Account is credited as if invested under the investment option in the Qualified CAP for the common stock of the Company.
9. COMPENSATION — An employee’s “Compensation” from the Company, as defined in the Qualified CAP.
10. CONTRIBUTIONS — Contributions made by the Company pursuant to Article IV of this NCAP.
11. DMICP — The Lockheed Martin Corporation Deferred Management Incentive Compensation Plan or any successor plan.
12. ELIGIBLE EMPLOYEE — An employee of the Company who participates in the Qualified CAP and either (i) accrues benefits under the Qualified CAP in excess of the Code section 415 limits for a Year; (ii) earns Compensation in excess of the Code section 401(a)(17) limit for a Year; or (iii) is eligible to receive Incentive Compensation with respect to a Year (which may be payable in the following Year); provided that such employee satisfies such additional requirements for participation in this NCAP as the Committee may from time to time establish; provided further that employees who are designated by the Company as eligible to participate in a defined benefit-type nonqualified deferred compensation plan or who are Section 16 Persons shall not be eligible to participate in this NCAP. In the exercise of its authority under this provision, the Committee shall limit participation in the Plan to employees whom the Committee believes to be a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.
13. EXCHANGE ACT — The Securities Exchange Act of 1934.

14. INCENTIVE COMPENSATION — The MICP amount granted to an employee by the Company for an Award Year (as defined in the MICP), regardless of amounts deferred pursuant to the DMICP.

15. INVESTMENT OPTION — A measure of investment return pursuant to which Contributions credited to a Participant's Account shall be further credited with earnings (or losses). The Investment Options available under this NCAP shall correspond to the investment options available under the Qualified CAP (other than the ESOP Fund or the Self-Managed Account, which are not available under this Plan).

16. MICP — The Lockheed Martin Corporation Management Incentive Compensation Plan or the Lockheed Martin Corporation 2006 Management Incentive Compensation Plan (for Incentive Compensation awarded after February 1, 2006) or any successor plan.

17. NCAP — The Lockheed Martin Corporation Non-Qualified Capital Accumulation Plan, as adopted by the Board of Directors of Lockheed Martin Corporation, originally effective January 1, 2007, and as further amended from time to time.

18. PARTICIPANT — An employee of the Company who is an Eligible Employee and with respect to whom Contributions have been credited to his Account; the term shall include a former employee whose Account Balance has not been fully distributed.

19. QUALIFIED CAP — The Lockheed Martin Corporation Capital Accumulation Plan or any successor plan.

20. SECTION 16 PERSON — A Participant who at the relevant time is subject to the reporting and short-swing liability provisions of Section 16 of the Exchange Act.

21. SUBSIDIARY — As to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporation), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

22. TERMINATION OF EMPLOYMENT — A separation from service as such term is defined in Code section 409A and the regulations thereunder.

23. WEEKLY RATE OF COMPENSATION — A Participant's "Weekly Rate of Compensation" as defined in the Qualified CAP.

24. YEAR — The calendar year.

ARTICLE III

ELIGIBILITY

1. Commencement of Participation. An employee of the Company shall become a Participant in the Plan effective on the first of January following the Year (beginning with 2006) in which he or she first became an Eligible Employee. For example, if an employee becomes an Eligible Employee in 2006, he or she shall become a Participant in the Plan effective January 1, 2007. If an employee of the Company terminates employment during the Year in which he or she first became an Eligible Employee, he or she shall not become a Participant in the Plan for the following Year.

2. Cessation of Eligibility While Still An Employee. A Participant who has not terminated employment with the Company will nevertheless cease to be an Eligible Employee on the first to occur of (i) the employee is no longer eligible to participate in the Qualified CAP; (ii) the employee is designated by the Company as eligible to participate in a defined benefit-type nonqualified deferred compensation plan; or (iii) the employee becomes a Section 16 Person. Following cessation of eligibility, the employee will continue to be a Participant in the NCAP but will no longer be eligible to be credited with Contributions under Article IV.

ARTICLE IV

CONTRIBUTIONS

1. Amount of Contributions. The Company shall make annual Contributions on behalf of a Participant equal to:

a. an amount based on the same percentage of the Participant's Weekly Rate of Compensation that would have been contributed to the Qualified CAP on behalf of the Participant for the Year if not for the application of the limits under Code sections 415 and 401(a)(17) for the Year;

b. with respect to the Participant's first year of participation, an amount based on the same percentage of the Participant's Weekly Rate of Compensation for the preceding Year that would have been contributed to the Qualified CAP on behalf of the Participant for such Year if not for the application of the limits under Code sections 415 and 401(a)(17) for such Year; and

c. an amount equal to a Participant's Incentive Compensation for the Year multiplied by the percentage that is used for calculating Company contributions to the Participant's account in the Qualified CAP in the Year in which the Incentive Compensation is earned (as opposed to paid).

2. Crediting of Contributions. Contributions made pursuant to Article IV(1)(a) shall be credited to a Participant's Account as of the day on which such amount would have been credited to the Participant's Account under the Qualified CAP if the Participant's Contributions had been contributed to the Qualified CAP. Contributions made pursuant to Article IV(1)(b) shall be credited to a Participant's Account Contributions no later than March 15 of the Participant's first year of participation in the Plan. Contributions credited pursuant to Article IV(1)(c) shall be credited to a Participant's Account on the same day that Incentive Compensation is credited to the DMICP for the award year on behalf of DMICP's participants.

3. Vesting of Contributions. A Participant shall be vested in the following percentage of his Account based on his "Years of Service," based upon the definition of "Years of Service" in the Qualified CAP applicable to the Participant, including those Years of Service prior to the Year in which the employee became a Participant:

Less than 3Years of Service	0%
At least 3 Years of Service	100%

Notwithstanding the foregoing, a Participant shall be 100% vested in his Account upon his termination of employment after age 55, layoff or on account of death or permanent disability. A Participant shall be permanently disabled if the Participant would be considered disabled for purposes of qualifying for long term disability benefits under the Company's long term disability plan in which the Participant is eligible to participate A Participant shall be considered to have been laid off if the Participant's employment is terminated by the Company due to lack of work and the Participant is considered to have experienced a "separation from service" under Code section 409A(a)(2)(a)(i). In the event legislative changes require the vesting of account balances in the Qualified CAP in a period shorter than three Years of Service, then the period required to vest under the NCAP shall be shortened so as to be consistent with the vesting period in the Qualified CAP applicable to the Participant.

4. Crediting of Earnings. Earnings (or losses) shall be credited to a Participant's Account based on the Investment Option or Options to which his or her Account has been allocated, beginning with the day as of which any amounts (or any reallocation of amounts) are credited to the Participant's Account. Any amount distributed from a Participant's Account shall be credited with earnings (or losses) through the date that is four (4) business days before the date on which the distribution is processed. The manner in which earnings (or losses) are credited under each of the Investment Options shall be determined in the same manner as under the Qualified CAP.

5. Selection of Investment Options. A Participant may elect to allocate his or her Account among the Investment Options available under the Qualified CAP (other than the options designated as the ESOP Fund or the Self Managed Account). The procedures for directing allocation and reallocations among the Investment Options in the NCAP shall be the same as the procedures for making allocations under the Qualified CAP. In the event a Participant does not make an investment allocation for the NCAP, his elections will be deemed

to be the elections made by the Participant in the Qualified CAP (except that an election for the ESOP Fund or the Self Managed Account shall be disregarded), or, if no such election exists, the default investment option designated under the Qualified CAP, and such amounts shall be allocated to the default investment option in the Qualified CAP), or, if no such election exists, the default investment option designated under the Qualified CAP, until reallocated by the Participant. Notwithstanding the foregoing, no investment election by a Section 16 Person to re-allocate all or a portion of his or her Account to, or from, a Company stock investment option shall be effective unless the reallocation would be exempt from the short-swing profit recovery rules of Section 16 of the Exchange Act.

## ARTICLE V

### PAYMENT OF BENEFITS

1. General. The Company's liability to pay benefits to a Participant or Beneficiary under this NCAP shall be measured by and shall in no event exceed the Participant's Account Balance, which shall be fully vested and nonforfeitable at all times. All benefit payments shall be made in cash and, except as otherwise provided, shall reduce allocations to the Investment Options in the same proportions that the Participant's Account Balance is allocated among those Investment Options.

2. Commencement of Payment. The payment of benefits to a Participant shall commence as soon as administratively feasible (but no more than 90 days) following the Participant's Termination of Employment with the Company. Notwithstanding the foregoing, (i) benefits paid under this Plan to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(2)(B)(i), shall not commence before six (6) months following the month in which the Participant terminates employment; and (ii) benefits payable to a Section 16 Person that would result in a nonexempt short-swing transaction under Section 16 of the Exchange Act shall be delayed until the earliest date upon which the Company reasonably anticipates that the distribution would not result in a nonexempt short-swing transaction.

3. Form of Payment. Within 30 days of the date on which an Eligible Employee becomes a Participant in the Plan, he or she shall elect the form of payment of his or her Account Balance from among the following options

(a) A lump sum.

(b) for a period of years not to exceed 20 years (or 20 annual installments). The amount of each annual payment shall be determined by dividing the Participant's Account Balance on the date such payment is processed by the number of years remaining in the designated installment period.

Such election shall be irrevocable except as provided in Section 4 of this Article VI. Such election shall be made in writing in the form and manner designated by the Company. Notwithstanding the foregoing, if the Account Balance of a Participant who is entitled to begin payment equals \$10,000 or less, the Participant's Account Balance shall be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits.

4. Prospective Change of Payment Election.

(a) In the event a Participant does not make a valid election with respect to the form of benefit, the Participant will be deemed to have elected that payment of benefits be made in a lump sum.

(b) A Participant's election (including a "deemed election" in accordance with the preceding paragraph) shall remain in effect unless and until such election is modified by a subsequent election in accordance with (c) below.

(c) Notwithstanding anything to the contrary in this Article V, a Participant may make a new election with respect to the commencement of payment and form of payment with respect to his or her entire Account Balance. A new election under this section shall be made by executing and delivering to the Company an election in such form as prescribed by the Company. To constitute a valid election by a Participant making a prospective change to a previous election, (i) the prospective election must be executed and delivered to the Company at least twelve (12) months before the date the first payment would be due under the Participant's previous election, and (ii) the first payment must be delayed by at least sixty (60) months from the date the first payment would be due under the Participant's previous election, and (iii) such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company. In the event an election fails to satisfy the provisions set forth in this paragraph, such election shall be void and, if such an election is void, payment shall be made in accordance with the most recent election which was valid.

(d) Notwithstanding the above, for periods prior to January 1, 2009, (or such later date as may be provided by the Internal Revenue Service in guidance of general applicability), the Senior Vice President, Human Resources may provide alternative rules for elections with respect to the commencement of payment and form of payment that conform to the rules provided in Notice 2005-1, and subsequent Internal Revenue Service guidance providing transition relief under Code section 409A.

(e) A Participant may not make or modify an election with respect to commencement of payment or form of payment after the date a Participant terminates employment.

5. Death Benefits. Upon the death of a Participant before a complete distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in an immediate lump sum. Such lump sum shall be paid as soon as administratively practicable (but no later than 90 days) after the death of the Participant.

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's form of payment election under Section 3 of this Article V, if following a Participant's Termination of Employment with the Company, the Participant takes a position (or accepts a position) with a governmental entity, agency, or instrumentality and that employer has determined or indicated that the Participant's continued participation in the Plan may constitute a conflict of interest precluding the Participant from continuing in his position (or from accepting an offered position) with that employer or subjecting the Participant to penalty, sanction, or otherwise limiting the Participant's responsibilities for that employer, then to the extent reasonably necessary, the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical (but no less than 90 days) following the later of (i) the date on which the Participant commences employment with the government employer; or (ii) the date on which it is determined that the conflict of interest may exist; provided, however, that if a distribution in accordance with the provisions of this Section 6 from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to such Section 16 Person shall be delayed until the earliest date upon which the Company reasonably anticipates that 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. This Section 6 of Article V shall apply, however, only to the extent that the accelerated payment upon a conflict of interest determination conforms to Code section 409A

7. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of this NCAP, the Account Balance of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

(b) For purposes of this NCAP, a Change in Control shall include and be deemed to occur upon the following events:

(1) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.

(2) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the

surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).

(3) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

(4) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).

(5) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

Notwithstanding the foregoing, no distribution shall be made solely on account of a Change in Control and prior to the benefit commencement date specified in Section 2 of Article V unless the Change in Control is an event qualifying for a distribution of deferred compensation under both the definition of Change in Control in the Plan and in Section 409A(a)(2)(A)(v) of the Code.

(c) Notwithstanding the provisions of Section 7(a), if a distribution in accordance with the provisions of Section 7(a) would result in a nonexempt transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person shall be delayed until the earliest date upon which the Company reasonably anticipates that the distribution either would not result in a nonexempt transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(d) This Section 7 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of an Account Balance in any

transaction involving the Company's sale, liquidation, merger, or other disposition of any Subsidiary.

(e) The Committee may cancel or modify this Section 7 at any time prior to a Change in Control. In the event of a Change in Control, this Section 7 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 7 shall not, for purposes of Section 7, be subject to cancellation or modification during the five year period.

8. Deductibility of Payments. Subject to the provisions of Section Code section 409A, in the event that the Company reasonably anticipates that the payment of benefits in accordance with the Participant's election under Section 3 of this Article V would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid under Code section 162(m), the Committee shall have the right to delay the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a delayed distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as the Company reasonably anticipates, or should reasonably anticipate, that if the payment is made during such year, the deduction will not be barred by Code section 162(m) or upon a Termination of Employment in accordance with Treasury Regulation section 1.409A-2(b)(7)(i), consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company. All scheduled payments under this Plan and any other plan required to be aggregated with this Plan must be delayed in order for such payment to be delayed pursuant to this Section 8.

9. Change of Law. Notwithstanding anything herein to the contrary, if the Committee determines in good faith, based on consultation with counsel and in accordance with the requirements of Code section 409A, that the Federal income tax treatment or legal status of this NCAP has or may be adversely affected by a change in the Internal Revenue Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the Accounts of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

10. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any amounts credited to a Participant's Account hereunder, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. However, the amount of Contributions to be credited to a Participant's Account will not be reduced or adjusted by the amount of any tax that the Company is required to withhold with respect thereto.

ARTICLE VI

EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This NCAP constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this NCAP. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this NCAP, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422 (generally known as a "rabbi trust"), and the Company may direct that its obligations under this NCAP be satisfied by payments out of such trust or trusts. It is the Company's intention that this NCAP be unfunded for federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary. Notwithstanding, any portion of a Participant's benefit under this Plan may be paid to a spouse, former spouse, or child pursuant to the terms of a domestic relations order (which shall be interpreted and administered in accordance with Code sections 414(p)(1)(B) and 409A), provided that the form of payment designated in such order is a lump sum provided for under Section 3(a) of the NCAP.

ARTICLE VII

AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this NCAP at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's Account Balance or postponing the time when a Participant is entitled to receive a distribution of his or her Account Balance.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their Account Balances in any form and at such times that the Board reasonably determines in its discretion is appropriate and conforms to the requirements of Code section 409A; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person shall be delayed

until the earliest date upon which the distribution either would not result in a nonexempt transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

## ARTICLE VIII

### ADMINISTRATION

1. The Committee. This NCAP shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this NCAP to comply with the requirements of Rule 16b-3 of the Exchange Act. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and the Claims Administrator (identified in Section 6 below) shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee or the Claims Administrator shall be final and binding on all parties. Notwithstanding anything contained in the Plan or in any document issued under the Plan, it is intended that the Plan will at all times conform to the requirements of Code section 409A and any regulations or other guidance issued thereunder, and that the provisions of the Plan will be interpreted to meet such requirements. If any provision of the Plan is determined not to conform to such requirements, the Plan shall be interpreted to omit such offending provision.

2. Delegation and Reliance. The Committee has delegated 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 NCAP in accordance with its terms and purpose, except that the Committee has not delegated (and may not delegate) any authority the delegation of which would cause this NCAP to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this NCAP, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the NCAP.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this NCAP, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this NCAP or for the failure of the NCAP or any Participant's rights under the NCAP to achieve intended tax consequences, to qualify for exemption or relief under Section 16 of the Exchange Act and the rules thereunder, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee or the Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is wholly or partially denied by the Claims Administrator are as follows:

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.

- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.
- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.
- (e) If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.

- (f) The Claims Administrator shall be the Lockheed Martin Corporation Savings Plan Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

#### ARTICLE IX

##### GENERAL AND MISCELLANEOUS PROVISIONS

1. Neither this NCAP nor a Participant's elections under this NCAP, either singly or collectively, shall in any way obligate the Company to continue the employment of a Participant with the Company, nor does either this NCAP or a Participant's elections limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan or a Participant's elections, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan or a Participant's elections, either singly or collectively, by their terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any amount credited to a Participant's Account under this NCAP shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of the Senior Vice President, Human Resources. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this NCAP.

5. By electing to become a Participant hereunder, each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this NCAP and all actions or decisions made by the Company, the Board, or Committee with regard to the NCAP.

6. The provisions of this NCAP shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this NCAP shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this NCAP or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This NCAP and its operation, including but not limited to, the mechanics of payment elections, the issuance of securities, if any, or the payment of cash hereunder is subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal insider trading, registration, reporting and other securities laws) and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

10. It is the intent of the Company that this NCAP satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this NCAP would otherwise frustrate or conflict with the intent expressed in this Section 10, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the NCAP to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed ineffective. Notwithstanding anything to the contrary in this NCAP, the provisions of this NCAP may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this NCAP are applicable solely to Section 16 Persons. Notwithstanding any other provision of this NCAP to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the provisions of Section 16 of the Exchange Act or the provisions of the NCAP designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

---

ARTICLE X

EFFECTIVE DATE

This amendment and restatement of the NCAP shall generally become effective on December 31, 2010. Subsequent amendments to the NCAP are effective as of the date stated in the amendment or the adopting resolution.

Lockheed Martin Corporation  
Severance Benefit Plan For Certain Management Employees  
Originally Effective January 1, 2008  
Amended and Restated Effective June 26, 2008  
Amended and Restated Effective December 31, 2010

This document sets forth the terms of the Lockheed Martin Corporation Severance Benefit Plan for Certain Management Employees (the "Plan"). The Plan provides benefits to Eligible Employees who leave the employment of the Corporation as a result of an Executive Layoff Event and otherwise satisfy the eligibility requirements of the Plan. The Plan is intended to constitute an employee welfare benefit plan under the Employee Retirement Income Security Act of 1974 ("ERISA") that provides severance benefits to a select group of management or highly compensated employees.

1. **Definitions.** The following terms when capitalized have the following meaning:

- (a) **Affiliate** – Any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more 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 Company or by one or more of its Affiliates, or by a combination thereof.
- (b) **Annual Base Pay** – An amount equal to fifty-two (52) weeks of Base Pay.
- (c) **Base Pay** – The Employee's weekly salary at the time of the Employee's Termination of Employment. Base Pay shall not include management incentive compensation, overtime or any other additions to salary.
- (d) **Basic Severance Benefit** – The benefit payable under Section 5(a) of the Plan.
- (e) **Cause** – Any of the following: (i) Commission of a crime that the Company

EXECUTION COPY

determines could harm the Company's reputation or financial prospects or could subject the Company to penalties or sanctions; (ii) A violation of any of the Company's corporate policy statements that involve compliance with law which violation the Company determines could harm the Company's reputation or financial prospects; (iii) A violation of the Company's Code of Ethics and Business Conduct that the Company determines could harm the Company's reputation or financial prospects; (iv) Refusal to cooperate with the Company in a Company investigation; or (v) Any similar conduct with respect to which the Company determines in its sole discretion that the payment of a benefit under the Plan would not be in the Company's best interest.

- (f) **Claims Administrator** – The Committee, in the case of an Officer, and the Savings Plan Administrative Committee, in the case of any other Employee.
- (g) **Committee** – The Management Development and Compensation Committee of the Company's Board of Directors.
- (h) **Company** – Lockheed Martin Corporation. For the purposes of the Plan, the term "Company" shall include any successor entity (by merger or otherwise).
- (i) **Eligible Employee** – An Employee who satisfies the requirements for eligibility for coverage under Section 3 and who is not covered by any of the exceptions described in Section 4.
- (j) **Employee** – An individual who is employed by the Company and is treated on the Company's payroll records as a salaried employee of the Company. The term "Employee" includes an Officer but does not include anyone who is not a citizen or resident of the United States and whose duties are primarily performed outside the United States.
- (k) **Executive Layoff Event** – Termination of Employment of an Eligible Employee that is (i) initiated by the Company for reasons other than for Cause; and (ii) designated by the Board of Directors in the case of an Officer, or the Senior Vice President, Human Resources in the case of any Eligible Employee other than an Officer, as an Executive Layoff Event. An Executive Layoff Event does not include a termination that is described in Section 4.

- (l) **Follow-on Benefits** – A payment equal to the cost to the Eligible Employee of continuing for one year his or her coverage under the Company’s medical, dental and vision plans under the plans and with the same level of coverage as elected by the Eligible Employee during open enrollment for the Plan Year in which the Executive Layoff Event occurs (but excluding flexible spending account plans). The amount will be equal to the cost charged Employees for coverage provided by the Company pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1987 (COBRA coverage).
- (m) **Full Bonus Equivalent** – An amount equal to an Eligible Employee’s Annual Base Pay multiplied by the target level assigned to the Eligible Employee under Paragraph B of Exhibit A to the Lockheed Martin Corporation 2006 Management Incentive Compensation Plan (Performance-Based) or any successor plan.
- (n) **Long Term Incentive Performance Award** – A cash award under the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan or any successor plan that measures performance over a three year cycle.
- (o) **Officer** – An Employee who is elected as an officer of the Company by the Board of Directors.
- (p) **Plan Administrator** – Lockheed Martin Corporation.
- (q) **Plan Year** – The 12-month period beginning on January 1 each year and ending on the following December 31.
- (r) **Prorated Bonus Equivalent** – An amount equal to (i) an Eligible Employee’s Base Pay multiplied by the target percentage assigned to the Eligible Employee under Paragraph B of Exhibit A to the Lockheed Martin Corporation 2006 Management Incentive Compensation Plan (2006) (or any successor plan), and (ii) then multiplying the product obtained under (i) by the number of full weeks for which the Eligible Employee was employed by the Company in the Plan Year in which the Executive Layoff Event occurs.
- (s) **Salaried Employee Plan** – The Severance Benefit Plan for Employees of Lockheed Martin Corporation or any successor plan

that provides benefits in the case of a layoff or reduction in force to salaried employees of the Company or its Affiliates.

- (m) **Severance Benefit** – Benefits payable under the Plan which could be a Basic Severance Benefit or a Supplemental Severance Benefit.
- (n) **Supplemental Severance Benefit** - The benefit payable under Section 5(b) of the Plan.
- (o) **Termination of Employment** – A separation from service as such term is defined in Code section 409A and the regulations thereunder.
- (p) **Years of Service** – The number of consecutive calendar months from (and including) the month of the Eligible Employee’s date of hire through and including the month in which the applicable Employee’s Executive Layoff Event occurs, divided by 12, subject to the following:
  - (i) Service Limited to Whole Years. Fractional Years of Service will be disregarded, so that only full Years of Service will be recognized. The only exception relating to fractional years of service pertains to Eligible Employees who have more than six months of service, but less than a full year of service, in which case the Years of Service will be calculated as one year.
  - (ii) Certain Periods of Leave. Time periods of leave during the Employee’s employment that do not or would not qualify for credited service under the pension plan applicable to the Eligible Employee will be deducted from the total period of employment to calculate the Eligible Employee’s Years of Service;
  - (iii) An Eligible Employee’s Years of Service under the foregoing rules shall never exceed the actual number of full years worked by the Employee for the Company.

2. **Effective Date.** The Plan shall be effective with respect to Executive Layoff Events that occur and are announced on or after January 1, 2008.

3. **Eligibility for Coverage.** An Employee shall be eligible for coverage under the Plan if the Employee satisfies all of the following:
- (a) At the time of the Executive Layoff Event, the Employee is either
    - (i) an Officer,
    - (ii) an Employee who has been granted a Long Term Incentive Performance Award for which a performance cycle is still ongoing; or
    - (iii) an Employee who is designated in writing by the Senior Vice President, Human Resources to participate in the Plan.
  - (b) The Employee has not waived coverage under the Plan;
  - (c) The Employee is not receiving a benefit under the Salaried Employee Plan and is not a party to another plan, agreement or arrangement providing severance or similar benefits on account of termination of employment;
  - (d) The Employee is not disqualified for a Severance Benefit because the Employee's Termination of Employment is on account of one of the exceptions set forth in Section 4; and
  - (e) The Senior Vice President, Human Resources determines in his or her sole discretion that the Employee's employment has terminated or will terminate on account of Executive Layoff Event. In the case of an Officer, this determination will be made by the Committee in its sole discretion.
4. **Exceptions To Coverage As An Executive Layoff Event.** Notwithstanding Section 3 or anything else to the contrary, an Employee's termination of employment will not be considered to have occurred on account of an Executive Layoff Event and the Employee will not be entitled to a Severance Benefit if:
- (a) the Employee is transferred to or assumes another position within the Company or with any Affiliate;
  - (b) the Employee is transferred to, assumes, or is offered a job or position with (A) a purchaser of stock of the Company, or of assets of the Company, or of a business unit(s) of the Company, or of stock or other equity interests or assets of an Affiliate(s) or of a business unit(s) of an

Affiliate; (B) the surviving entity following a merger or consolidation of the Company or an Affiliate(s) with another entity; (C) an entity serving as a contractor or a succeeding contractor (including a subcontractor or outsourcer) for business or functions performed by the Company; (D) an entity including but not limited to a joint venture, limited liability company or partnership to whom control of a business unit, organization or function within the Company or a business unit of the Company or of an Affiliate, or contract is transferred, whether by a stock or asset sale or other means; or (E) an affiliate of any such purchaser, contractor, succeeding contractor, subcontractor, outsourcer or entity;

- (c) the Employee is terminated for Cause; or
- (d) the Employee terminates employment on his or her own initiative including retirement, resignation, failure to return from leave of absence or disability, or dies. If an Employee elects to retire concurrent with an Executive Layoff Event, then the Employee will not fall within this exception to coverage.

5. **Calculation of Severance Benefit.**

- (a) Basic Severance Benefit Applicable to all Eligible Employees. The Basic Severance Benefit payable to an Eligible Employee shall equal two weeks of the Eligible Employee's Base Pay.
- (b) Supplemental Severance Benefit. The following Supplemental Severance Benefits are in addition to the Basic Severance Benefit and are available only to Eligible Employees who within 45 calendar days of the Eligible Employee's Termination of Employment as a result of an Executive Layoff Event execute both (i) a valid and binding written release of the Company and its directors, officers and Employees of claims of any kind or nature in respect of the Employee's employment with the Company and any predecessor employer (and each of their affiliates) in the form supplied by the Company; and do not revoke any such release of claims within any revocation period provided for in the release of claims, and (ii) Post-Employment Conduct Agreement

substantially in the form attached to the Plan as Exhibit A and as amended to reflect specific jurisdictional or other requirements.

- i. For the Chief Executive Officer – a lump sum payment equal to the sum of 2.99 times Annual Base Pay plus 2.99 times Full Bonus Equivalent plus Follow-on Benefits.
  - ii. For an Officer other than the Chief Executive Officer – a lump sum payment equal to the sum of Annual Base Pay plus Full Bonus Equivalent plus Follow-on Benefits.
  - iii. For an Eligible Employee who has received a Long Term Incentive Performance Award for which the performance period has not concluded or any other Eligible Employee and is not covered by Section 5(b)(i) or (ii) above – a lump sum payment equal to the sum of (a) the product of the number of full Years of Service (up to a maximum of 26) credited to the Eligible Employee multiplied by the Eligible Employee’s weekly rate of Base Pay at the time of termination of employment, plus (b) the Eligible Employee’s Pro Rata Bonus Equivalent, plus (c) Follow-on Benefits.
  - iv. In addition to the applicable amount specified in Section (b) (i), (ii), or (iii) above, an Eligible Employee who is receiving a Supplemental Severance Benefit also will be eligible to receive (a) outplacement services for one year; and (b) if the Eligible Employee relocated in order to fill the position held by the Eligible Employee at the time of the Executive Layoff Event, he or she will also be eligible for relocation services in accordance with CPS 538.
- (c) Timing of Payment of Severance Benefit – The amount of the Severance Benefit payable under Section 5(a) and Section 5 (b)(i), (ii) or (iii) above will be paid in a lump sum, less applicable tax withholdings as follows:
- i. In the case of payment of a Basic Severance Benefit, as

soon as practicable following the Eligible Employee's Executive Layoff Event (and the expiration of any applicable revocation period thereunder without revocation of such release of claims), but in no event later than the March 15 immediately following the year in which the Eligible Employee's Executive Layoff Event; and

- ii. In the case of payment of a Basic Severance Benefit, as soon as practicable following the Eligible Employee's (a) Executive Layoff Event, and (b) execution of a release of claims following such Executive Layoff Event, but in no event later than the March 15 immediately following the year in which the Eligible Employee's Executive Layoff Event occurs. Outplacement and relocation expenses paid as part of the Supplemental Severance Benefit will be provided by a third party provider selected by the Company. Outplacement or relocation expenses will be paid by the Company to the third party providing the services following billing to the Company and must be incurred no later than December 31 of the second year following the year in which the Eligible Employee's Executive Layoff Event occurred and paid by the Company no later than December 31 of the third year following the year in which the Eligible Employee's termination of employment occurred.
- (d) Maximum Benefit Payable – Notwithstanding anything in the Plan to the contrary, if the total amount of benefits, including Plan benefits, provided to an Eligible Employee would result in an “excess parachute payment” within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, the Company, in its sole discretion, may reduce the benefits provided under the Plan so that the total payment will not result in an excess parachute payment to the Eligible Employee.
- (e) Specified Employees – The benefits under this Plan are intended to

meet the exceptions under Code section 409A for short term deferrals, involuntary severance payments, and/or benefits payable within a limited time after separation from service. However, to the extent any benefit payable under this Plan to an Eligible Employee who is a "specified employee" (as defined in Code section 409A) is subject to Code section 409A, such benefit payment shall be delayed until 6 months following the month in which the Eligible Employee has a Termination of Employment from the Company.

6. **Further Conditions on Payment of Severance Benefit.**

- (a) The Company retains the right to condition payment of a Basic Severance Benefit or Supplemental Severance Benefit upon the Eligible Employee maintaining fully satisfactory work performance until the effective date of the Eligible Employee's Executive Layoff Event as agreed to by the Company, including the Eligible Employee's faithful performance of any remaining obligations the Eligible Employee may owe to the Company such as prompt reimbursement to the Company for cash advances and debit balances and the return of all Company property. To the extent the Eligible Employee fails to maintain fully satisfactory work performance until the effective date of the Eligible Employee's Executive Layoff Event, such Eligible Employee shall forfeit his or her Basic Severance Benefit and/or Supplemental Severance Benefit, in their entirety, to the extent of any such benefit.
- (b) In the event an Eligible Employee who is entitled to a Supplemental Severance Benefit becomes employed by the Company (or an Affiliate) prior to the first anniversary of his or her Executive Layoff Event, the Eligible Employee shall be obligated to repay to the Company an amount equal to the amount of the Employee's Supplemental Severance Benefit multiplied by a fraction, the numerator of which is the number of weeks (capped at 52) in the one-year period following the Employee's termination of employment during which the Employee is employed by the Company and the denominator of which is (i) fifty-two (52), in the case of an Officer; and (ii) twenty-six

(26) in the case of any other Eligible Employee.

- (c) If an Eligible Employee dies after his or her Termination of Employment, but before payment of a Basic Severance Benefit is made, the Basic Severance Benefit will be paid to his or her estate. If an Eligible Employee dies after he or she has signed the release of claims and the release of claims is delivered to the Company within the time limit provided in Section 5(b) of the Plan, then the Supplemental Severance Benefit will be paid to his or her estate.
- (d) The benefits under the Plan are in lieu of, and not in addition to, any other severance or similar benefits for which the Eligible Employee may be eligible under any Company plan, policy, agreement or arrangement (including but not limited to the Salaried Employee Plan). As a condition to receiving a benefit under the Plan, the Company may require that the Eligible Employee waive rights under all other plans, policies, agreements or arrangements providing severance or similar benefits or may reduce the amount payable under the Plan by the amount payable under any other such plan policy, agreement or arrangement. In no event shall the Company's administration of the Plan in accordance with the preceding sentence operate to delay payment of a benefit under the Plan to an Eligible Employee beyond March 15<sup>th</sup> immediately following the year in which such Eligible Employee's Executive Layoff Event occurs.

7. **Administration.** The Company may appoint or employ such persons as it deems necessary to render advice with respect to any responsibility of the Company under the Plan. The Committee, with respect to Officers, and the Savings Plan Administrative Committee, with respect to all other Employees shall determine the eligibility of any Employee to participate in the Plan and the right of any Employee to any benefit and the amount of any benefit payable under the Plan to any individual. The Committee and the Savings Plan Administrative Committee shall have the discretionary authority to interpret any term of the Plan.

8. **Claims Procedure.**

- (a) The Senior Vice President, Human Resources shall notify each Eligible

Employee who has been determined to have incurred an Executive Layoff Event and who is eligible to receive benefits under the Plan and shall provide any forms required in connection with application for such benefits. If any Employee disagrees with determination of his or her benefits, the Employee may submit a written statement to the Claims Administrator describing the basis of the claim for benefits, together with any forms required in connection with application for a benefit, at any time within the 120 day period following the date on which the Employee claims to have become entitled to the Basic Severance Benefits or the Supplemental Severance Benefits.

- (b) The procedures when a claim under the Plan is wholly or partially denied are as follows:
- (i) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Senior Vice President expects to render a decision.
  - (ii) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his or her duly authorized representative may request review of the denial of his or her claim by

the Claims Administrator.

- (iii) In connection with review by the Claims Administrator, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits under the Plan to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.
- (iv) The Claims Administrator will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended by the Claims Administrator to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon

request and free of charge, reasonable access to and copies of all documents, records, and other information “relevant” to the claimant’s claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant’s right to obtain information about such procedures, if any; and (6) a statement of the claimant’s right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review. In the event that the Claims Administrator must make a determination of disability in order to decide a claim, the Claims Administrator shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The Claims Administrator shall render a decision within a reasonable time (not to exceed 90 days) after the claimant’s request for review, rather than within 120 days as set forth in the above paragraph.

(v) In filing a claim or appeal under this Section 8, an Employee at his or her option may act through an authorized representative.

9. **Funding.** The Plan shall not be funded through a trust, insurance contract or otherwise, and all benefit payments from the Plan shall be made from the general assets of the Company. Accordingly, an Employee shall not have any claim against specific assets of the Company, and shall be only a general creditor, with respect to any rights he/she may have under the Plan.
10. **Amendment and Termination of Plan.** The Plan may be amended, in whole or in part, at any time by action of the Committee or by any authorized delegate, without notice, except that any amendment that would change the eligibility requirements or the amount of benefits payable under the Plan must be approved by the Committee. The Plan may be terminated by action of the Committee at any time. Upon termination of the Plan, the Company shall have no further liability hereunder, and all Plan benefits (including any amounts payable to

Employees who separated from service before the date of Plan termination) shall cease.

11. **No Assignment.** No Basic Severance Benefit or Supplemental Severance Benefit payable under the Plan may be assigned, transferred, pledged as a security for indebtedness or otherwise encumbered, or subjected to any legal process for the payment of any claim against an Employee.
12. **Relationship to Other Benefits.** An Employee's Basic Severance Benefit or Supplemental Severance Benefit shall not be taken into account to increase any benefits provided (or to continue coverage) under any other plan, policy, or arrangement of the Company or any Affiliate, except as otherwise expressly provided in writing in the other plan, policy, or arrangement, including accelerating vesting or other rights under the Lockheed Martin Corporation Amended and Restated Incentive Performance Award Plan (or any successor plan).
13. **Governing Law.** Except to the extent preempted by Federal law, the Plan shall be construed, administered and enforced according to the laws of the State of Maryland, without regard to its conflict of laws provisions. Notwithstanding anything herein to the contrary, payments under this Award Agreement shall be made at a time and in a manner that satisfies the requirements of Internal Revenue Code Section 409A.

The Plan has been approved by the Management Development and Compensation Committee and is effective as of January 1, 2008. Amendments to the Plan are effective as of the date(s) set forth above.

EXECUTION COPY

Exhibit A  
Post-Employment Conduct Agreement

[Will vary by state and current legal and professional requirements at time of termination]

This Post Employment Conduct Agreement dated [ ] (this "PECA"), together with the Release of Claims being entered into contemporaneous with this PECA, is entered into in consideration of the payment ("Severance Payment") to be made to me under the Lockheed Martin Corporation Severance Benefit Plan for Certain Management Employees ("Severance Plan"). By signing below, I agree as follows:

(a) Restrictions Following Termination of Employment.

(a) Covenant Not To Compete – Without the express written consent of the **[Chief Executive Officer/Senior Vice President, Human Resources]**<sup>1</sup> of the Company, during the **[two/one]**<sup>2</sup> -year period following the date of my termination of employment with the Company ("Termination Date"), I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6 below), 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 below) 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 Company (including but not limited to technical information or intellectual property, strategic plans, information relating to pricing offered to the Company by vendors or suppliers or to prices charged or pricing contemplated to be charged by the Company, information relating to employee performance, promotions or identification for promotion, or information

<sup>1</sup> CEO for elected officers; SVP HR for others.

<sup>2</sup> Two years for elected officers; one year for others.

relating to the Company's cost base) could be used to the disadvantage of the Company.

(b) Non-Solicit – Without the express written consent of the [**Chief Executive Officer/Senior Vice President, Human Resources**]<sup>1</sup> of the Company, during the [**two/one**]<sup>2</sup> -year period following the Termination Date, I will not (i) interfere with any contractual relationship between the Company and any customer, supplier, distributor or manufacturer of or to the Company to the detriment of the Company or (ii) induce or attempt to induce any person who is an employee of the Company to perform work or services for any entity other than the Company.

(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 Company committing to hold confidential the “Confidential or Proprietary Information” (as defined below) of the Company 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 Company or others to which I had access or that I was responsible for creating or overseeing during my employment with the Company. 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 Company's Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Company 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 Company shall be and remain the property of the Company. For purposes of this PECA, “Confidential or Proprietary Information” means Proprietary Information within the meaning of CPS 710 (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 Company or its stockholders, directors, officers, employees, agents, attorneys, representatives, 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 Company in any pending or future litigation (including alternative dispute resolution proceedings) or investigations in which the Company 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 Company, 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 Release of Claims. I acknowledge and agree that the Severance Payment being made to me is in addition to the payments or benefits that otherwise are or would be owed to me by the Company and that the Severance Benefit being provided to me is in consideration for my entering into this PECA and the Release of Claims attached to 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 payments being made to me. I further acknowledge and agree that as a result of the high level executive and management positions I have held within the Company and the access to and extensive knowledge of the Company's Confidential or Proprietary Information, employees, suppliers and customers, these restrictions are reasonably required for the protection of the Company's legitimate business interests.

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

(a) I agree, upon demand by the Company, to repay the Severance Payment to the Company in the event any of the following occur:

- (i) I breach any of the covenants in Section 1;
- (ii) The Company 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 Company, contributed to the Company having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission; or
- (iii) The Company 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 Company) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Company's financial position or reputation.

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

4. Injunctive Relief. I acknowledge that the Company's remedies at law may be inadequate to protect the Company 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 Company at law or in equity (including but not limited to, an action under Section 3(a), the Company 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 Severance 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, EADS North America 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 Company 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 Company 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 Company 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 Company 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 Company for which I had access (or was required or permitted such access in the performance of my duties or responsibilities with the Company) to Confidential or Proprietary Information of the Company at any time during the two-year period ending on the Termination Date.

7. Miscellaneous.

(a) The Severance Plan, this PECA with the attached Release of Claims constitute the entire agreement governing the

terms of the Severance Payment and supersede all other prior agreements and understandings, both written and oral, between me and the Company or any employee, officer or director of the Company concerning payments on account of my termination of employment.

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

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

SIGNED this \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name)

\_\_\_\_\_  
(Title)

**FOR LOCKHEED MARTIN CORPORATION:**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name)

\_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Date)



**Lockheed Martin Corporation**  
**Computation of Ratio of Earnings from Continuing Operations to Fixed Charges**  
**Year Ended December 31, 2010**

*(In millions, except ratio)*

<b>Earnings</b>	
Earnings from continuing operations before income taxes	\$3,826
Interest expense	345
Less: Undistributed earnings of 50% and less than 50% owned companies, net	(81)
Portion of rents representative of an interest factor and other	<u>48</u>
Adjusted earnings from continuing operations before income taxes	<u>\$4,138</u>
<b>Fixed Charges</b>	
Interest expense	\$ 345
Portion of rents representative of an interest factor and other	<u>48</u>
Total fixed charges	<u>\$ 393</u>
<b>Ratio of Earnings from Continuing Operations to Fixed Charges</b>	<u>10.5</u>

**Consent of Ernst & Young LLP,  
Independent Registered Public Accounting Firm**

We consent to the incorporation by reference of our reports dated February 24, 2011, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting of Lockheed Martin Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2010, filed with the Securities and Exchange Commission, in the following Registration Statements of Lockheed Martin Corporation:

- 33-58067 on Form S-3, dated March 14, 1995;
- 33-58073, 33-58075, 33-58077, 33-58079, 33-58081, and 33-58097 on Form S-8, each dated March 15, 1995;
- 33-57645 on Form S-8 (Post-Effective Amendment No. 1 to Form S-4), dated March 15, 1995;
- 33-63155 on Form S-8, dated October 3, 1995;
- 33-58083 on Form S-8 (Post-Effective Amendment No. 1), dated January 22, 1997;
- 333-20117 and 333-20139 on Form S-8, each dated January 22, 1997;
- 333-27309 on Form S-8, dated May 16, 1997;
- 333-37069 on Form S-8, dated October 2, 1997;
- 333-40997 on Form S-8, dated November 25, 1997;
- 333-58069 on Form S-8, dated June 30, 1998;
- 333-69295 on Form S-8, dated December 18, 1998;
- 333-92197 on Form S-8, dated December 6, 1999;
- 333-92363 on Form S-8, dated December 8, 1999;
- 333-78279 on Form S-8 (Post-Effective Amendments No. 2 and 3), each dated August 3, 2000;
- 333-56926 on Form S-8, dated March 12, 2001;
- 333-84154 on Form S-8, dated March 12, 2002;
- 333-105118 on Form S-8, dated May 9, 2003;
- 333-113769, 333-113770, 333-113771, 333-113772, and 333-113773 on Form S-8, each dated March 19, 2004;
- 333-115357 on Form S-8, dated May 10, 2004;
- 333-127084 on Form S-8, dated August 1, 2005;
- 333-138352 on Form S-4, dated November 14, 2006;
- 333-146963 on Form S-8, dated October 26, 2007;
- 333-149630 on Form S-3, dated March 11, 2008;
- 333-155682 on Form S-3, dated November 25, 2008;
- 333-155684 and 333-155687 on Form S-8, each dated November 25, 2008; and
- 333-162716 on Form S-8, dated October 28, 2009.

/s/ Ernst & Young LLP

McLean, Virginia  
February 24, 2011

**POWER OF ATTORNEY****LOCKHEED MARTIN CORPORATION**

The undersigned hereby constitutes Maryanne R. Lavan, Marian S. Block, and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ E. C. "Pete" Aldridge, JR.

E. C. "PETE" ALDRIDGE, JR.

Director

February 24, 2011

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

The undersigned hereby constitutes Maryanne R. Lavan, Marian S. Block, and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Nolan D. Archibald

NOLAN D. ARCHIBALD

Director

February 22, 2011

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

The undersigned hereby constitutes Maryanne R. Lavan, Marian S. Block, and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ David B. Burritt

\_\_\_\_\_  
DAVID B. BURRITT

Director

February 24, 2011

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

The undersigned hereby constitutes Maryanne R. Lavan, Marian S. Block, and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ James O. Ellis, JR.

JAMES O. ELLIS, JR.

Director

February 24, 2011

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

The undersigned hereby constitutes Maryanne R. Lavan, Marian S. Block, and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Thomas J. Falk

THOMAS J. FALK

Director

February 24, 2011

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

The undersigned hereby constitutes Maryanne R. Lavan, Marian S. Block, and David A. Dedman, each of them, jointly and severally, her lawful attorney-in-fact and agent, with full power of substitution, for her and in her name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Gwendolyn S. King

GWENDOLYN S. KING

Director

February 24, 2011

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

The undersigned hereby constitutes Maryanne R. Lavan, Marian S. Block, and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ James M. Loy

JAMES M. LOY

Director

February 24, 2011

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

The undersigned hereby constitutes Maryanne R. Lavan, Marian S. Block, and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Douglas H. McCorkindale

DOUGLAS H. McCORKINDALE

Director

February 24, 2011

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

The undersigned hereby constitutes Maryanne R. Lavan, Marian S. Block, and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Joseph W. Ralston

JOSEPH W. RALSTON

Director

February 24, 2011

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

The undersigned hereby constitutes Maryanne R. Lavan, Marian S. Block, and David A. Dedman, each of them, jointly and severally, her lawful attorney-in-fact and agent, with full power of substitution, for her and in her name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Anne Stevens

ANNE STEVENS

Director

February 24, 2011

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

The undersigned hereby constitutes Maryanne R. Lavan, Marian S. Block, and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Robert J. Stevens

ROBERT J. STEVENS

Chairman, Chief Executive Officer, and Director

February 24, 2011

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

The undersigned hereby constitutes Maryanne R. Lavan, Marian S. Block, and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Bruce L. Tanner

\_\_\_\_\_  
BRUCE L. TANNER

Executive Vice President and Chief  
Financial Officer

February 24, 2011

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

The undersigned hereby constitutes Maryanne R. Lavan, Marian S. Block, and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Christopher E. Kubasik

CHRISTOPHER E. KUBASIK  
President and Chief Operating Officer

February 24, 2011

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

The undersigned hereby constitutes Maryanne R. Lavan, Marian S. Block, and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2010 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Christopher J. Gregoire

CHRISTOPHER J. GREGOIRE

Vice President and Controller

(Chief Accounting Officer)

February 24, 2011

I, Robert J. Stevens, Chairman and Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Lockheed Martin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Robert J. Stevens

ROBERT J. STEVENS

Chairman and Chief Executive Officer

Date: February 24, 2011

I, Bruce L. Tanner, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Lockheed Martin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Bruce L. Tanner

BRUCE L. TANNER

Executive Vice President and Chief Financial Officer

Date: February 24, 2011

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350**

In connection with the Annual Report of Lockheed Martin Corporation (the "Corporation") on Form 10-K for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert J. Stevens, Chairman and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Robert J. Stevens

ROBERT J. STEVENS

Chairman and Chief Executive Officer

Date: February 24, 2011

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350**

In connection with the Annual Report of Lockheed Martin Corporation (the "Corporation") on Form 10-K for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce L. Tanner, Executive Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Bruce L. Tanner

BRUCE L. TANNER

Executive Vice President and Chief Financial Officer

Date: February 24, 2011

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.