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

FORM 10-Q

Quarterly Report Pursuant To Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 29, 2014

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)

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

52-1893632
(I.R.S. Employer
Identification Number)

20817
(Zip Code)

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

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 website, 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 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 12b-2 of the Exchange Act). YES NO

There were 317,388,019 shares of our common stock, \$1 par value per share, outstanding as of June 29, 2014.

Lockheed Martin Corporation
Form 10-Q
For the Quarterly Period Ended June 29, 2014
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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

Lockheed Martin Corporation
Consolidated Statements of Earnings
(unaudited; in millions, except per share data)

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net sales				
Products	\$ 8,980	\$ 9,005	\$ 17,390	\$ 17,711
Services	2,326	2,403	4,566	4,767
Total net sales	11,306	11,408	21,956	22,478
Cost of sales				
Products	(7,930)	(7,815)	(15,269)	(15,486)
Services	(2,063)	(2,137)	(4,013)	(4,271)
Severance charges	—	—	—	(30)
Other unallocated, net	28	(232)	38	(426)
Total cost of sales	(9,965)	(10,184)	(19,244)	(20,213)
Gross profit	1,341	1,224	2,712	2,265
Other income, net	85	74	146	152
Operating profit	1,426	1,298	2,858	2,417
Interest expense	(85)	(88)	(171)	(180)
Other non-operating income (expense), net	—	1	2	(1)
Earnings before income taxes	1,341	1,211	2,689	2,236
Income tax expense	(452)	(352)	(867)	(616)
Net earnings	\$ 889	\$ 859	\$ 1,822	\$ 1,620
Earnings per common share				
Basic	\$ 2.81	\$ 2.68	\$ 5.73	\$ 5.04
Diluted	\$ 2.76	\$ 2.64	\$ 5.63	\$ 4.97
Cash dividends paid per common share	\$ 1.33	\$ 1.15	\$ 2.66	\$ 2.30

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Lockheed Martin Corporation
Consolidated Statements of Comprehensive Income
(unaudited; in millions)

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net earnings	\$ 889	\$ 859	\$ 1,822	\$ 1,620
Other comprehensive (loss) income, net of tax				
Postretirement benefit plans				
Net other comprehensive loss recognized during the period due to plan re-measurements	(735)	—	(735)	—
Amounts reclassified from accumulated other comprehensive loss	167	253	334	507
Other, net	21	(12)	18	(55)
Other comprehensive (loss) income, net of tax	(547)	241	(383)	452
Comprehensive income	\$ 342	\$ 1,100	\$ 1,439	\$ 2,072

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Lockheed Martin Corporation
Consolidated Balance Sheets
(in millions, except par value)

	June 29, 2014	December 31, 2013
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 3,436	\$ 2,617
Receivables, net	6,434	5,834
Inventories, net	2,646	2,977
Deferred income taxes	1,153	1,088
Other current assets	494	813
Total current assets	14,163	13,329
Property, plant, and equipment, net	4,559	4,706
Goodwill	10,505	10,348
Deferred income taxes	3,113	2,850
Other noncurrent assets	4,910	4,955
Total assets	\$ 37,250	\$ 36,188
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 1,956	\$ 1,397
Customer advances and amounts in excess of costs incurred	6,199	6,349
Salaries, benefits, and payroll taxes	1,813	1,809
Other current liabilities	2,179	1,565
Total current liabilities	12,147	11,120
Accrued pension liabilities	10,046	9,361
Other postretirement benefit liabilities	901	902
Long-term debt, net	6,169	6,152
Other noncurrent liabilities	3,668	3,735
Total liabilities	32,931	31,270
Stockholders' equity		
Common stock, \$1 par value per share	315	319
Additional paid-in capital	—	—
Retained earnings	13,988	14,200
Accumulated other comprehensive loss	(9,984)	(9,601)
Total stockholders' equity	4,319	4,918
Total liabilities and stockholders' equity	\$ 37,250	\$ 36,188

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Lockheed Martin Corporation
Consolidated Statements of Cash Flows
(unaudited; in millions)

	Six Months Ended	
	June 29, 2014	June 30, 2013
Operating activities		
Net earnings	\$ 1,822	\$ 1,620
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	479	472
Stock-based compensation	97	112
Severance charges	—	30
Changes in operating assets and liabilities		
Receivables, net	(598)	(244)
Inventories, net	307	43
Accounts payable	557	5
Customer advances and amounts in excess of costs incurred	(160)	(120)
Postretirement benefit plans	125	236
Income taxes	311	569
Other, net	137	(15)
Net cash provided by operating activities	3,077	2,708
Investing activities		
Capital expenditures	(253)	(282)
Acquisitions of businesses and investments in affiliates	(172)	(63)
Other, net	(1)	6
Net cash used for investing activities	(426)	(339)
Financing activities		
Repurchases of common stock	(1,230)	(926)
Proceeds from stock option exercises	223	389
Dividends paid	(865)	(742)
Repayments of long-term debt	—	(150)
Other, net	40	7
Net cash used for financing activities	(1,832)	(1,422)
Net change in cash and cash equivalents	819	947
Cash and cash equivalents at beginning of period	2,617	1,898
Cash and cash equivalents at end of period	\$ 3,436	\$ 2,845

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Lockheed Martin Corporation
Consolidated Statements of Stockholders' Equity
(unaudited; in millions)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2013	\$ 319	\$ —	\$ 14,200	\$ (9,601)	\$ 4,918
Net earnings	—	—	1,822	—	1,822
Other comprehensive loss, net of tax	—	—	—	(383)	(383)
Repurchases of common stock	(8)	(472)	(750)	—	(1,230)
Dividends declared	—	—	(1,284)	—	(1,284)
Stock-based awards and ESOP activity	4	472	—	—	476
Balance at June 29, 2014	\$ 315	\$ —	\$ 13,988	\$ (9,984)	\$ 4,319
Balance at December 31, 2012	\$ 321	\$ —	\$ 13,211	\$ (13,493)	\$ 39
Net earnings	—	—	1,620	—	1,620
Other comprehensive income, net of tax	—	—	—	452	452
Repurchases of common stock	(9)	(615)	(290)	—	(914)
Dividends declared	—	—	(1,125)	—	(1,125)
Stock-based awards and ESOP activity	7	615	—	—	622
Balance at June 30, 2013	\$ 319	\$ —	\$ 13,416	\$ (13,041)	\$ 694

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited)

NOTE 1 – BASIS OF PRESENTATION

We prepared these consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information, the instructions to Form 10-Q, and Article 10 of U.S. Securities and Exchange Commission (SEC) Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. We followed the accounting policies disclosed in the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 (2013 Form 10-K) filed with the SEC.

In the opinion of management, these consolidated financial statements reflect all adjustments that are of a normal recurring nature necessary for a fair presentation of our results of operations, financial condition, and cash flows for the interim periods presented. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base these estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our actual results may differ materially from these estimates. Significant estimates inherent in the preparation of our consolidated financial statements include, but are not limited to, accounting for sales and cost recognition, postretirement benefit plans, environmental receivables and liabilities, evaluation of goodwill and other assets for impairment, income taxes including deferred tax assets, fair value measurements, and contingencies. The consolidated financial statements include the accounts of subsidiaries we control and variable interest entities if we are the primary beneficiary. We eliminate intercompany balances and transactions in consolidation. We have reclassified certain amounts in the prior period to conform to the current year presentation.

We close our books and records on the last Sunday of the calendar quarter, which was on June 29 for the second quarter of 2014 and June 30 for the second quarter of 2013, to align our financial closing with our business processes. The consolidated financial statements and tables of financial information included herein are labeled based on that convention. This practice only affects interim periods, as our fiscal year ends on December 31.

The results of operations for the interim periods presented are not necessarily indicative of results to be expected for the full year or future periods. Unless otherwise noted, we present all per share amounts cited in these consolidated financial statements on a “per diluted share” basis. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our 2013 Form 10-K.

NOTE 2 – EARNINGS PER COMMON SHARE

The weighted average number of shares outstanding used to compute earnings per common share were as follows (in millions):

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Weighted average common shares outstanding for basic computations	316.8	320.8	318.0	321.2
Weighted average dilutive effect of equity awards	5.3	5.1	5.6	4.9
Weighted average common shares outstanding for diluted computations	322.1	325.9	323.6	326.1

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited) (continued)

We compute basic and diluted earnings per common share by dividing net earnings by the respective weighted average number of common shares outstanding for the periods presented. Our calculation of diluted earnings per common share also includes the dilutive effects for the assumed vesting of outstanding restricted stock units and exercise of outstanding stock options based on the treasury stock method.

The computation of diluted earnings per common share excluded 3.3 million and 4.9 million stock options for the quarter and six months ended June 30, 2013 because their inclusion would have been anti-dilutive, primarily due to their exercise prices exceeding the average market prices of our common stock. There were no anti-dilutive stock options for the quarter and six months ended June 29, 2014.

NOTE 3 – BUSINESS SEGMENT INFORMATION

We operate in five business segments: Aeronautics, Information Systems & Global Solutions (IS&GS), Missiles and Fire Control, Mission Systems and Training (MST), and Space Systems. We organize our business segments based on the nature of the products and services offered.

Net sales of our business segments exclude intersegment sales as these activities are eliminated in consolidation. Intercompany transactions are generally negotiated under terms and conditions that share many similar characteristics (e.g., contract structures, funding profiles, target cost values, contract progress reports) with our third-party contracts, primarily the U.S. Government.

Operating profit of our business segments includes our share of earnings or losses from equity method investees because the operating activities of the equity method investees are closely aligned with the operations of our business segments. United Launch Alliance (ULA), which is part of our Space Systems business segment, is our primary equity method investee. Operating profit of our business segments excludes the FAS/CAS pension adjustment described below; expense for stock-based compensation; the effects of items not considered part of management's evaluation of segment operating performance, such as charges related to significant severance actions (Note 8, under the caption "Restructuring Charges") and goodwill impairments; gains or losses from divestitures; the effects of certain legal settlements; corporate costs not allocated to our business segments; and other miscellaneous corporate activities. These items are included in the reconciling item "Unallocated, net" between operating profit from our business segments and our consolidated operating profit. See Note 8 (under the caption "Changes in Estimates") for a discussion related to certain factors that may impact the comparability of net sales and operating profit of our business segments.

Our business segments' results of operations include pension expense only as calculated under U.S. Government Cost Accounting Standards (CAS), which we refer to as CAS cost. We recover CAS cost through the pricing of our products and services on U.S. Government contracts and, therefore, the CAS cost is recognized in each of our business segments' net sales and cost of sales. Since our consolidated financial statements must present pension expense calculated in accordance with the financial accounting standards (FAS) requirements under GAAP, which we refer to as FAS pension expense, the FAS/CAS pension adjustment increases or decreases the CAS pension expense recorded in our business segments' results of operations to equal the FAS pension expense. As a result, to the extent that CAS cost exceeds FAS pension expense, which occurred for the quarter and six months ended June 29, 2014, we have FAS/CAS pension income and, conversely, to the extent FAS pension expense exceeds CAS cost, which occurred for the quarter and six months ended June 30, 2013, we have FAS/CAS pension expense.

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited) (continued)

Summary operating results for each of our business segments were as follows (in millions):

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net sales				
Aeronautics	\$ 3,855	\$ 3,407	\$ 7,241	\$ 6,593
Information Systems & Global Solutions	1,941	2,101	3,851	4,207
Missiles and Fire Control	1,891	2,043	3,758	4,031
Mission Systems and Training	1,771	1,770	3,399	3,600
Space Systems	1,848	2,087	3,707	4,047
Total net sales	\$ 11,306	\$ 11,408	\$ 21,956	\$ 22,478
Operating profit				
Aeronautics	\$ 453	\$ 407	\$ 846	\$ 786
Information Systems & Global Solutions	175	194	349	383
Missiles and Fire Control	345	381	703	725
Mission Systems and Training	185	275	435	476
Space Systems	248	276	502	506
Total business segment operating profit	1,406	1,533	2,835	2,876
Unallocated, net				
FAS/CAS pension adjustment				
FAS pension expense	(314)	(487)	(627)	(974)
Less: CAS cost	399	367	798	733
FAS/CAS pension income (expense) (a)	85	(120)	171	(241)
Severance charges (b)	—	—	—	(30)
Stock-based compensation	(49)	(59)	(97)	(112)
Other, net	(16)	(56)	(51)	(76)
Total unallocated, net	20	(235)	23	(459)
Total consolidated operating profit	\$ 1,426	\$ 1,298	\$ 2,858	\$ 2,417
Intersegment sales				
Aeronautics	\$ 30	\$ 49	\$ 57	\$ 99
Information Systems & Global Solutions	172	173	348	363
Missiles and Fire Control	76	71	163	124
Mission Systems and Training	298	252	613	479
Space Systems	26	26	53	49
Total intersegment sales	\$ 602	\$ 571	\$ 1,234	\$ 1,114

- (a) The change in the FAS/CAS pension adjustment from expense to income between the periods was due to lower FAS pension expense in 2014 primarily as a result of the increase in the discount rate to 4.75% used in the measurement of our GAAP postretirement benefit plan obligations at the end of 2013 compared to 4.00% used at the end of 2012, and incrementally higher CAS costs in 2014 as a result of phasing in the CAS Harmonization rules as disclosed in our 2013 Form 10-K. The re-measurements of the assets and benefit obligations related to substantially all of our defined benefit pension plans in the quarter ended June 29, 2014 (Note 5) did not impact the FAS/CAS pension adjustment in any of the periods reflected above.
- (b) Severance charges during the six months ended June 30, 2013 consisted of amounts, net of state tax benefits, associated with the elimination of certain positions at our IS&GS business segment (Note 8, under the caption "Restructuring Charges"). Severance charges for initiatives that are not significant are included in business segment operating profit.

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited) (continued)

Total assets for each of our business segments were as follows (in millions):

	June 29, 2014	December 31, 2013
Assets		
Aeronautics	\$ 5,979	\$ 5,821
Information Systems & Global Solutions	5,973	5,798
Missiles and Fire Control	4,165	4,159
Mission Systems and Training	6,351	6,512
Space Systems	3,536	3,522
Total business segment assets	26,004	25,812
Corporate assets (a)	11,246	10,376
Total assets	\$ 37,250	\$ 36,188

(a) Corporate assets primarily include cash and cash equivalents, deferred income taxes, environmental receivables, and investments held in a separate trust to fund certain of our non-qualified deferred compensation plans.

Our Aeronautics business segment includes our largest program, the F-35 Lightning II Joint Strike Fighter, an international multi-role, multi-variant, stealth fighter aircraft. Net sales for the F-35 program represented approximately 18% and 17% of our total consolidated net sales for the quarter and six months ended June 29, 2014 and 15% for both the quarter and six months ended June 30, 2013.

NOTE 4 – INVENTORIES, NET

Inventories, net consisted of the following (in millions):

	June 29, 2014	December 31, 2013
Work-in-process, primarily related to long-term contracts and programs in progress	\$ 7,341	\$ 7,073
Less: customer advances and progress payments	(5,271)	(4,834)
	2,070	2,239
Other inventories	576	738
Total inventories, net	\$ 2,646	\$ 2,977

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited) (continued)

NOTE 5 – POSTRETIREMENT BENEFIT PLANS**Net Periodic Benefit Cost**

Our pretax benefit cost related to our qualified defined benefit pension plans and retiree medical and life insurance plans consisted of the following (in millions):

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Qualified defined benefit pension plans				
Service cost	\$ 243	\$ 285	\$ 486	\$ 571
Interest cost	488	450	976	900
Expected return on plan assets	(659)	(621)	(1,319)	(1,243)
Recognized net actuarial losses	221	353	442	706
Amortization of prior service costs	21	20	42	40
Total net periodic benefit cost	\$ 314	\$ 487	\$ 627	\$ 974
Retiree medical and life insurance plans				
Service cost	\$ 6	\$ 7	\$ 11	\$ 14
Interest cost	30	29	61	58
Expected return on plan assets	(37)	(37)	(73)	(73)
Recognized net actuarial losses	6	11	12	22
Amortization of prior service costs (credits)	1	(4)	2	(9)
Total net periodic benefit cost	\$ 6	\$ 6	\$ 13	\$ 12

The recognized net actuarial losses and the amortization of prior service costs (credits) in the table above, as well as similar amounts related to our other postretirement benefit plans, reflect costs that were reclassified from accumulated other comprehensive loss (AOCL) and recorded as a component of net periodic benefit cost for the periods presented. These costs totaled \$167 million (net of \$92 million of tax expense) and \$334 million (net of \$183 million of tax expense) for the quarter and six months ended June 29, 2014, and \$253 million (net of \$139 million of tax expense) and \$507 million (net of \$278 million of tax expense) for the quarter and six months ended June 30, 2013, which are recorded on our Statements of Comprehensive Income as an increase to other comprehensive income. These amounts were not impacted by the re-measurements to our defined benefit pension plans described below.

Plan Amendments and Re-measurements

In the quarter ended June 29, 2014, we amended certain of our qualified and nonqualified defined benefit pension plans for non-union employees to freeze future retirement benefits. Currently, the calculation of retirement benefits under the affected defined benefit pension plans is determined by a formula that takes into account the participants' years of credited service and average compensation.

The freeze will take effect in two stages. Beginning on January 1, 2016, the pay-based component of the formula used to determine retirement benefits will be frozen so that future pay increases, annual incentive bonuses, or other amounts earned for or related to periods after December 31, 2015 will not be used to calculate retirement benefits. On January 1, 2020, the service-based component of the formula used to determine retirement benefits will also be frozen so that participants will no longer earn further credited service for any period after December 31, 2019. When the freeze is complete, the majority of our salaried employees will have transitioned to an enhanced defined contribution retirement savings plan.

As a result of these plan amendments, we were required to re-measure the assets and benefit obligations for the affected defined benefit pension plans in the quarter ended June 29, 2014. The amounts we record related to our defined benefit pension plans are measured using actuarial valuations, which are dependent upon key assumptions such as the discount rate, employee turnover, participant longevity (also known as mortality), the expected rates of increase in future compensation levels through December 31, 2015, and the expected long-term rate of return on plan assets. Longevity assumptions are used to estimate the life expectancy of plan participants during which they are expected to receive benefit payments. Recent actuarial studies indicate life expectancies are longer and have the resultant effect of

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited) (continued)

increasing the total expected benefit payments to plan participants. Our re-measurements reflect the use of updated assumptions, including new longevity assumptions. We also elected to re-measure the assets and benefit obligations of substantially all other defined benefit pension plans in the quarter ended June 29, 2014 to incorporate current actuarial assumptions, including new longevity assumptions, and to align the measurement date across substantially all of our defined benefit pension plans.

Changes in our benefit obligations, plan assets, and the unfunded status of our qualified defined benefit pension plans, inclusive of the impacts of the re-measurements, are set forth in the following table (in millions):

Benefit obligations at December 31, 2013	\$ (42,161)
Changes in benefit obligations due to re-measurements	
Plan amendments related to the salary freeze	4,580
New longevity assumptions	(3,390)
Discount rate (a)	(3,309)
Other	157
Service cost	(486)
Interest cost	(976)
Benefits paid	975
Benefit obligations at June 29, 2014	\$ (44,610)
Plan assets at December 31, 2013	\$ 33,010
Actual return on plan assets (b)	
Expected return on plan assets	1,319
Incremental return on plan assets recognized in re-measurements	904
Company contributions	515
Benefits paid	(975)
Plan assets at June 29, 2014	34,773
Net unfunded status of the plans at June 29, 2014 (c)	\$ (9,837)

(a) Reflects a decrease in the discount rate from 4.75% at December 31, 2013 to 4.25% at the re-measurement date.

(b) The expected return on plan assets represents the expected long-term rate of return on plan assets of 4.00% for the six months ended June 29, 2014 (the half-year proportional effect of our expected 8.00% annual long-term rate of return on plan assets assumption). The incremental return on plan assets recognized in re-measurements represents the difference between our actual return on plan assets of 6.70% and our expected return of 4.00% for the six months ended June 29, 2014.

(c) For plans where the benefit obligation is in excess of plan assets, we record the net obligation (which was \$10,046 million as of June 29, 2014) as accrued pension liabilities on our Balance Sheet. Conversely, for plans where the assets exceed the benefit obligation, we record the net asset (which was \$209 million as of June 29, 2014) within other noncurrent assets on our Balance Sheet. The net unfunded status of the plans represents the net total of these two amounts.

The effect of freezing the pay-based component of the formula used to determine retirement benefits under the affected plans reduced our qualified defined benefit pension obligations by \$4.6 billion, which resulted in a corresponding reduction, net of tax, in the AOCL component of stockholders' equity. This amount will be recognized as a reduction of net periodic benefit cost over the estimated remaining service period of the covered employees, which is approximately 10 years, beginning in the third quarter of 2014.

The net effect of changes in the actuarial assumptions used in the re-measurements increased our qualified defined benefit pension obligations by \$6.5 billion, which resulted in a corresponding increase, net of tax, in the AOCL component of stockholders' equity. This \$6.5 billion increase from changes in actuarial assumptions reflects an increase of \$3.4 billion due to new longevity assumptions and \$3.3 billion due to a reduction in the discount rate, which were partially offset by a decrease of \$157 million due to changes in other assumptions. The incremental return on plan assets recognized as part of the re-measurements increased our qualified defined benefit pension assets by \$904 million, which resulted in a corresponding reduction, net of tax, in the AOCL component of stockholders' equity.

The amounts recorded in AOCL related to changes in actuarial assumptions net of the incremental return on plan assets will be recognized as an increase in net periodic benefit cost over the estimated remaining service period of the covered employees (currently estimated at approximately 10 years) beginning in the third quarter of 2014 and continuing through December 31, 2019. Subsequent to that date, we will reevaluate the amortization period for net actuarial gains or losses. Net actuarial gains or losses in AOCL are adjusted annually when the funded status of our postretirement benefit plans are measured.

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited) (continued)

The net increase of \$1.1 billion related to the re-measurements of our qualified defined benefit pension obligations and plan assets reflected in the table above, in addition to a net increase of \$79 million related to the re-measurements of our nonqualified defined benefit pension obligations, resulted in a corresponding increase of \$735 million to other comprehensive loss, net of \$402 million of tax benefits. The re-measurements did not impact our results of operations for the quarter and six months ended June 29, 2014. We expect our 2014 FAS pension expense will be \$1.2 billion.

Contributions

We determine funding requirements for our defined benefit pension plans in a manner consistent with CAS and the Employee Retirement Income Security Act of 1974 (ERISA), as amended by the Pension Protection Act of 2006. During the quarter and six months ended June 29, 2014, we made \$515 million in contributions to our qualified defined benefit pension plans compared to \$750 million during the quarter and six months ended June 30, 2013. Additionally, we made contributions of \$485 million in July 2014, which completes our planned funding of \$1.0 billion for 2014. We may review options for further contributions in the remainder of 2014. We do not expect to make any contributions to our retiree medical and life insurance plans in 2014.

NOTE 6 – LEGAL PROCEEDINGS AND CONTINGENCIES

We are a party to or have property subject to litigation and other proceedings that arise in the ordinary course of our business, including matters arising under provisions relating to the protection of the environment, and are subject to contingencies related to certain businesses we previously owned. These types of matters could result in fines, penalties, compensatory or treble damages or non-monetary relief. We believe the probability is remote that the outcome of each of these matters, including the legal proceedings mentioned below, 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 interim reporting period. 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, our experience 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.

Although we cannot predict the outcome of legal or other proceedings with certainty, GAAP requires us to disclose an estimate of the reasonably possible loss or range of loss or make a statement that such an estimate cannot be made for contingencies where there is at least a reasonable possibility that a loss may have been incurred. We have a thorough process to determine an estimate of the reasonably possible loss or range of loss before we conclude and disclose that an estimate cannot be made. Accordingly, unless otherwise indicated below in our discussion of legal proceedings, a reasonably possible loss or range of loss associated with any individual legal proceeding cannot be estimated.

Legal Proceedings

On April 24, 2009, we filed a declaratory judgment action against the New York Metropolitan Transportation Authority and its Capital Construction Company (collectively, the MTA) asking the U.S. District Court for the Southern District of New York 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 MTA filed an answer and counterclaim alleging that we breached the contract, and subsequently terminated the contract for alleged default. The primary damages sought by the MTA are the cost to complete the contract and potential re-procurement costs. While we are unable to estimate the cost of another contractor to complete the contract and the costs of re-procurement, we note that our contract with the MTA had a total value of \$323 million, of which \$241 million was paid to us. We dispute the MTA's allegations and are defending against them. Additionally, following an investigation, our sureties on a performance bond related to this matter, who were represented by independent counsel, concluded that the MTA's termination of the contract was improper. Finally, our declaratory judgment action was later amended to include claims for monetary damages against the MTA. A bench trial of this matter is scheduled to begin on October 6, 2014.

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited) (continued)

On August 28, 2003, the U.S. Department of Justice (DOJ) filed complaints in partial intervention in two lawsuits filed under the civil qui tam provisions of the False Claims Act in the U.S. 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. On April 16, 2013, the parties attended a settlement conference ordered by the magistrate judge. The conference focused on the parties' sharply differing views of the merits of the case and did not significantly contribute to our understanding of the damages sought. Accordingly, we cannot estimate the reasonably possible loss, or range of loss, which could be incurred if the plaintiffs 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). A substantial portion of environmental costs will be included in our net sales and cost of sales in future periods pursuant to U.S. Government regulations. At the time a liability is recorded for future environmental costs, we record a receivable for estimated future recovery considered probable through the pricing of products and services to agencies of the U.S. Government, regardless of the contract form (e.g., cost-reimbursable, fixed-price). We continuously evaluate the recoverability of our environmental receivables by assessing, among other factors, U.S. Government regulations, our U.S. Government business base and contract mix, and our history of receiving reimbursement of such costs. We include the portion of those environmental 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 our cost of sales at the time the liability is established.

At June 29, 2014 and December 31, 2013, the aggregate amount of liabilities recorded relative to environmental matters was \$980 million and \$997 million, most of which are recorded in other noncurrent liabilities on our Balance Sheets. We have recorded receivables totaling \$848 million and \$863 million at June 29, 2014 and December 31, 2013, most of which are recorded in other noncurrent assets on our Balance Sheets, for the estimated future recovery of these costs, as we consider the recovery probable based on the factors previously mentioned. We project costs and recovery of costs over approximately 20 years.

Environmental cleanup activities usually span several years, which makes estimating liabilities a matter of judgment because of uncertainties with respect to assessing the extent of the contamination as well as such factors as changing remediation technologies and continually evolving regulatory environmental standards. There are a number of former operating facilities that we are monitoring or investigating for potential future remediation. We perform quarterly reviews of the status of our environmental remediation sites and the related liabilities and receivables. Additionally, in our quarterly reviews we consider these and other factors in estimating the timing and amount of any future costs that may be required for remediation activities and record a liability when it is probable that a loss has occurred and the loss can be reasonably estimated. The amount of liability recorded is based on our estimate of the costs to be incurred for remediation at a particular site. 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 reasonably cannot determine the extent of our financial exposure in all cases as, although a loss may be probable or reasonably possible, in some cases it is not possible at this time to estimate the loss or reasonably possible loss or range of loss.

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited) (continued)

We also are pursuing claims for recovery of costs incurred or contribution to site cleanup costs against other PRPs, including the U.S. Government, and are conducting remediation activities under various consent decrees and orders relating to soil, groundwater, sediment, or surface water 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).

On April 15, 2014, the California Department of Public Health submitted its final regulation related to hexavalent chromium, which separately regulates the contaminant in drinking water and sets the maximum level at 10 parts per billion (ppb). On May 28, 2014, California's Office of Administrative Law approved the final regulation, which became effective on July 1, 2014. If the new standard remains at 10 ppb, it will not have a material impact on our existing remediation costs in California. However, we cannot predict the outcome of any challenges opposing the new standard by environmental groups and the regulated community.

In addition, California is reevaluating its existing drinking water standard with respect to perchlorate, and the U.S. Environmental Protection Agency (U.S. EPA) is also considering whether to regulate perchlorate and hexavalent chromium in drinking water. If substantially lower standards are adopted, in either California or at the federal level, for perchlorate or, if the U.S. EPA were to adopt a standard for hexavalent chromium lower than 10 ppb, we expect a material increase in our estimates for environmental liabilities and the related assets for the portion of the increased costs that are probable of future recovery in the pricing of our products and services for the U.S. Government. The amount that would be allocable to our non-U.S. Government contracts or that is determined to be unallowable for pricing under U.S. Government contracts would be expensed, which may have a material effect on our earnings in any particular interim reporting period.

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 the guarantee of future performance on certain contracts. Letters of credit and surety bonds generally are 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 venture partners. We had total outstanding letters of credit, surety bonds, and third-party guarantees aggregating \$2.5 billion and \$2.4 billion at June 29, 2014 and December 31, 2013.

At June 29, 2014 and December 31, 2013, third-party guarantees totaled \$778 million and \$696 million, of which approximately 90% related to guarantees of contractual performance of ventures to which we currently are or previously were a party. This amount represents our estimate of the maximum amount we would expect to incur upon the contractual non-performance of the 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 venture partner. We believe our current and former venture partners will be able to perform their obligations, as they have done through June 29, 2014, and that it will not be necessary to make payments under the guarantees. In determining our exposures, we evaluate the reputation, technical capabilities, and credit quality of our current and former venture partners.

United Launch Alliance

In connection with our 50% ownership interest of ULA, we and The Boeing Company (Boeing) have each received distributions from ULA, including distributions of \$527 million that we and Boeing have each received (since ULA's formation in December 2006) which are subject to agreements between us, Boeing, and ULA, whereby, if ULA does not have sufficient cash resources or credit capacity to make required 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. Based on current expectations of ULA's cash flow needs, we currently believe that ULA should have sufficient operating cash flows and credit capacity, including access to its \$560 million revolving credit agreement from third-party financial institutions, to meet its obligations such that we would not be required to make a contribution under these agreements.

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited) (continued)

In addition, both we and Boeing have cross-indemnified each other for 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 June 29, 2014, and that it will not be necessary to make payments under the cross-indemnities or guarantees.

NOTE 7 – FAIR VALUE MEASUREMENTS

Assets and liabilities measured and recorded at fair value on a recurring basis consisted of the following (in millions):

	June 29, 2014			December 31, 2013		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Assets						
Equity securities	\$ 108	\$ 108	\$ —	\$ 77	\$ 77	\$ —
Mutual funds	636	636	—	613	613	—
U.S. Government securities	136	—	136	238	—	238
Other securities	168	—	168	131	—	131
Derivatives	25	—	25	28	—	28
Liabilities						
Derivatives	15	—	15	23	—	23

Substantially all assets measured at fair value, other than derivatives, represent investments classified as trading securities held in a separate trust to fund certain of our non-qualified deferred compensation plans and are recorded in other noncurrent assets on our Balance Sheets. The fair values of equity securities and mutual funds are determined by reference to the quoted market price per unit in active markets multiplied by the number of units held without consideration of transaction costs. The fair values of U.S. Government and other securities are determined using model-derived valuations in which all significant inputs are observable in active markets. The fair values of derivative instruments, which consist of foreign currency exchange forward and interest rate swap contracts, primarily are determined based on the present value of future cash flows using model-derived valuations that use observable inputs such as interest rates, credit spreads, and foreign currency exchange rates. We did not have any transfers of assets or liabilities between levels of the fair value hierarchy during the six months ended June 29, 2014.

We use derivative instruments principally to reduce our exposure to market risks from changes in foreign currency exchange rates and interest rates. We do not enter into or hold derivative instruments for speculative trading purposes. We transact business globally and are subject to risks associated with changing foreign currency exchange rates. We enter into foreign currency hedges such as forward and option contracts that change in value as foreign currency exchange rates change. These contracts hedge forecasted foreign currency transactions in order to mitigate fluctuations in our earnings and cash flows associated with changes in foreign currency exchange rates. We designate foreign currency hedges as cash flow hedges. We also are exposed to the impact of interest rate changes primarily through our borrowing activities. For fixed rate borrowings, we may use variable interest rate swaps, effectively converting fixed rate borrowings to variable rate borrowings in order to reduce the amount of interest paid. These swaps are designated as fair value hedges. For variable rate borrowings, we may use fixed interest rate swaps, effectively converting variable rate borrowings to fixed rate borrowings in order to mitigate the impact of interest rate changes on earnings. These swaps are designated as cash flow hedges. We may also enter into derivative instruments that are not designated as hedges and do not qualify for hedge accounting, which are intended to mitigate certain economic exposures.

The aggregate notional amount of our outstanding foreign currency hedges at June 29, 2014 and December 31, 2013 was \$1.1 billion and \$1.0 billion. The aggregate notional amount of our outstanding interest rate swaps at June 29, 2014 and December 31, 2013 was \$1.3 billion and \$1.2 billion. Derivative instruments did not have a material impact on net earnings and comprehensive income during the quarters and six months ended June 29, 2014 and June 30, 2013. Substantially all of our derivatives are designated for hedge accounting.

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited) (continued)

In addition to the financial instruments listed in the table above, we hold other financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and debt. The carrying amounts for cash and cash equivalents, accounts receivable, and accounts payable approximated their fair values. The estimated fair value of our outstanding debt was \$7.7 billion and \$7.4 billion at June 29, 2014 and December 31, 2013, and the outstanding principal amount was \$7.0 billion at both June 29, 2014 and December 31, 2013, excluding unamortized discounts of \$877 million and \$882 million. The estimated fair values of our outstanding debt were determined based on quoted prices for similar instruments in active markets (Level 2 inputs).

NOTE 8 – OTHER

Changes in Estimates

Accounting for contracts using the percentage-of-completion method requires judgment relative to assessing risks, estimating contract sales and costs (including estimating award and incentive fees and penalties related to performance), and making assumptions for schedule and technical issues. Due to the number of years it may take to complete many of our contracts and the scope and nature of the work required to be performed on those contracts, the estimation of total sales and costs at completion is complicated and subject to many variables and, accordingly, is subject to change. When adjustments in estimated total contract sales or estimated total costs are required, any changes from prior estimates are recognized in the current period for the inception-to-date effect of such changes. When estimates of total costs to be incurred on a contract exceed estimates of total sales to be earned, a provision for the entire loss on the contract is recorded in the period in which the loss is determined.

Many of our contracts span several years and include highly complex technical requirements. At the outset of a contract, we identify and monitor risks to the achievement of the technical, schedule, and cost aspects of the contract, and assess the effects of those risks on our estimates of total costs to complete the contract. The estimates consider the technical requirements (e.g., a newly-developed product versus a mature product), the schedule and associated tasks (e.g., the number and type of milestone events), and costs (e.g., material, labor, subcontractor, overhead, and the estimated costs to fulfill our industrial cooperation agreements, sometimes referred to as offset agreements, required under certain contracts with international customers). The initial profit booking rate of each contract considers risks surrounding the ability to achieve the technical requirements, schedule, and costs in the initial estimated total costs to complete. Profit booking rates may increase during the performance of the contract if we successfully retire risks surrounding the technical, schedule, and cost aspects of the contract. Conversely, our profit booking rates may decrease if the estimated total costs to complete the contract increase. All of the estimates are subject to change during the performance of the contract and may affect the profit booking rate.

In addition, comparability of our segment sales, operating profit, and operating margins may be impacted, favorably or unfavorably, by changes in profit booking rates on our contracts accounted for using the percentage-of-completion method of accounting. Segment operating profit and margins may also be impacted, favorably or unfavorably, by other items. Favorable items may include the positive resolution of contractual matters, cost recoveries on restructuring charges, and insurance recoveries. Unfavorable items may include the adverse resolution of contractual matters; restructuring charges, except for significant severance actions (such as those mentioned below under the caption "Restructuring Charges") which are excluded from segment operating results; reserves for disputes; and significant asset impairments. Our consolidated net adjustments not related to volume, including net profit booking rate adjustments and other matters, net of state income taxes, increased segment operating profit by approximately \$440 million and \$965 million for the quarter and six months ended June 29, 2014 and \$585 million and \$1.1 billion for the quarter and six months ended June 30, 2013. These adjustments increased net earnings by approximately \$285 million (\$.88 per share) and \$625 million (\$1.93 per share) for the quarter and six months ended June 29, 2014 and \$380 million (\$1.17 per share) and \$685 million (\$2.10 per share) for the quarter and six months ended June 30, 2013.

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited) (continued)

Stockholders' Equity

Repurchases of Common Stock

During the six months ended June 29, 2014, we repurchased 7.7 million shares of our common stock for \$1.2 billion. We had total remaining authorization of \$2.3 billion for future common share repurchases under our program as of June 29, 2014. As we repurchase our common shares, we reduce common stock for the \$1 of par value of the shares repurchased, with the excess purchase price over par value recorded as a reduction of additional paid-in capital. If additional paid-in capital is reduced to zero, we record the remainder of the excess purchase price over par value as a reduction of retained earnings.

Restricted Stock Unit and Performance Stock Unit Grants

In January 2014, we granted certain employees approximately 0.7 million restricted stock units (RSUs) with a grant-date fair value of \$146.85 per RSU. The grant-date fair value of these RSUs is equal to the closing market price of our common stock on the grant date less a discount to reflect the delay in payment of dividend-equivalent cash payments that are made only upon vesting, which is generally three years from the grant date. We recognize the grant-date fair value of RSUs, less estimated forfeitures, as compensation expense ratably over the requisite service period, which is shorter than the vesting period if the employee is retirement eligible on the date of grant or will become retirement eligible before the end of the vesting period.

In January 2014, we also granted certain employees performance stock units (PSUs) with an aggregate target award of approximately 0.2 million shares of our common stock. The PSUs vest three years from the grant date based on continuous service, with the number of shares earned (0% to 200% of the target award) depending upon the extent to which we achieve certain financial and market performance targets measured over the period from January 1, 2014 through December 31, 2016. About half of the PSUs were valued at \$146.85 per PSU in a manner similar to RSUs mentioned above as the financial targets are based on our operating results. We recognize the grant-date fair value of these PSUs, less estimated forfeitures, as compensation expense ratably over the vesting period based on the number of awards expected to vest at each reporting date. The remaining PSUs were valued at \$134.15 per PSU using a Monte Carlo model as the performance target is related to our total shareholder return relative to our peer group. We recognize the grant-date fair value of these awards, less estimated forfeitures, as compensation expense ratably over the vesting period.

Dividends

During the quarter and six months ended June 29, 2014, we declared cash dividends totaling \$856 million (\$2.66 per share) and \$1.3 billion (\$3.99 per share). The 2014 dividend amounts include the declaration of our 2014 third quarter dividend of \$1.33 per share, which totaled \$428 million. During the quarter and six months ended June 30, 2013, we declared cash dividends totaling \$754 million (\$2.30 per share) and \$1.1 billion (\$3.45 per share). The 2013 dividend amounts include the declaration of our 2013 third quarter dividend of \$1.15 per share, which totaled \$375 million.

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited) (continued)

Accumulated Other Comprehensive Loss

Changes in AOCL, net of tax, consisted of the following (in millions):

	Postretirement Benefit Plans	Other, net	AOCL
Balance at December 31, 2013	\$ (9,649)	\$ 48	\$ (9,601)
Other comprehensive (loss) income before reclassifications			
Net actuarial losses (a)	(3,778)	—	(3,778)
Prior service credits (a)	3,043	—	3,043
Other	—	15	15
Total other comprehensive (loss) income before reclassifications	(735)	15	(720)
Amounts reclassified from AOCL			
Recognition of net actuarial losses	306	—	306
Amortization of prior service costs	28	—	28
Other	—	3	3
Total reclassified from AOCL (b)	334	3	337
Total other comprehensive (loss) income	(401)	18	(383)
Balance at June 29, 2014	\$ (10,050)	\$ 66	\$ (9,984)
Balance at December 31, 2012	\$ (13,532)	\$ 39	\$ (13,493)
Other comprehensive loss before reclassifications			
Other	—	(52)	(52)
Total other comprehensive loss before reclassifications	—	(52)	(52)
Amounts reclassified from AOCL			
Recognition of net actuarial losses	487	—	487
Amortization of prior service costs	20	—	20
Other	—	(3)	(3)
Total reclassified from AOCL (b)	507	(3)	504
Total other comprehensive income (loss)	507	(55)	452
Balance at June 30, 2013	\$ (13,025)	\$ (16)	\$ (13,041)

(a) Changes in AOCL before reclassifications related to our postretirement benefit plans include net actuarial losses from the re-measurements of substantially all our defined benefit pension plans in the quarter ended June 29, 2014 and prior service credits from plan amendments to freeze future retirement benefits in certain of our qualified and nonqualified defined benefit pension plans for non-union employees (Note 5).

(b) Reclassifications from AOCL related to our postretirement benefit plans were recorded as a component of net periodic benefit cost for each period presented (Note 5). These amounts include \$167 million and \$253 million for the quarters ended June 29, 2014 and June 30, 2013, which are comprised of the recognition of net actuarial losses of \$153 million and \$243 million for the quarters ended June 29, 2014 and June 30, 2013, and the amortization of prior service costs of \$14 million and \$10 million for the quarters ended June 29, 2014 and June 30, 2013.

Income Taxes

Our effective income tax rates were 33.7% and 32.2% for the quarter and six months ended June 29, 2014, and 29.1% and 27.5% for the quarter and six months ended June 30, 2013. The rates for all periods benefited from tax deductions for U.S. manufacturing activities and for dividends paid to our defined contribution plans with an employee stock ownership plan feature. The effective tax rates for the quarter and six months ended June 29, 2014 were higher primarily due to tax reserve adjustments recorded in the quarter ended June 29, 2014 and the benefit of research and development tax credits recognized in the quarter and six months ended June 30, 2013, which expired on December 31, 2013 and, therefore, will not be recognized in 2014 unless and until legislation is enacted.

We made net tax payments of approximately \$560 million and \$140 million during the six months ended June 29, 2014 and June 30, 2013, which are net of \$200 million and \$550 million in tax refunds primarily attributable to our tax-deductible pension contributions made during the quarters ended December 31, 2013 and 2012.

Lockheed Martin Corporation
Notes to Consolidated Financial Statements (unaudited) (continued)

Restructuring Charges

Fourth Quarter 2013 Action

In November 2013, we committed to a plan to close and consolidate certain facilities and reduce our total workforce by approximately 4,000 positions within our IS&GS, MST, and Space Systems business segments. This plan resulted from a strategic review of our facilities capacity and future workload projections and is intended to better align our organization and cost structure and improve the affordability of our products and services given the changes in U.S. Government spending as well as the rapidly changing competitive and economic landscape.

We expect to incur total accelerated costs (e.g., accelerated depreciation expense related to long-lived assets at the sites to be closed) and incremental costs (e.g., relocation of equipment and other employee related costs) of approximately \$15 million, \$50 million, and \$135 million at our IS&GS, MST, and Space Systems business segments through the completion of this plan in 2015. As of June 29, 2014, we have incurred total accelerated and incremental costs of approximately \$50 million, inclusive of amounts incurred during the quarter and six months ended June 29, 2014. The accelerated and incremental costs are recorded as incurred in cost of sales on our Statement of Earnings and included in the respective business segment's results of operations.

During the quarter ended December 31, 2013, we incurred severance charges of \$171 million, net of state tax benefits, of which \$53 million, \$37 million, and \$81 million related to our IS&GS, MST, and Space Systems business segments. Upon separation, terminated employees receive lump-sum severance payments primarily based on years of service. As of June 29, 2014, we have paid approximately \$75 million in severance payments associated with this action, of which approximately \$60 million was paid during the six months ended June 29, 2014. The remaining severance payments are expected to be paid through the middle of 2015.

We expect to recover a substantial amount of the restructuring charges through the pricing of our products and services to the U.S. Government and other customers, with the impact included in the respective business segment's results of operations.

First Quarter 2013 Action

During the quarter ended March 31, 2013, we recorded severance charges totaling \$30 million, net of state tax benefits, related to our IS&GS business segment, which reduced our net earnings by \$19 million (\$.06 per share). These severance actions resulted from a strategic review of this business segment to better align our cost structure with changing economic conditions and also reflect changes in program lifecycles. The charges consisted of severance costs associated with the planned elimination of certain positions through either voluntary or involuntary actions. Upon separation, terminated employees received lump-sum severance payments primarily based on years of service, all of which were paid in 2013.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard that will change the way we recognize revenue and significantly expand the disclosure requirements for revenue arrangements. Unless the FASB delays the effective date of the new standard, it will be effective for us beginning on January 1, 2017, and may be adopted either retrospectively or on a modified retrospective basis whereby the new standard would be applied to new contracts and existing contracts with remaining performance obligations as of the effective date, with a cumulative catch-up adjustment recorded to beginning retained earnings at the effective date for existing contracts with remaining performance obligations. Early adoption is not permitted. We are currently evaluating the methods of adoption allowed by the new standard and the effect the standard is expected to have on our consolidated financial statements and related disclosures. As the new standard will supersede all existing revenue guidance affecting us under GAAP, it could impact revenue and cost recognition on thousands of contracts across all our business segments, in addition to our business processes and our information technology systems. As a result, our evaluation of the effect of the new standard will likely extend over several future periods.

**Review Report of Ernst & Young LLP,
Independent Registered Public Accounting Firm**

Board of Directors
Lockheed Martin Corporation

We have reviewed the consolidated balance sheet of Lockheed Martin Corporation as of June 29, 2014, and the related consolidated statements of earnings and comprehensive income for the quarters and six months ended June 29, 2014 and June 30, 2013, and the consolidated statements of cash flows and stockholders' equity for the six months ended June 29, 2014 and June 30, 2013. These financial statements are the responsibility of the Corporation's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Lockheed Martin Corporation as of December 31, 2013, and the related consolidated statements of earnings, comprehensive income, cash flows, and stockholders' equity for the year then ended (not presented herein), and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated February 14, 2014. In our opinion, the accompanying consolidated balance sheet as of December 31, 2013, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

McLean, Virginia
July 23, 2014

Lockheed Martin Corporation

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

BUSINESS OVERVIEW

We are a global security and aerospace company principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services. 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. In 2013, 82% of our \$45.4 billion in net sales were from the U.S. Government, either as a prime contractor or as a subcontractor (including 61% from the Department of Defense (DoD)), 17% were from international customers (including foreign military sales (FMS) contracted through the U.S. Government), and 1% were from U.S. commercial and other customers. Our main areas of focus are in defense, space, intelligence, homeland security, and information technology, including cyber security.

The following discussion is a supplement to and should be read in conjunction with the accompanying consolidated financial statements and notes thereto and with our Annual Report on Form 10-K for the year ended December 31, 2013 (2013 Form 10-K).

INDUSTRY CONSIDERATIONS

U.S. Government Funding Constraints

The U.S. Government, our principal customer, continues to face significant fiscal and economic challenges. To address those challenges, the U.S. Government has implemented various initiatives, including measures to reduce its spending levels pursuant to the Budget Control Act of 2011 (Budget Control Act). The Budget Control Act established limits on discretionary spending, which provided for reductions to planned defense spending by \$487 billion over a 10 year period that began with government fiscal year (GFY) 2012 (a U.S. Government fiscal year starts on October 1 and ends on September 30). The Budget Control Act also provided for additional automatic spending reductions, known as sequestration, which went into effect on March 1, 2013, that would reduce planned defense spending by an additional \$500 billion over a nine-year period that began in GFY 2013.

In December 2013, the U.S. Government enacted the Bipartisan Budget Act of 2013 (Bipartisan Budget Act), which amended the Budget Control Act to provide for revised defense spending limits of approximately \$520 billion for GFY 2014 and approximately \$521 billion for GFY 2015, among other fiscal changes. These spending limits allow for additional funding of approximately \$22 billion and \$9 billion for defense spending for GFY 2014 and GFY 2015, respectively, as compared to spending limits imposed by the Budget Control Act. This agreement allows for more certainty in the budget planning process and provides the DoD the flexibility to better address its priorities. However, the Bipartisan Budget Act retained the lower spending limits for GFYs 2016 through 2021, including the across-the-board spending reduction methodology, as provided for in the Budget Control Act. As a result, there remains uncertainty regarding how sequester cuts beyond GFY 2015 will be applied as the DoD and other agencies may have significantly less flexibility in how to allocate cuts in future years. While the defense budget sustained the largest single reductions, other civil agencies and programs have also been impacted by significant spending reductions. In light of the Budget Control Act and deficit reduction pressures, it is likely that discretionary spending by the U.S. Government will remain constrained for a number of years.

In March 2014, the President's budget request for GFY 2015 was submitted to Congress, which supports the current national security strategy and is within the revised defense spending limit of \$521 billion for GFY 2015 imposed by the Bipartisan Budget Act. We anticipate there will continue to be a significant amount of debate within the U.S. Government over defense spending for GFY 2015 and beyond throughout the budget process. The outcome of these debates could have long-term consequences for our industry and company as described below. However, we continue to believe that our portfolio of products and services will continue to be well supported in a strategically focused allocation of budget resources.

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Other Matters

While recent budget actions provide a more measured and strategic approach to addressing the U.S. Government's fiscal challenges, sequestration remains a long-term concern. If not further modified, sequestration could have significant negative impacts on our industry and company in future periods. There may be disruption of ongoing programs, impacts to our supply chain, contractual actions (including partial or complete terminations), potential facilities closures, and thousands of personnel reductions across the industry that will severely impact advanced manufacturing operations and engineering expertise, and accelerate the loss of skills and knowledge. Sequestration, or other budgetary cuts in lieu of sequestration, could have a material negative effect on our company.

Despite the continued uncertainty surrounding U.S. Government budgets, the investments and acquisitions we have made in recent years have sought to align our businesses with what we believe are the most critical national priorities and mission areas. Additionally, we are seeking to lessen our dependence on contracts with the U.S. Government by focusing on expanding into adjacent markets close to our core capabilities and growing international sales but may not be successful in this strategy. The possibility remains, however, that our programs could be materially reduced, extended, or terminated as a result of the U.S. Government's continuing assessment of priorities, changes in government priorities, or budget reductions, including sequestration (particularly in those circumstances where sequestration is implemented across-the-board without regard to national priorities). Additionally, decreases in production volume associated with budget cuts, including sequestration, will increase unit costs making our products less affordable for both our domestic and international customers. In particular, sequestration may also result in significant rescheduling or termination activity with our supplier base. Such activity could result in claims from our suppliers, which may include the amount established in any settlement agreements, the costs of evaluating the supplier settlement proposals, and the costs of negotiating settlement agreements. Budget cuts, including sequestration, could result in restructuring charges, impairment of assets, including goodwill, or other charges. We expect costs associated with claims from our suppliers and restructuring charges will be recovered from our customers.

Generally, we expect that the impact of budget reductions on our operating results will lag in certain of our businesses with longer cycles such as our Aeronautics and Space Systems business segments, and our products businesses within our Missiles and Fire Control (MFC) and Mission Systems and Training (MST) business segments, due to our production contract backlog. However, our businesses with smaller, short-term contracts are the most susceptible to the impacts of budget reductions, such as our Information Systems & Global Solutions (IS&GS) business segment and certain services businesses within our MFC and MST business segments.

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CONSOLIDATED RESULTS OF OPERATIONS

Since our operating cycle is long term and involves many types of contracts for the design, development, and manufacture of products and related activities with varying delivery schedules, the results of operations of a particular period, or period-to-period comparisons of recorded sales and profits, may not be indicative of future operating results. The following discussions of comparative results among periods should be reviewed in this context. All per share amounts cited in these discussions are presented on a "per diluted share" basis, unless otherwise noted. Our consolidated results of operations were as follows (in millions, except per share data):

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net sales	\$ 11,306	\$ 11,408	\$ 21,956	\$ 22,478
Cost of sales	(9,965)	(10,184)	(19,244)	(20,213)
Gross profit	1,341	1,224	2,712	2,265
Other income, net	85	74	146	152
Operating profit	1,426	1,298	2,858	2,417
Interest expense	(85)	(88)	(171)	(180)
Other non-operating income (expense), net	—	1	2	(1)
Earnings before income taxes	1,341	1,211	2,689	2,236
Income tax expense	(452)	(352)	(867)	(616)
Net earnings	889	859	1,822	1,620
Diluted earnings per common share	\$ 2.76	\$ 2.64	\$ 5.63	\$ 4.97

Certain amounts reported in other income, net, primarily our share of earnings or losses from equity method investees, are included in the operating profit of our business segments. Accordingly, such amounts are included in the description of our business segment results of operations.

Net Sales

We generate sales from the delivery of products and services. Products sales are predominantly generated in our Aeronautics, MFC, MST, and Space Systems business segments, and most of our services sales are generated in our IS&GS and MFC business segments. Our consolidated net sales were as follows (in millions):

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Products	\$ 8,980	\$ 9,005	\$ 17,390	\$ 17,711
Services	2,326	2,403	4,566	4,767
Total net sales	\$ 11,306	\$ 11,408	\$ 21,956	\$ 22,478

Substantially all of our contracts are accounted for using the percentage-of-completion method of accounting. Under the percentage-of-completion method, we record net 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. The following discussion of material changes in our consolidated net sales should be read in tandem with the following discussion of changes in our consolidated cost of sales and our business segment results of operations because changes in our sales are typically accompanied by a corresponding change in our cost of sales due to the nature of percentage-of-completion accounting.

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Products Sales

Our products sales represent about 80% of our net sales for both the quarters ended June 29, 2014 and June 30, 2013. Products sales during the quarter ended June 29, 2014 were comparable to the quarter ended June 30, 2013. Lower products sales of about \$230 million at Space Systems, about \$155 million at IS&GS, and about \$65 million at MFC were partially offset by increased products sales of about \$435 million at Aeronautics. The decrease at Space Systems was primarily due to lower volume for government satellite programs (primarily Advanced Extremely High Frequency (AEHF) and Mobile User Objective System (MUOS)). The decrease at IS&GS was primarily driven by the wind-down or completion of certain programs (primarily command and control programs) and lower volume for various other programs. The decrease at MFC was primarily due to fewer deliveries for tactical missiles programs (including High Mobility Artillery Rocket System (HIMARS)). Higher products sales at Aeronautics were attributable to increased volume on F-35 production contracts, increased aircraft deliveries (C-130 and C-5 programs), and the F-35 development contract due to an adjustment recorded during the quarter ended June 30, 2013 to reflect the inception-to-date impact of the downward revision to the profit booking rate that was not repeated in 2014.

Our products sales represent about 80% of our net sales for both the six months ended June 29, 2014 and June 30, 2013. Products sales decreased \$321 million, or 2%, during the six months ended June 29, 2014, compared to the six months ended June 30, 2013. Lower products sales of about \$350 million at IS&GS, about \$330 million at Space Systems, about \$225 million at MST, and about \$60 million at MFC were partially offset by increased products sales of about \$640 million at Aeronautics. The decrease at IS&GS was primarily driven by the wind-down or completion of certain programs (primarily command and control programs) and lower volume for various other programs. The decline at Space Systems was due to lower volume for government satellite programs (primarily AEHF, MUOS, and Global Positioning System III (GPS-III)) and the Orion program. The decrease at MST was attributable to decreased volume for undersea systems programs and various integrated warfare systems and sensors programs (primarily Symphony and Aegis). The decline at MFC was primarily due to fewer deliveries for tactical missiles programs (including HIMARS). Higher products sales at Aeronautics were attributable to increased volume on F-35 production contracts, increased aircraft deliveries (C-5 program), and the F-35 development contract due to the adjustment mentioned above recorded during the quarter ended June 30, 2013.

Services Sales

Our services sales represent about 20% of our net sales for both the quarters ended June 29, 2014 and June 30, 2013. Services sales decreased \$77 million, or 3%, during the quarter ended June 29, 2014, compared to the quarter ended June 30, 2013, and decreased \$201 million, or 4%, during the six months ended June 29, 2014, compared to the six months ended June 30, 2013. The decreases were primarily due to lower services sales at MFC of about \$90 million and \$215 million during the quarter and six months ended June 29, 2014 primarily attributable to lower volume for various technical services programs.

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Cost of Sales

Cost of sales, for both products and services, consist of materials, labor, subcontracting costs, an allocation of indirect costs (overhead and general and administrative), as well as the costs to fulfill our industrial cooperation agreements, sometimes referred to as offset agreements, required under certain contracts with international customers. For each of our contracts, we monitor the nature and amount of costs at the contract level, which form the basis for estimating our total costs to complete the contract. Our consolidated cost of sales were as follows (in millions):

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Cost of products sales	\$ (7,930)	\$ (7,815)	\$ (15,269)	\$ (15,486)
% of products sales	88.3%	86.8%	87.8%	87.4%
Cost of services sales	(2,063)	(2,137)	(4,013)	(4,271)
% of services sales	88.7%	88.9%	87.9%	89.6%
Severance charges	—	—	—	(30)
Other unallocated, net	28	(232)	38	(426)
Total cost of sales	\$ (9,965)	\$ (10,184)	\$ (19,244)	\$ (20,213)

Due to the nature of percentage-of-completion accounting, changes in our cost of sales, for both products and services, are typically accompanied by changes in our net sales. The following discussion of material changes in our consolidated cost of products and services sales should be read in tandem with the preceding discussion of changes in our consolidated net sales and our business segment results of operations. We have not identified any developing trends in cost of products and services sales that would have a material impact on our future operations.

Cost of Products Sales

Cost of products sales increased \$115 million, or 1%, during the quarter ended June 29, 2014, compared to the quarter ended June 30, 2013. Higher cost of products sales of about \$405 million at Aeronautics and about \$80 million at MST were partially offset by lower cost of products sales of about \$195 million at Space Systems and about \$145 million at IS&GS. The increase at Aeronautics was primarily attributable to increased volume on F-35 production contracts and increased aircraft deliveries (C-130 and C-5 programs). The increase at MST was primarily due to the settlements of contract cost matters on certain programs during the quarter ended June 30, 2013 (including a portion of the terminated presidential helicopter program) that were not repeated in 2014 and reserves recorded on certain training and logistics solutions programs during the quarter ended June 29, 2014. The decreases in cost of products sales at Space Systems and IS&GS were attributable to lower volume for various programs as mentioned above. The 1.5% increase in the percentage of cost of products sales relative to products sales for the quarter ended June 29, 2014 compared to the quarter ended June 30, 2013 was primarily due to the items increasing cost of products sales at MST mentioned above.

Cost of products sales decreased \$217 million, or 1%, during the six months ended June 29, 2014, compared to the six months ended June 30, 2013. Lower cost of products sales of about \$310 million at Space Systems, about \$295 million at IS&GS, about \$145 million at MST, and about \$45 million at MFC were partially offset by higher cost of products sales of about \$585 million at Aeronautics. The decreases at Space Systems, MST, IS&GS, and MFC were attributable to lower volume and fewer deliveries for various programs as mentioned above. The increase in cost of products sales at Aeronautics was primarily attributable to increased volume on F-35 production contracts and increased aircraft deliveries (C-5 program).

Cost of Services Sales

Cost of services sales decreased \$74 million, or 3%, during the quarter ended June 29, 2014 as compared to the quarter ended June 30, 2013, and decreased \$258 million, or 6%, during the six months ended June 29, 2014, compared to the six months ended June 30, 2013. The decrease during the quarter ended June 29, 2014 was primarily due to lower cost of services sales of about \$80 million at MFC, mostly attributable to lower volume for various technical services programs. The decrease during the six months ended June 29, 2014 was primarily due to lower cost of services sales of about \$195 million at MFC and about \$20 million at both IS&GS and MST. The decrease at MFC was primarily attributable to lower volume for various technical services programs. The decrease at IS&GS was primarily attributable to increased risk retirements for various services programs, and the decrease at MST was primarily attributable to reserves recorded in the six months ended June 30, 2013 that were not repeated in the six months ended June 29, 2014. The 1.7% decrease in the percentage of cost of services sales relative to services sales for the six months ended June 29, 2014 compared to the six months ended June 30, 2013 was primarily due to the items decreasing cost of services sales at both IS&GS and MST mentioned above.

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Restructuring Charges

Fourth Quarter 2013 Action

In November 2013, we committed to a plan to close and consolidate certain facilities and reduce our total workforce by approximately 4,000 positions within our IS&GS, MST, and Space Systems business segments. This plan resulted from a strategic review of our facilities capacity and future workload projections and is intended to better align our organization and cost structure and improve the affordability of our products and services given the changes in U.S. Government spending as well as the rapidly changing competitive and economic landscape.

We expect to incur total accelerated costs (e.g., accelerated depreciation expense related to long-lived assets at the sites to be closed) and incremental costs (e.g., relocation of equipment and other employee related costs) of approximately \$15 million, \$50 million, and \$135 million at our IS&GS, MST, and Space Systems business segments through the completion of this plan in 2015. As of June 29, 2014, we have incurred total accelerated and incremental costs of approximately \$50 million, inclusive of amounts incurred during the quarter and six months ended June 29, 2014. The accelerated and incremental costs are recorded as incurred in cost of sales on our Statement of Earnings and included in the respective business segment's results of operations.

During the quarter ended December 31, 2013, we incurred severance charges of \$171 million, net of state tax benefits, of which \$53 million, \$37 million, and \$81 million related to our IS&GS, MST, and Space Systems business segments. Upon separation, terminated employees receive lump-sum severance payments primarily based on years of service. As of June 29, 2014, we have paid approximately \$75 million in severance payments associated with this action, of which approximately \$60 million was paid during the six months ended June 29, 2014. The remaining severance payments are expected to be paid through the middle of 2015.

We expect to recover a substantial amount of the restructuring charges through the pricing of our products and services to the U.S. Government and other customers, with the impact included in the respective business segment's results of operations.

First Quarter 2013 Action

During the quarter ended March 31, 2013, we recorded severance charges totaling \$30 million, net of state tax benefits, related to our IS&GS business segment, which reduced our net earnings by \$19 million (\$.06 per share). These severance actions resulted from a strategic review of this business segment to better align our cost structure with changing economic conditions and also reflect changes in program lifecycles. The charges consisted of severance costs associated with the planned elimination of certain positions through either voluntary or involuntary actions. Upon separation, terminated employees received lump-sum severance payments primarily based on years of service, all of which were paid in 2013.

Other Unallocated, Net

Other unallocated, net principally includes the FAS/CAS pension adjustment as described in the Business Segment Results of Operations section below, stock-based compensation, and other corporate costs. These items are not allocated to the business segments and, therefore, are excluded from the costs of products and services sales. Other unallocated, net was \$28 million and \$38 million of income for the quarter and six months ended June 29, 2014, compared to \$232 million and \$426 million of expense for the quarter and six months ended June 30, 2013. The fluctuation between each respective period was primarily attributable to the change in the FAS/CAS pension adjustment to income of \$85 million and \$171 million for the quarter and six months ended June 29, 2014 compared to expense of \$120 million and \$241 million for the quarter and six months ended June 30, 2013. This change was due to lower FAS pension expense in 2014 primarily as a result of the increase in the discount rate to 4.75% used in the measurement of our GAAP postretirement benefit plan obligations at the end of 2013 compared to 4.00% used at the end of 2012, and incrementally higher U.S. Government Cost Accounting Standards (CAS) costs in 2014 as a result of phasing in the CAS Harmonization rules as disclosed in our 2013 Form 10-K. The re-measurements of the assets and benefit obligations related to substantially all of our defined benefit pension plans in the quarter ended June 29, 2014 (Note 5) did not impact the FAS/CAS pension adjustment for the quarter and six months ended June 29, 2014.

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Other Income, Net

Other income, net principally includes our share of earnings or losses from equity method investees. For the quarter and six months ended June 29, 2014, other income, net was \$85 million and \$146 million, compared to \$74 million and \$152 million for the quarter and six months ended June 30, 2013. The fluctuations were attributable to changes in various items, none of which were individually significant.

Interest Expense

Interest expense for the quarter and six months ended June 29, 2014 was \$85 million and \$171 million, about the same for the respective prior periods.

Other Non-Operating Income (Expense), Net

Other non-operating income (expense), net for the quarter and six months ended June 29, 2014 was comparable to the respective prior periods.

Income Tax Expense

Our effective income tax rates were 33.7% and 32.2% for the quarter and six months ended June 29, 2014, and 29.1% and 27.5% for the quarter and six months ended June 30, 2013. The rates for all periods benefited from tax deductions for U.S. manufacturing activities and for dividends paid to our defined contribution plans with an employee stock ownership plan feature. The effective tax rates for the quarter and six months ended June 29, 2014 were higher primarily due to tax reserve adjustments recorded in the quarter ended June 29, 2014 and the benefit of research and development tax credits recognized in the quarter and six months ended June 30, 2013, which expired on December 31, 2013 and, therefore, will not be recognized in 2014 unless and until legislation is enacted.

Future changes in tax law could significantly impact our provision for income taxes, the amount of taxes payable, and our deferred tax asset and liability balances. Recent proposals to lower the U.S. corporate income tax rate would require us to reduce our net deferred tax assets upon enactment of new tax legislation, with a corresponding material, one-time, non-cash increase in income tax expense, but our income tax expense and payments would be materially reduced in subsequent years. Our net deferred tax assets as of June 29, 2014 and December 31, 2013 were \$4.3 billion and \$3.9 billion, based on a 35% Federal statutory income tax rate, and primarily relate to our postretirement benefit plans. If legislation reducing the Federal statutory income tax rate to 25% had been enacted at June 29, 2014, our net deferred tax assets would have been reduced by \$1.2 billion, and we would have recorded a corresponding one-time, non-cash increase in income tax expense of \$1.2 billion. This additional expense would be less if the legislation phased in the tax rate reduction or if the final rate was higher than 25%. The amount of net deferred tax assets will change periodically based on several factors, including the measurement of our postretirement benefit plan obligations and actual cash contributions to our postretirement benefit plans.

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Net Earnings

Net earnings for the quarter and six months ended June 29, 2014 were \$889 million (\$2.76 per share) and \$1.8 billion (\$5.63 per share), compared to \$859 million (\$2.64 per share) and \$1.6 billion (\$4.97 per share) for the quarter and six months ended June 30, 2013. Both net earnings and earnings per share were affected by the factors mentioned above.

BUSINESS SEGMENT RESULTS OF OPERATIONS

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

Net sales of our business segments exclude intersegment sales as these activities are eliminated in consolidation. Intercompany transactions are generally negotiated under terms and conditions that share many similar characteristics (e.g., contract structures, funding profiles, target cost values, contract progress reports) with our third-party contracts, primarily the U.S. Government.

Operating profit of our business segments includes our share of earnings or losses from equity method investees because the operating activities of the equity method investees are closely aligned with the operations of our business segments. United Launch Alliance (ULA), which is part of our Space Systems business segment, is our primary equity method investee. Operating profit of our business segments excludes the FAS/CAS pension adjustment described below; expense for stock-based compensation; the effects of items not considered part of management's evaluation of segment operating performance, such as charges related to significant severance actions (Note 8, under the caption "Restructuring Charges") and goodwill impairments; gains or losses from divestitures; the effects of certain legal settlements; corporate costs not allocated to our business segments; and other miscellaneous corporate activities. These items are included in the reconciling item "Unallocated, net" between operating profit from our business segments and our consolidated operating profit.

Our business segments' results of operations include pension expense only as calculated under CAS, which we refer to as CAS cost. We recover CAS cost through the pricing of our products and services on U.S. Government contracts and, therefore, the CAS cost is recognized in each of our business segments' net sales and cost of sales. Since our consolidated financial statements must present pension expense calculated in accordance with the financial accounting standards (FAS) requirements under U.S. generally accepted accounting principles (GAAP), which we refer to as FAS pension expense, the FAS/CAS pension adjustment increases or decreases the CAS pension expense recorded in our business segments' results of operations to equal the FAS pension expense. As a result, to the extent that CAS cost exceeds FAS pension expense, which occurred for the quarter and six months ended June 29, 2014, we have FAS/CAS pension income and, conversely, to the extent FAS pension expense exceeds CAS cost, which occurred for the quarter and six months ended June 30, 2013, we have FAS/CAS pension expense.

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Summary operating results for each of our business segments were as follows (in millions):

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net sales				
Aeronautics	\$ 3,855	\$ 3,407	\$ 7,241	\$ 6,593
Information Systems & Global Solutions	1,941	2,101	3,851	4,207
Missiles and Fire Control	1,891	2,043	3,758	4,031
Mission Systems and Training	1,771	1,770	3,399	3,600
Space Systems	1,848	2,087	3,707	4,047
Total net sales	\$ 11,306	\$ 11,408	\$ 21,956	\$ 22,478
Operating profit				
Aeronautics	\$ 453	\$ 407	\$ 846	\$ 786
Information Systems & Global Solutions	175	194	349	383
Missiles and Fire Control	345	381	703	725
Mission Systems and Training	185	275	435	476
Space Systems	248	276	502	506
Total business segment operating profit	1,406	1,533	2,835	2,876
Unallocated, net				
FAS/CAS pension adjustment				
FAS pension expense	(314)	(487)	(627)	(974)
Less: CAS cost	399	367	798	733
FAS/CAS pension income (expense) (a)	85	(120)	171	(241)
Severance charges (b)	—	—	—	(30)
Stock-based compensation	(49)	(59)	(97)	(112)
Other, net	(16)	(56)	(51)	(76)
Total unallocated, net	20	(235)	23	(459)
Total consolidated operating profit	\$ 1,426	\$ 1,298	\$ 2,858	\$ 2,417

(a) The change in the FAS/CAS pension adjustment from expense to income between the periods was due to lower FAS pension expense in 2014 primarily as a result of the increase in the discount rate to 4.75% used in the measurement of our GAAP postretirement benefit plan obligations at the end of 2013 compared to 4.00% used at the end of 2012, and incrementally higher CAS costs in 2014 as a result of phasing in the CAS Harmonization rules as disclosed in our 2013 Form 10-K. The re-measurements of the assets and benefit obligations related to substantially all of our defined benefit pension plans in the quarter ended June 29, 2014 (Note 5) did not impact the FAS/CAS pension adjustment in any of the periods reflected above.

(b) Severance charges during the six months ended June 30, 2013 consisted of amounts, net of state tax benefits, associated with the elimination of certain positions at our IS&GS business segment (Note 8, under the caption "Restructuring Charges"). Severance charges for initiatives that are not significant are included in business segment operating profit.

Management evaluates performance on our contracts by focusing on net sales and operating profit, and not by type or amount of operating expense. Consequently, our discussion of business segment performance focuses on net sales and operating profit, consistent with our approach for managing the business. This approach is consistent with the overall life cycle of our contracts, as management assesses the bidding of each contract by focusing on net sales and operating profit, and monitors performance on our contracts in a similar manner through their completion.

We regularly provide customers with reports of our costs as the contract progresses. The cost information in the reports is accumulated in a manner specified by the requirements of each contract. For example, cost data provided to a customer for a product would typically align to the subcomponents of that product (such as a wing-box on an aircraft), and for services would align to the type of work being performed (such as help-desk support). Our contracts generally are cost-based, which allows for the recovery of costs in the pricing of our products and services. Most of our contracts are bid and negotiated with our customers under circumstances in which we are required to disclose our estimated total costs to provide the product or service. This approach for negotiating contracts with our U.S. Government customers generally allows for the recovery of our costs. We also may enter into long-term supply contracts for certain materials or components to coincide with the production schedule of certain products and to ensure their availability at known unit prices.

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Many of our contracts span several years and include highly complex technical requirements. At the outset of a contract, we identify and monitor risks to the achievement of the technical, schedule, and cost aspects of the contract, and assess the effects of those risks on our estimates of total costs to complete the contract. The estimates consider the technical requirements (e.g., a newly-developed product versus a mature product), the schedule and associated tasks (e.g., the number and type of milestone events), and costs (e.g., material, labor, subcontractor, overhead, and the estimated costs to fulfill our industrial cooperation agreements required under certain contracts with international customers). The initial profit booking rate of each contract considers risks surrounding the ability to achieve the technical requirements, schedule, and costs in the initial estimated total costs to complete. Profit booking rates may increase during the performance of the contract if we successfully retire risks surrounding the technical, schedule, and cost aspects of the contract. Conversely, our profit booking rates may decrease if the estimated total costs to complete the contract increase. All of the estimates are subject to change during the performance of the contract and may affect the profit booking rate.

Changes in net sales and operating profit generally are expressed in terms of volume. Changes in volume refer to increases or decreases in sales or operating profit resulting from varying production activity levels, deliveries, or service levels on individual contracts. Volume changes in segment operating profit are typically based on the current profit booking rate for a particular contract.

In addition, comparability of our segment sales, operating profit, and operating margins may be impacted by changes in profit booking rates on our contracts accounted for using the percentage-of-completion method of accounting. Increases in the profit booking rates, typically referred to as risk retirements, usually relate to revisions in the estimated total costs that reflect improved conditions on a particular contract. Conversely, conditions on a particular contract may deteriorate resulting in an increase in the estimated total costs to complete and a reduction of the profit booking rate. Increases or decreases in profit booking rates are recognized in the current period and reflect the inception-to-date effect of such changes. Segment operating profit and margins may also be impacted, favorably or unfavorably, by other items. Favorable items may include the positive resolution of contractual matters, cost recoveries on restructuring charges, and insurance recoveries. Unfavorable items may include the adverse resolution of contractual matters; restructuring charges, except for significant severance actions (Note 8, under the caption "Restructuring Charges") which are excluded from segment operating results; reserves for disputes; and significant asset impairments. Segment operating profit and items such as risk retirements, reductions of profit booking rates, or other matters are presented net of state income taxes.

Our consolidated net adjustments not related to volume, including net profit booking rate adjustments and other matters, net of state income taxes, increased segment operating profit by approximately \$440 million and \$965 million for the quarter and six months ended June 29, 2014 and \$585 million and \$1.1 billion for the quarter and six months ended June 30, 2013. The consolidated net adjustments for the quarter and six months ended June 29, 2014 include reserves recorded on certain training and logistics solutions programs at MST and net warranty reserve adjustments for various programs (including Joint Air-to-Surface Standoff Missile (JASSM) and Guided Multiple Launch Rocket System (GMLRS)) at MFC as mentioned in the respective business segment's results of operations. The consolidated net adjustments for the quarter and six months ended June 30, 2013 include a significant profit reduction on the F-35 development contract as mentioned in our Aeronautics business segment's results of operations.

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Aeronautics

Summary operating results for our Aeronautics business segment were as follows (in millions):

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net sales	\$ 3,855	\$ 3,407	\$ 7,241	\$ 6,593
Operating profit	453	407	846	786
Operating margins	11.8%	11.9%	11.7%	11.9%

Aeronautics' net sales for the quarter ended June 29, 2014 increased \$448 million, or 13%, compared to the quarter ended June 30, 2013. The increase was primarily attributable to higher net sales of about \$210 million for F-35 production contracts due to increased volume; approximately \$85 million for the F-35 development contract due to an adjustment recorded during the quarter ended June 30, 2013 to reflect the inception-to-date impact of the downward revision to the profit booking rate that was not repeated in 2014; about \$75 million for the C-130 program due to increased aircraft deliveries (six aircraft delivered in the quarter ended June 29, 2014 compared to five delivered during the quarter ended June 30, 2013) and aircraft contract mix, partially offset by decreased sustainment activities; approximately \$45 million for the C-5 program due to increased aircraft deliveries (two aircraft delivered in the quarter ended June 29, 2014 compared to one delivered during the quarter ended June 30, 2013), partially offset by decreased support and spares activities; and approximately \$40 million for the F-22 program due to increased risk retirements and volume. Net sales for the F-16 program were comparable as aircraft contract mix was offset by increased sustainment activities.

Aeronautics' operating profit for the quarter ended June 29, 2014 increased \$46 million, or 11%, compared to the quarter ended June 30, 2013. The increase was primarily attributable to higher operating profit of about \$35 million for the F-22 program due to increased risk retirements; approximately \$25 million for the C-130 program due primarily to aircraft contract mix; and about \$85 million for the F-35 development contract due to the adjustment mentioned above recorded during the quarter ended June 30, 2013. The increases were partially offset by lower operating profit of approximately \$80 million for the F-16 program due to decreased risk retirements and aircraft contract mix; and about \$15 million for various other programs due to lower risk retirements. Operating profit was comparable for F-35 production contracts, as increased volume was offset by lower risk retirements. Adjustments not related to volume, including net profit booking rate adjustments, for the quarter ended June 29, 2014 were comparable to the quarter ended June 30, 2013.

Aeronautics' net sales for the six months ended June 29, 2014 increased \$648 million, or 10%, compared to the six months ended June 30, 2013. The increase was primarily attributable to higher net sales of approximately \$400 million for F-35 production contracts due to increased volume; about \$215 million for the C-5 program due to increased aircraft deliveries (four aircraft delivered during the six months ended June 29, 2014 compared to one delivered during the six months ended June 30, 2013), partially offset by decreased support and spares activities; about \$30 million for the F-35 development contract due to the adjustment mentioned above recorded during the quarter ended June 30, 2013, partially offset by lower volume; and about \$20 million for the F-16 program due primarily to increased sustainment activities partially offset by delivered aircraft contract mix (eight aircraft delivered during the six months ended June 29, 2014 compared to seven aircraft delivered during the six months ended June 30, 2013). The increases were partially offset by lower net sales of approximately \$15 million for the C-130 program due to lower sustainment activities partially offset by delivered aircraft contract mix (11 aircraft delivered during both the six months ended June 29, 2014 and June 30, 2013). Net sales were comparable for the F-22 program.

Aeronautics' operating profit for the six months ended June 29, 2014 increased \$60 million, or 8%, compared to the six months ended June 30, 2013. The increase was primarily attributable to higher operating profit of approximately \$85 million for the F-35 development contract due to the adjustment mentioned above recorded during the quarter ended June 30, 2013; about \$60 million for the C-130 program due increased risk retirements and aircraft contract mix; about \$25 million for the F-22 program due to increased risk retirements; and approximately \$20 million for F-35 production contracts due to increased volume partially offset by lower risk retirements. The increases were partially offset by lower operating profit of about \$90 million for the F-16 program due to decreased risk retirements and the resolution of a contractual matter during the quarter ended March 31, 2013; approximately \$10 million for the C-5 program as increased aircraft deliveries were more than offset by a lower profit booking rate; and about \$30 million for various other programs due to decreased risk retirements. Adjustments not related to volume, including net profit booking rate adjustments, were approximately \$15 million lower for the six months ended June 29, 2014 compared to the six months ended June 30, 2013.

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We expect Aeronautics' net sales to increase in 2014 in the mid-single digit percentage range as compared to 2013 primarily due to an increase in net sales from F-35 production contracts. Operating profit is expected to increase slightly, but to a lesser extent than sales, from 2013, resulting in a slight decrease in operating margins between the years due to program mix.

Information Systems & Global Solutions

Summary operating results for our IS&GS business segment were as follows (in millions):

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net sales	\$ 1,941	\$ 2,101	\$ 3,851	\$ 4,207
Operating profit	175	194	349	383
Operating margins	9.0%	9.2%	9.1%	9.1%

IS&GS' net sales for the quarter ended June 29, 2014 decreased \$160 million, or 8%, compared to the quarter ended June 30, 2013. The decrease was primarily attributable to lower net sales of approximately \$175 million due to the wind-down or completion of certain programs (primarily command and control programs); and about \$150 million due to a decline in volume for various programs, which reflects lower funding levels and programs impacted by in-theater force reductions (such as Persistent Threat Detection System (PTDS)). The decreases were partially offset by higher net sales of about \$165 million due to the start-up of new programs, growth in recently awarded programs and integration of recently acquired companies.

IS&GS' operating profit for the quarter ended June 29, 2014 decreased \$19 million, or 10%, compared to the quarter ended June 30, 2013. The decrease was primarily attributable to the activities mentioned above for sales. Adjustments not related to volume, including net profit booking rate adjustments, for the quarter ended June 29, 2014 were comparable to the quarter ended June 30, 2013.

IS&GS' net sales for the six months ended June 29, 2014 decreased \$356 million, or 8%, compared to the six months ended June 30, 2013. The decrease was primarily attributable to lower net sales of approximately \$395 million due to the wind-down or completion of certain programs (primarily command and control programs); and about \$265 million due to a decline in volume for various programs, which reflects lower funding levels and programs impacted by in-theater force reductions (such as PTDS). The decreases were partially offset by higher net sales of about \$305 million due to the start-up of new programs, growth in recently awarded programs and integration of recently acquired companies.

IS&GS' operating profit for the six months ended June 29, 2014 decreased \$34 million, or 9%, compared to the six months ended June 30, 2013. The decrease was primarily attributable to the activities mentioned above for sales. Adjustments not related to volume, including net profit booking rate adjustments, for the six months ended June 29, 2014 were comparable to the six months ended June 30, 2013.

We expect IS&GS' net sales to decline in 2014 in the high single digit percentage range as compared to 2013 primarily due to the continued downturn in federal information technology budgets. Operating profit is also expected to decline in 2014 in the high single digit percentage range consistent with the expected decline in net sales, resulting in margins that are comparable with 2013 results.

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Missiles and Fire Control

Summary operating results for our MFC business segment were as follows (in millions):

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net sales	\$ 1,891	\$ 2,043	\$ 3,758	\$ 4,031
Operating profit	345	381	703	725
Operating margins	18.2%	18.6%	18.7%	18.0%

MFC's net sales for the quarter ended June 29, 2014 decreased \$152 million, or 7%, compared to the quarter ended June 30, 2013. The decrease was primarily attributable to lower net sales of approximately \$125 million for various technical services programs due to lower volume; and approximately \$125 million for tactical missiles programs due to fewer deliveries (including HIMARS). These decreases were partially offset by higher net sales of about \$55 million for fire control programs (primarily Apache due to increased deliveries and Special Operations Forces Contractor Logistical Support Services (SOF CLSS) due to higher volume); and approximately \$25 million for air and missile defense programs (primarily Terminal High-Altitude Area Defense (THAAD) due to higher volume, partially offset by Patriot Advanced Capability-3 (PAC-3) due to fewer deliveries).

MFC's operating profit for the quarter ended June 29, 2014 decreased \$36 million, or 9%, compared to the quarter ended June 30, 2013. The decrease was primarily attributable to lower operating profit of approximately \$35 million for tactical missile programs due to fewer deliveries and net warranty reserve adjustments for various programs (including JASSM and GMLRS). Adjustments not related to volume, including net profit booking rate adjustments and other matters, were approximately \$35 million lower for the quarter ended June 29, 2014 compared to the quarter ended June 30, 2013.

MFC's net sales for the six months ended June 29, 2014 decreased \$273 million, or 7%, compared to the six months ended June 30, 2013. The decrease was primarily attributable to lower sales of approximately \$250 million for various technical services programs due to lower volume; and about \$150 million for tactical missile programs (including HIMARS) due to fewer deliveries. The decreases were partially offset by higher net sales of about \$110 million for fire control programs (primarily Apache and LANTIRN® due to increased deliveries and SOF CLSS due to higher volume). Net sales were comparable for air and missile defense programs as increased volume for THAAD was offset by fewer deliveries for PAC-3.

MFC's operating profit for the six months ended June 29, 2014 decreased \$22 million, or 3%, compared to the six months ended June 30, 2013. The decrease was primarily attributable to lower operating profit of approximately \$15 million for tactical missile programs due to lower risk retirements and fewer deliveries, partially offset by the Hellfire program due to increased risk retirements; and about \$15 million for various other programs primarily due to lower risk retirements. The decreases were partially offset by higher operating profit of approximately \$15 million for air and missile defense programs due to higher volume for the THAAD program and increased risk retirements (primarily PAC-3 and THAAD). Adjustments not related to volume, including net profit booking rate adjustments and other matters, were approximately \$20 million lower for the six months ended June 29, 2014 compared to the six months ended June 30, 2013.

We expect MFC's net sales to decline in 2014 in the low single digit percentage range as compared to 2013, primarily due to a decrease in net sales on technical services programs partially offset by an increase in net sales from missiles and fire control programs. Operating profit is expected to decrease in the mid single digit percentage range, driven by a reduction in expected risk retirements in 2014. Accordingly, operating profit margin is expected to slightly decline from 2013.

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Mission Systems and Training

Summary operating results for our MST business segment were as follows (in millions):

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net sales	\$ 1,771	\$ 1,770	\$ 3,399	\$ 3,600
Operating profit	185	275	435	476
Operating margins	10.4%	15.5%	12.8%	13.2%

MST's net sales for the quarter ended June 29, 2014 were comparable to the quarter ended June 30, 2013. Net sales increased approximately \$50 million for integrated warfare systems and sensors programs primarily due to increased deliveries for radar programs and increased volume and risk retirements for the Aegis program. The increase was offset by lower net sales of approximately \$30 million for the settlements of contract cost matters on certain programs during the quarter ended June 30, 2013 (including a portion of the terminated presidential helicopter program) that were not repeated in 2014; and about \$15 million for various other programs due to lower volume.

MST's operating profit for the quarter ended June 29, 2014 decreased \$90 million, or 33%, compared to the quarter ended June 30, 2013. The decrease was primarily attributable to lower operating profit of approximately \$75 million due to the settlements of contract cost matters on certain programs during the quarter ended June 30, 2013 (including a portion of the terminated presidential helicopter program) that were not repeated in 2014; and about \$50 million for reserves recorded on certain training and logistics solutions programs. The decreases were partially offset by higher operating profit of about \$30 million due to increased risk retirements on MH-60 and combat systems programs. Adjustments not related to volume, including net profit booking rate adjustments and other matters, were approximately \$80 million lower for the quarter ended June 29, 2014 compared to the quarter ended June 30, 2013.

MST's net sales for the six months ended June 29, 2014 decreased \$201 million, or 6%, compared to the six months ended June 30, 2013. The decrease was primarily attributable to lower net sales of approximately \$105 million for undersea systems programs due to lower volume; about \$65 million for various integrated warfare systems and sensors programs (primarily Symphony and Aegis) due to lower volume; and approximately \$30 million for the settlements of contract cost matters on certain programs during the quarter ended June 30, 2013 (including a portion of the terminated presidential helicopter program) that were not repeated in 2014.

MST's operating profit for the six months ended June 29, 2014 decreased \$41 million, or 9%, compared to the six months ended June 30, 2013. The decrease was primarily attributable to lower operating profit of approximately \$75 million due to the settlements of contract cost matters on certain programs in the quarter ended June 30, 2013 (including a portion of the terminated presidential helicopter program) that were not repeated in 2014; about \$25 million due to reserves recorded on certain training and logistics solutions programs, partially offset by increased volume and risk retirements on other training and logistics programs; and about \$30 million for various other programs due to lower risk retirements. The decreases were partially offset by higher operating profit of about \$60 million due to increased risk retirements on radar surveillance, MH-60 and combat systems programs; and approximately \$35 million for performance matters and reserves recorded in the six months ended June 30, 2013 that were not repeated in the six months ended June 29, 2014, including reserves for a supply chain management contract (Fleet Automotive Support Initiative) and undersea systems programs (primarily Common Broadband Advanced Sonar System). Adjustments not related to volume, including net profit booking rate adjustments and other matters, were approximately \$40 million lower for the six months ended June 29, 2014 compared to the six months ended June 30, 2013.

We expect MST's net sales to be flat in 2014 compared to 2013. Operating profit is expected to decrease in the low double digit percentage range from 2013 primarily due to the absence of favorable contractual resolutions that occurred in 2013 as described above and expected charges, net of recoveries, in 2014 for incremental costs related to the November 2013 restructuring plan as described in the "Consolidated Results of Operations" section above, resulting in a decline in operating margins between the years.

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Space Systems

Summary operating results for our Space Systems business segment were as follows (in millions):

	Quarters Ended		Six Months Ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net sales	\$ 1,848	\$ 2,087	\$ 3,707	\$ 4,047
Operating profit	248	276	502	506
Operating margins	13.4%	13.2%	13.5%	12.5%

Space Systems' net sales for the quarter ended June 29, 2014 decreased \$239 million, or 11%, compared to the quarter ended June 30, 2013. The decrease was primarily attributable to lower net sales of about \$205 million for government satellite programs due to lower volume (primarily AEHF and MUOS).

Space Systems' operating profit for the quarter ended June 29, 2014 decreased \$28 million, or 10%, compared to the quarter ended June 30, 2013. The decrease was primarily attributable to lower operating profit of approximately \$30 million for government satellite programs due to lower risk retirements and volume (primarily Space Based Infrared System and MUOS). The decrease was partially offset by higher operating profit of about \$10 million due to higher equity earnings and other program activities. Adjustments not related to volume, including net profit booking rate adjustments, were approximately \$25 million lower for the quarter ended June 29, 2014 compared to the quarter ended June 30, 2013.

Space Systems' net sales for the six months ended June 29, 2014 decreased \$340 million, or 8%, compared to the six months ended June 30, 2013. The decrease was primarily attributable to lower net sales of about \$260 million for government satellite programs due to lower volume (primarily AEHF, MUOS, and GPS-III); and about \$55 million for the Orion program due to lower volume.

Space Systems' operating profit for the six months ended June 29, 2014 was comparable to the six months ended June 30, 2013 as lower operating profit of about \$20 million for government satellite programs due to lower volume and risk retirements (primarily GPS III and MUOS) was offset by higher equity earnings of about \$15 million and other program activities. Adjustments not related to volume, including net profit booking rate adjustments, were approximately \$15 million lower for the six months ended June 29, 2014 compared to the six months ended June 30, 2013.

Total equity earnings (primarily ULA) recognized by Space Systems represented approximately \$80 million, or 32%, and approximately \$150 million, or 30%, of this business segment's operating profit for the quarter and six months ended June 29, 2014, compared to approximately \$75 million, or 27%, and approximately \$140 million, or 28%, of this business segment's operating profit for the quarter and six months ended June 30, 2013.

We expect Space Systems' net sales to decline in 2014 in the mid-single digit percentage range as compared to 2013 primarily due to a decrease in volume on satellite programs in 2014. Operating profit is also expected to decline in the mid single digit percentage range in 2014 primarily due to lower earnings on satellite programs, expected charges, net of recoveries, in 2014 for accelerated depreciation expense and incremental costs related to the November 2013 restructuring plan as described in the "Consolidated Results of Operations" section above, and lower equity earnings. Operating margins are expected to decline slightly between the years.

FINANCIAL CONDITION**Liquidity and Cash Flows**

We have a balanced cash deployment strategy to enhance stockholder 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, returned cash to stockholders through dividends and share repurchases, made selective business acquisitions, and managed our debt levels.

We have generated strong operating cash flows, which have been the primary source of funding for our operations, capital expenditures, acquisitions, debt service and repayments, dividends, share repurchases, and postretirement

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benefit plan funding. We have accessed the capital markets on limited occasions, as needed or when opportunistic. We expect our cash from operations will continue to be sufficient to support our operations and anticipated capital expenditures for the foreseeable future. As mentioned in the "Capital Resources" section below, we have financing resources available to fund potential cash outflows that are less predictable or more discretionary, should they occur. We also have access to credit markets, if needed, for liquidity or general corporate purposes, including, but not limited to, our revolving credit facility or the ability to issue commercial paper, and letters of credit to support customer advance payments and for other trade finance purposes such as guaranteeing our performance on particular contracts.

The following table provides a summary of our cash flow information followed by a discussion of the key elements (in millions):

	Six Months Ended	
	June 29, 2014	June 30, 2013
Cash and cash equivalents at beginning of period	\$ 2,617	\$ 1,898
Operating activities		
Net earnings	1,822	1,620
Non-cash adjustments	576	614
Changes in working capital	106	(316)
Other, net	573	790
Net cash provided by operating activities	3,077	2,708
Net cash used for investing activities	(426)	(339)
Net cash used for financing activities	(1,832)	(1,422)
Net change in cash and cash equivalents	819	947
Cash and cash equivalents at end of period	\$ 3,436	\$ 2,845

Operating Activities

Net cash provided by operating activities increased \$369 million in the six months ended June 29, 2014 compared to the six months ended June 30, 2013. The increase was driven by changes in working capital, lower pension contributions, and improved operating results. The \$422 million increase in cash flows related to working capital changes (defined as receivables, net and inventories, net less accounts payable and customer advances and amounts in excess of costs incurred) was primarily attributable to a reduction in payments made to suppliers due to timing. We made \$515 million in contributions to our qualified defined benefit pension plans during the six months ended June 29, 2014 compared to \$750 million during the six months ended June 30, 2013. Partially offsetting the improved cash flows was an increase in net tax payments. We made net tax payments of approximately \$560 million and \$140 million during the six months ended June 29, 2014 and June 30, 2013, which are net of \$200 million and \$550 million in tax refunds primarily attributable to our tax-deductible pension contributions made during the quarters ended December 31, 2013 and 2012.

In July 2014, we made contributions of \$485 million to our qualified defined benefit pension plans, which completes our anticipated funding of \$1.0 billion in 2014. We may review options for further contributions in the remainder of 2014.

Investing Activities

The majority of our capital expenditures related to equipment and facilities infrastructure that generally are incurred to support new and existing programs across all of our business segments. We also incur capital expenditures for information technology to support programs and general enterprise information technology infrastructure, inclusive of costs for development or purchase of internal-use software. Capital expenditures were \$253 million and \$282 million for the six months ended June 29, 2014 and June 30, 2013. During the six months ended June 29, 2014, we paid \$172 million related to the acquisitions of businesses and investments in affiliates, compared to \$63 million during the six months ended June 30, 2013.

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Financing Activities

We paid \$1.2 billion and \$926 million to repurchase 7.7 million and 9.6 million shares of our common stock during the six months ended June 29, 2014 and June 30, 2013. We had total remaining authorization of \$2.3 billion for future common share repurchases under our program as of June 29, 2014.

Cash received from the issuance of our common stock in connection with employee stock option exercises during the six months ended June 29, 2014 and June 30, 2013 totaled \$223 million and \$389 million. Those exercises resulted in the issuance of 2.6 million shares and 5.1 million shares of our common stock during the respective periods.

During the six months ended June 29, 2014, we paid dividends totaling \$865 million, which consisted of our 2014 first and second quarter dividends (\$1.33 per share each quarter) and dividend-equivalent cash payments associated with the vesting of the January 2011 restricted stock unit grants. During the six months ended June 30, 2013, we paid dividends totaling \$742 million, which consisted of our 2013 first and second quarter dividends (\$1.15 per share each quarter). Also, during the six months ended June 30, 2013, we repaid \$150 million of long-term notes with a fixed interest rate of 7.38% due to their scheduled maturities.

Capital Resources

At June 29, 2014, we held cash and cash equivalents of \$3.4 billion. As of June 29, 2014, approximately \$475 million of our cash and cash equivalents was held outside of the U.S. by foreign subsidiaries. Although those balances are generally available to fund ordinary business operations without legal or other restrictions, a significant portion is not immediately available to fund U.S. operations unless repatriated. Our intention is to permanently reinvest earnings from our foreign subsidiaries. While we do not intend to do so, if this cash had been repatriated at June 29, 2014, the amount of additional U.S. federal income tax that would be due after considering foreign tax credits would not be significant.

Our outstanding debt, net of unamortized discounts, amounted to \$6.2 billion, and mainly is in the form of publicly-issued notes that bear interest at fixed rates. As of June 29, 2014, we were in compliance with all covenants contained in our debt and credit agreements.

At June 29, 2014, we had in place with a group of banks a \$1.5 billion revolving credit facility that expires in August 2016. We may request and the banks may grant, at their discretion, an increase to the credit facility by an additional amount up to \$500 million. There were no borrowings outstanding under the credit facility through June 29, 2014. We also have agreements in place with financial institutions to provide for the issuance of commercial paper. There were no commercial paper borrowings outstanding through June 29, 2014. If we were to issue commercial paper, the borrowings would be supported by the credit facility. We also have an effective shelf registration statement on Form S-3 on file with the U.S. Securities and Exchange Commission to provide for the issuance of an indeterminate amount of debt securities.

Our stockholders' equity was \$4.3 billion at June 29, 2014, a decrease of \$599 million from December 31, 2013. The decrease was primarily due to dividends declared of \$1.3 billion, the repurchase of 7.7 million shares of our common stock for \$1.2 billion, and the re-measurements of the assets and benefit obligations related to substantially all of our defined benefit pension plans of \$735 million (Note 5) during the six months ended June 29, 2014. These decreases were partially offset by net earnings of \$1.8 billion, employee stock-based award activity of \$476 million, and the recognition of net actuarial losses and amortization of prior service costs related to our postretirement benefit plans of \$334 million during the six months ended June 29, 2014. As we repurchase our common shares, we reduce common stock for the \$1 of par value of the shares repurchased, with the excess purchase price over par value recorded as a reduction of additional paid-in capital. If additional paid-in capital is reduced to zero, we record the remainder of the excess purchase price over par value as a reduction of retained earnings.

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OTHER MATTERS

Status of the F-35 Program

The F-35 program consists of a development contract and multiple production contracts. The development contract is being performed concurrent with the production contracts. Concurrent performance of development and production contracts is used for complex programs to test aircraft, shorten the time to field systems, and achieve overall cost savings. We expect the development portion of the F-35 program will be substantially complete in 2017, with less significant efforts continuing into 2019. Production of the aircraft is expected to continue for many years given the U.S. Government's current inventory objective of 2,443 aircraft for the Air Force, Marine Corps, and Navy; commitments from our eight international partners and two international customers; as well as expressions of interest from other countries.

On the development contract, the U.S. Government continues to complete various operational tests, including ship trials, mission system evaluations, and weapons testing, with the aircraft recently surpassing 17,000 flight hours. Progress continues to be made on the production of aircraft. In 2013, the F-35 program reached a significant milestone as we completed the assembly of the 100th aircraft. As of June 29, 2014, we have delivered 87 production aircraft to our domestic and international partners, and have 79 production aircraft in backlog, including orders from our international partners.

Given the size and complexity of the F-35 program, we anticipate that there will be continual reviews related to aircraft performance, program schedule, cost, and requirements as part of the DoD, Congressional, and international partners' oversight and budgeting processes. Current program challenges include, but are not limited to, supplier and partner performance, software development, level of cost associated with lifecycle operations and sustainment and warranties, receiving funding for production contracts on a timely basis, executing future flight tests, findings resulting from testing, and operating the aircraft.

Contingencies

See Note 6 for information regarding our contingent obligations, including off-balance sheet arrangements.

Critical Accounting Policies

There have been no significant changes to the critical accounting policies we disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2013 Form 10-K. However, as set forth below, we have updated our disclosures related to our postretirement benefit plans to describe amendments to freeze future retirement benefits under certain of our qualified and nonqualified defined benefit pension plans for non-union employees and the re-measurements of the assets and benefit obligations related to substantially all of our defined benefit pension plans (Note 5, under the caption "Plan Amendments and Re-measurements").

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Postretirement Benefit Plans

Overview

Many of our employees participate in qualified and nonqualified defined benefit pension plans, retiree medical and life insurance plans, and other postemployment plans. The majority of our unfunded employee benefit obligations relate to our qualified defined benefit pension plans and retiree medical and life insurance plans. We recognize on a plan-by-plan basis the net funded status of these postretirement plans under GAAP as either an asset or a liability on our Balance Sheets. The GAAP funded status represents the difference between the fair value of the plan's assets and the benefit obligation of the plan. The GAAP benefit obligation represents the present value of the future benefits we currently expect to pay to plan participants based on past service.

In the quarter ended June 29, 2014, we amended certain of our qualified and nonqualified defined benefit pension plans for non-union employees to freeze future retirement benefits. Currently, the calculation of retirement benefits under the affected defined benefit pension plans is determined by a formula that takes into account the participants' years of credited service and average compensation.

The freeze will take effect in two stages. Beginning on January 1, 2016, the pay-based component of the formula used to determine retirement benefits will be frozen so that future pay increases, annual incentive bonuses, or other amounts earned for or related to periods after December 31, 2015 will not be used to calculate retirement benefits. On January 1, 2020, the service-based component of the formula used to determine retirement benefits will also be frozen so that participants will no longer earn further credited service for any period after December 31, 2019. When the freeze is complete, the majority of our salaried employees will have transitioned to an enhanced defined contribution retirement savings plan.

As a result of these plan amendments, we were required to re-measure the assets and benefit obligations for the affected defined benefit pension plans in the quarter ended June 29, 2014. We also elected to re-measure the assets and benefit obligations of substantially all other defined benefit pension plans in the quarter ended June 29, 2014 to incorporate current actuarial assumptions (described below), including new longevity assumptions (also described below), and to align the measurement date across substantially all of our defined benefit pension plans. See Note 5 for the impact these re-measurements had to the assets and benefit obligations of our defined benefit pension plans.

The funding of our qualified defined benefit pension plans is determined in accordance with the Employee Retirement Income Security Act of 1974 (ERISA), as amended by the Pension Protection Act of 2006 (PPA). Our goal has been to fund the pension plans to a level of at least 80%, as determined under the PPA. This ERISA funded status is calculated on a different basis than under GAAP. The ERISA liability does not reflect anticipated future pay increases for plan participants as required under GAAP and is currently measured using a higher discount rate than for GAAP, primarily due to The Moving Ahead for Progress in the 21st Century Act of 2012 (MAP-21) which provides temporary funding relief due to the historically low interest rate environment. The ERISA funded status of our qualified defined benefit pension plans was about 90% as of December 31, 2013 and was not impacted by the re-measurements. The GAAP funded status of our qualified defined benefit pension plans after the re-measurements was about 78% at June 29, 2014, which is the same as the GAAP funded status at December 31, 2013.

Actuarial Assumptions

The plan assets and benefit obligations are measured at the end of each year, or more frequently, upon the occurrence of certain events such as a plan amendment, settlement, or curtailment. As mentioned above, we re-measured the assets and benefit obligations of substantially all of our qualified and nonqualified defined benefit pension plans in the quarter ended June 29, 2014. The amounts we record related to our defined benefit pension plans are measured using actuarial valuations, which are dependent upon key assumptions such as the discount rate, employee turnover, participant longevity (also known as mortality), the expected rates of increase in future compensation levels through December 31, 2015, and the expected long-term rate of return on plan assets. The assumptions we make affect both the calculation of the benefit obligations as of the measurement date and the calculation of net periodic benefit cost in subsequent periods. When reassessing these assumptions we consider past and current market conditions and make judgments about future market trends. We also consider factors such as the timing and amounts of expected contributions to the plans and benefit payments to plan participants.

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We utilized a discount rate of 4.25% when calculating our benefit obligations related to our defined benefit pension plans at the re-measurement date, compared to 4.75% at December 31, 2013. 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 corporate bonds rated AA or better selected to match our projected postretirement benefit plan cash flows.

Longevity assumptions are used to estimate the life expectancy of plan participants during which they are expected to receive benefit payments. Recent actuarial studies indicate life expectancies are longer and would have the resultant effect of increasing the total expected benefit payments to plan participants. Our re-measurements reflect the use of updated assumptions, including new longevity assumptions.

For the asset return assumption at the re-measurement date, we utilized an expected long-term rate of return on plan assets of 8.00%, consistent with the rate used at December 31, 2013. The long-term rate of return assumption represents the expected long-term rate of return on the funds invested, or to be invested, to provide for the benefits included in the benefit obligations. 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 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 FAS pension expense in subsequent periods. Although the actual return in any specific year likely will differ from the assumption, 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.

Funding Considerations

We determine funding requirements for our defined benefit pension plans in a manner consistent with CAS and ERISA, as amended by the PPA. During the quarter and six months ended June 29, 2014, we made \$515 million in contributions to our qualified defined benefit pension plans. Additionally, we made contributions of \$485 million in July 2014, which completes our planned funding of \$1.0 billion for 2014. We may review options for further contributions in the remainder of 2014.

CAS govern the extent to which our pension costs are allocable to and recoverable under contracts with the U.S. Government, including FMS. Under CAS, amounts funded are recovered over time through the pricing of our products and services on U.S. Government contracts, including FMS, and are recognized in our cost of sales and net sales. Amounts contributed in excess of the CAS funding requirements are considered to be prepayment credits under the CAS rules. As of June 29, 2014, our prepayment credits were approximately \$9.9 billion, inclusive of return, as compared to \$9.6 billion at December 31, 2013. Pursuant to the CAS Harmonization rules, the prepayment balance will increase or decrease based on our actual investment return on plan assets. Our CAS prepayment credits were not impacted by the re-measurements of the assets and benefit obligations related to substantially all of our defined benefit pension plans in the quarter ended June 29, 2014.

Trends

The CAS Board published its revised pension accounting rules (CAS Harmonization) with an effective date of February 27, 2012 to better align the recovery of pension contributions, including prepayment credits, on U.S. Government contracts with the accelerated funding requirements of the PPA. The CAS Harmonization rules increased our CAS costs beginning in 2013. There is a transition period during which the cost impact of the new rules is phased in, with the full impact occurring in 2017. We expect the incremental impact of CAS Harmonization will increase successively through 2017. Based on our current assumptions, which may change, we continue to expect that the higher 2014 CAS costs due to CAS Harmonization should be in excess of the pension expense we record under GAAP (FAS pension expense). Accordingly, our FAS/CAS pension adjustment, described further in the "Business Segment Results of Operations" section above, has increased earnings in the first two quarters of 2014, which we expect to continue for the remainder of 2014 as mentioned below, rather than decreased earnings as it has in the past few years.

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Our CAS recoveries are expected to exceed our cash contributions to our qualified defined benefit pension plans in 2014 and for several years thereafter, as we recover the \$9.9 billion of prepayment credits at June 29, 2014 under the CAS rules. In 2014, we anticipate recovering \$1.6 billion as CAS cost on our contracts, which would increase our cash flow from operations as we have completed our planned funding of \$1.0 billion as mentioned above. We expect our net recoveries in 2015 and 2016 to be sequentially higher than 2014.

We expect our 2014 FAS pension expense will be \$1.2 billion, which is less than our previously expected 2014 FAS pension expense of \$1.3 billion. The decrease reflects a decline of approximately \$435 million related to the plan amendments and \$85 million primarily related to return on plan assets, which was mostly offset by an increase of \$265 million due to the new longevity assumptions and \$155 million related to a reduction in the discount rate from 4.75% at December 31, 2013 to 4.25% used at the re-measurement date. We do not expect our 2014 CAS cost to change from our previously expected 2014 CAS cost of \$1.6 billion, as the impact of the plan amendments is not required to be incorporated into our CAS cost until 2015.

We expect our 2014 FAS pension expense will be less than our 2013 FAS pension expense of \$1.9 billion, primarily due to the plan amendments and the discount rates used in 2014 compared to 2013, partially offset by the impact of the new longevity assumptions. We also expect FAS pension expense to decline sequentially in future years from the 2014 amount.

We currently expect FAS/CAS pension income in 2014 of about \$445 million, as compared to FAS/CAS pension expense of \$482 million in 2013, primarily due to the decrease in the FAS pension expense and higher CAS costs due to CAS Harmonization. We continue to expect our 2014 earnings per share to be higher than in 2013, primarily due to our expected FAS/CAS pension income in 2014. FAS/CAS pension income for 2015 is expected to be about two times greater than the 2014 amount with sequential growth through 2016.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard that will change the way we recognize revenue and significantly expand the disclosure requirements for revenue recognition. Unless the FASB delays the effective date of the new standard, it will be effective for us beginning on January 1, 2017. See Note 8 (under the caption "New Accounting Pronouncements") for additional information related to this new standard.

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ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

For quantitative and qualitative disclosures about market risk, refer to the following sections of our Annual Report on Form 10-K for the year ended December 31, 2013: “Quantitative and Qualitative Disclosures About Market Risk,” Note 1, under the caption “Derivative financial instruments,” and Note 9. Our exposures to market risk have not changed materially since December 31, 2013.

ITEM 4. Controls and Procedures.

We performed an evaluation of the effectiveness of our disclosure controls and procedures as of June 29, 2014. The evaluation was performed with the participation of senior management of each business segment and key Corporate functions, 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 June 29, 2014.

There were no changes in our internal control over financial reporting during the quarter ended June 29, 2014 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Forward-Looking Statements

This Form 10-Q contains statements that, to the extent they are not recitations of historical fact, constitute forward-looking statements within the meaning of the federal securities laws, and are based on our current expectations and assumptions. The words “believe,” “estimate,” “anticipate,” “project,” “intend,” “expect,” “plan,” “outlook,” “scheduled,” “forecast,” and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to risks and uncertainties. Actual results may differ materially due to factors such as:

- the availability of funding for our products and services both domestically and internationally due to general economic conditions, performance, cost, or other factors;
- our dependence on U.S. Government contracts (e.g., the F-35 program);
- changes in domestic and international customer priorities and requirements (including declining budgets resulting from general economic conditions; affordability initiatives; the potential for deferral or termination of awards; the implementation of automatic sequestration under the Budget Control Act of 2011 or Congressional actions intended to replace sequestration; U.S. Government operations under a future continuing resolution; or any future shutdown of U.S. Government operations) and the success of our strategy to mitigate some of these risks by focusing on expanding into adjacent markets close to our core capabilities and growing international sales;
- the accuracy of our estimates and assumptions including those as to schedule, cost, technical, and performance issues under our contracts, cash flow, actual returns (or losses) on pension plan assets, movements in interest rates, and other changes that may affect pension plan assumptions;
- the effect of capitalization changes (such as share repurchase activity, accelerated pension funding, stock option exercises, or debt levels);
- difficulties in developing and producing operationally advanced technology systems, cyber security or other security threats, information technology failures, natural disasters, public health crises or other disruptions;
- the timing and customer acceptance of product deliveries;
- materials availability and the performance of key suppliers, teammates, venture partners, subcontractors, and customers;
- charges from any future impairment reviews that may result in the recognition of losses and a reduction in the book value of goodwill or other long-term assets;
- the future effect of legislation, rulemaking, and changes in accounting, tax, defense procurement, changes in policy, interpretations, or challenges to the allowability and recovery of costs incurred under government cost accounting standards, export policy, changes in contracting policy and contract mix;
- the future impact of acquisitions or divestitures, ventures, teaming arrangements, or internal reorganizations;

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- compliance with laws and regulations, the outcome of legal proceedings and other contingencies (including lawsuits, government investigations or audits, and the cost of completing environmental remediation efforts), and U.S. Government identification of deficiencies in our business systems;
- the competitive environment for our products and services, export policies, and potential for delays in procurement due to bid protests;
- our efforts to increase the efficiency of our operations and improve the affordability of our products and services including difficulties associated with moving or consolidating operations; providing for the orderly transition of management; attracting and retaining key personnel or the transfer of critical knowledge to the extent we lose key personnel through wage competition, normal attrition (including retirement), and specific actions such as workforce reductions; and supply chain management; and
- economic, business, and political conditions domestically and internationally (including potential impacts resulting from the continuing tension between the international community and Russia over Ukraine) and our increased reliance on securing international and adjacent business.

These are only some of the factors that may affect the forward-looking statements contained in this Form 10-Q. For a discussion identifying additional important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see our filings with the U.S. Securities and Exchange Commission (SEC) including, but not limited to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2013 and in this Form 10-Q. Our filings may be accessed through the Investor Relations page of our website, www.lockheedmartin.com/investor, or through the website maintained by the SEC at www.sec.gov.

Our actual financial results likely will be different from those projected due to the inherent nature of projections. Given these uncertainties, the forward-looking statements should not be relied on in making investment decisions. The forward-looking statements contained in this Form 10-Q speak only as of the date of its filing. Except where required by applicable law, we expressly disclaim a duty to provide updates to forward-looking statements after the date of this Form 10-Q to reflect subsequent events, changed circumstances, changes in expectations, or the estimates and assumptions associated with them. The forward-looking statements in this Form 10-Q are intended to be subject to the safe harbor protection provided by the federal securities laws.

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PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

We are a party to or have property subject to litigation and other proceedings that arise in the ordinary course of our business, including matters arising under provisions relating to the protection of the environment, and are subject to contingencies related to certain businesses we previously owned. These types of matters could result in fines, penalties, compensatory or treble damages or non-monetary relief. 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 interim reporting period. We cannot predict the outcome of legal or other proceedings with certainty. These matters include the proceedings summarized in Note 6 in this Form 10-Q and Note 13 in our Annual Report on Form 10-K for the year ended December 31, 2013 (2013 Form 10-K) filed with the U.S. Securities and Exchange Commission.

We are subject to federal, state, local, and foreign 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 to the extent estimable, see Note 6 in this Form 10-Q. See also "Critical Accounting Policies – Environmental Matters" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 13, each in our 2013 Form 10-K for a description of previously reported matters.

As a U.S. Government contractor, we are subject to various audits and investigations by the U.S. Government to determine 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, proposed debarment, debarment from eligibility for future U.S. Government contracting, or suspension of export privileges. Suspension or debarment could have a material adverse effect on us because of our dependence on contracts with the U.S. Government. U.S. Government investigations often take years to complete and many result in no adverse action against us. We also provide products and services to customers outside of the U.S., which are subject to U.S. and foreign laws and regulations and foreign procurement policies and practices. Our compliance with local regulations or applicable U.S. Government regulations may also be audited or investigated.

ITEM 1A. Risk Factors.

While we attempt to identify, manage, and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2013 (2013 Form 10-K) describes some of the risks and uncertainties associated with our business, including U.S. Government defense spending priorities, as further described in the "Industry Considerations" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-Q. These risks and uncertainties have the potential to materially affect our business, results of operations, financial condition, cash flows, projected results, and future prospects. We do not believe that there have been any material changes to the risk factors previously disclosed in our 2013 Form 10-K.

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ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

There were no sales of unregistered equity securities during the quarter ended June 29, 2014.

The following table provides information about our repurchases of our common stock that is registered pursuant to Section 12 of the Securities Exchange Act of 1934 during the quarter ended June 29, 2014.

Period ^(a)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ^(b)	Amount Available for Future Share Repurchases Under the Plans or Programs ^(b) (in millions)
March 31, 2014 – April 27, 2014	213,575	\$ 159.43	212,357	\$ 2,431
April 28, 2014 – May 25, 2014	277,253	\$ 164.00	276,074	\$ 2,385
May 26, 2014 – June 29, 2014	<u>268,419</u>	<u>\$ 164.80</u>	<u>268,059</u>	<u>\$ 2,341</u>
Total	759,247 ^(c)	\$ 163.00	756,490	\$ 2,341

- (a) We close our books and records on the last Sunday of each month to align our financial closing with our business processes, except for the month of December, as our fiscal year ends on December 31. As a result, our fiscal months often differ from the calendar months. For example, March 31, 2014 was the first day of our April 2014 fiscal month.
- (b) On October 25, 2010, our Board of Directors approved a share repurchase program pursuant to which we are authorized to repurchase our common stock in privately negotiated transactions or in the open market at prices per share not exceeding the then-current market prices. Under the program, 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. We may also make purchases under the program pursuant to a Rule 10b5-1 plan. The program does not have an expiration date.
- (c) During the quarter ended June 29, 2014, the total number of shares purchased included 2,757 shares that were transferred to us by employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted stock units. These purchases were made pursuant to a separate authorization by our Board of Directors and are not included within the program.

ITEM 6. Exhibits.

Exhibit No.	Description
10.1	Lockheed Martin Corporation 2011 Incentive Performance Award Plan, as amended and restated
10.2	Lockheed Martin Corporation Supplemental Retirement Plan, as amended and restated
10.3	Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation, as amended and restated
10.4	Lockheed Martin Supplementary Pension Plan for Transferred Employees of GE Operations, as amended and restated
10.5	2014 Amendment No. 1 to the Lockheed Martin Corporation Nonqualified Capital Accumulation Plan
15	Acknowledgment of Ernst & Young LLP, Independent Registered Public Accounting Firm
31.1	Certification of Marillyn A. Hewson pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Bruce L. Tanner pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Marillyn A. Hewson and Bruce L. Tanner pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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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

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SIGNATURE

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

Lockheed Martin Corporation
(Registrant)

Date: July 23, 2014

By: /s/ Christopher J. Gregoire
Christopher J. Gregoire
Vice President and Controller
(Duly Authorized Officer and Chief Accounting Officer)

LOCKHEED MARTIN CORPORATION
2011 INCENTIVE PERFORMANCE AWARD PLAN
 (Approved at Annual Meeting of Stockholders on April 28, 2011)
 As Amended January 24, 2013
 As Amended and Restated January 23, 2014 and Amended April 24, 2014

SECTION 1. Purpose.

The purpose of this Plan is to benefit the Corporation's stockholders by encouraging high levels of performance by individuals who contribute to the success of the Corporation and its Subsidiaries and to enable the Corporation and its Subsidiaries to attract, motivate, retain and reward talented and experienced individuals. This purpose is to be accomplished by providing eligible employees with an opportunity to obtain or increase their proprietary interest in the Corporation and thereby align their interests with those of the Corporation's stockholders, and by providing eligible employees with additional incentives to join or remain with the Corporation and its Subsidiaries.

SECTION 2. Definitions; Rules of Construction.

(a) Defined Terms. The terms defined in this Section shall have the following meanings for purposes of this Plan:

"Award" means an award granted pursuant to Section 4.

"Award Agreement" means an agreement described in Section 6 entered into between the Corporation and a Participant, setting forth the terms and conditions of an Award granted to a Participant.

"Backlog" means either funded backlog (unfilled firm orders for which funding has been both authorized and appropriated by the customer) or unfunded backlog (unfilled firm orders for which funding has not been authorized and appropriated by the customer), as determined by the Committee at the time an Award is granted.

"Beneficiary" means a person or persons (including a trust or trusts) validly designated by a Participant, in the event of the Participant's death, as the Participant's beneficiary under this Plan, or, in the absence of a valid designation, the Participant's estate.

"Board of Directors" or *"Board"* means the Board of Directors of the Corporation.

"Cash-Based Awards" means Awards that, if paid, must be paid in cash and that are neither denominated in nor have a value derived from the value of, nor an exercise right or conversion privilege at a price related to, shares of Stock, as described in Section 4(a)(6).

"Cash Flow" means cash and cash equivalents derived from either (i) net cash flow from operations or (ii) net cash flow from operations, financings and investing activities, as determined by the Committee at the time an Award is granted.

"Change in Control" means a change in control as defined in Section 7(c).

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the Committee described in Section 8.

"Corporation" means Lockheed Martin Corporation.

"Date of Grant" means the date specified by the Committee as the date on which an Award is to be granted (which date shall be no earlier than the date the resolution approving the Award is adopted by the Committee), or if no such date is specified by the Committee, the date on which the Committee adopts a resolution making the Award.

"Deferred Dividend Equivalent" or "DDE" means a Dividend Equivalent that is accrued during the restricted period set forth in an Award Agreement and that becomes payable to a Participant upon the expiration or termination of such restricted period.

"Dividend Equivalent" means an amount equal to the cash dividends that would have been paid had a Participant owned a share of Stock during the restricted period set forth in an Award Agreement.

"Employee" means any officer (whether or not also a director) or any key salaried employee of the Corporation or any of its Subsidiaries, but excludes, in the case of an Incentive Stock Option, an Employee of any Subsidiary that is not a "subsidiary corporation" of the Corporation as defined in Code Section 424(f).

"EPS" means earnings per common share on a fully diluted basis determined in accordance with GAAP.

"EPS Growth" means the increase (on a dollar or percentage basis) in EPS for a specified period as compared to a comparable prior period, as specified by the Committee at the time an Award is granted.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

"Executive Officer" means executive officer as defined in Rule 3b-7 under the Exchange Act, provided that, if the Board has designated the executive officers of the Corporation for purposes of reporting under the Exchange Act, the designation by the Board shall be conclusive for purposes of this Plan.

"Fair Market Value" means the closing sale price of the relevant security as reported by the New York Stock Exchange on its web site as the closing price (or, if the security is not so listed or if the principal market on which it is traded is not the New York Stock Exchange, such other reporting system as shall be selected by the Committee) on the relevant date, or, if no sale of the security is reported for that date, the next preceding day for which there is a reported sale. The Committee shall determine the Fair Market Value of any security that is not publicly traded, using criteria as it shall determine, in its sole direction, to be appropriate for the valuation.

"Free Cash Flow" means net cash flow from operations as determined in accordance with GAAP, less the amount identified as capital expenditures as presented in the Corporation's Statement of Cash Flows.

"Free Cash Flow per Share" means Free Cash Flow for a specified period divided by the average fully diluted common shares during the specified period.

"GAAP" means generally accepted accounting principles in the United States.

"Insider" means any person who is subject to the reporting obligations of Section 16(a) of the Exchange Act.

"Nonperformance-Based Award or Nonperformance-Based" means an Award that is not intended to satisfy the requirements of Section 4(b).

"Option" means a Nonqualified Stock Option or an Incentive Stock Option as described in Section 4(a)(1) or (2).

"Orders" means increases in contract values as specified in binding legal documents such as signed contracts, letters of award, notifications of award or purchase orders during a specified period.

"Participant" means an Employee who is granted an Award pursuant to this Plan so long as the Award remains outstanding.

"Percentage of Free Cash Flow to Stockholders" means the percentage of Free Cash Flow distributed to common stockholders during a specified period through dividends and stock repurchases.

"Performance-Based Awards" means an Award contemplated by Section 4(b).

"Performance Goal" means Backlog, Cash Flow, EPS, EPS Growth, Free Cash Flow per Share, Orders, Percentage of Free Cash Flow to Stockholders, ROIC, Sales, Segment Operating Profit, Segment ROIC or Total Stockholder Return, and "Performance Goals" means any combination thereof. Except as the context otherwise requires, performance under any of the Performance Goals (A) may be used to measure the performance of (i) the Corporation and its Subsidiaries on a consolidated basis, (ii) the Corporation or any Subsidiary or Subsidiaries, or any combination thereof, or (iii) any one or more segments or business units of the Corporation and its Subsidiaries, in either case as the Committee determines in its sole discretion, and (B) may be compared to the performance of one or more of the companies or one or more published or specially constructed indices designated or approved by the Committee for comparison, as the Committee determines in its sole discretion.

"Plan" means this Lockheed Martin Corporation 2011 Incentive Performance Award Plan.

"Predecessor Plan" means the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan.

"ROIC" means return on invested capital calculated as (A) average (i) net income plus (ii) interest expense times one minus the highest marginal federal corporate tax rate, divided by (B) (i) average debt (including current maturities of long-term debt) plus (ii) average stockholders' equity, plus the postretirement amounts determined at year-end as included in the Corporation's Statement of Stockholders' Equity.

"Rule 16b-3" means Rule 16b-3 under Section 16 of the Exchange Act, as amended from time to time.

"Sales" means net sales determined in accordance with GAAP.

"SAR" means a Stock Appreciation Right as described in Section 4(a)(3).

"Segment Operating Profit" means operating profit calculated at the segment level.

"Segment ROIC" means return on invested capital at the segment level calculated as (A) average (i) Segment Operating Profit times one minus the highest marginal federal corporate tax rate, divided by (B) average segment net assets.

"Share-Based Awards" means Awards that are payable or denominated in or have a value derived from the value of, or an exercise right or conversion privilege at a price related to, shares of Stock, as described in Sections 4(a)(1) through (5).

"Share Units" means the number of units under a Share-Based Award that is payable solely in cash or is actually paid in cash, determined by reference to the number of shares of Stock by which the Share-Based Award is measured.

“Stock” means shares of common stock of the Corporation, par value \$1.00 per share, subject to adjustments made under Section 7 or by operation of law.

“Subsidiary” means, as to any person, any corporation, association, partnership, joint venture or other business entity of which 50 percent 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 that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

“Tax” or “Taxes” means any U.S. Federal, state, local, or non-U.S. income, employment, or payroll tax, excise tax, or any other tax or assessment owed with respect to any Award or other payment due to a Participant under the Plan.

“Total Stockholder Return” means with respect to the Corporation or other entities (if measured on a relative basis), the (i) change in the market price of its common stock (as quoted in the principal market on which it is traded as of the beginning and ending of the designated period) plus dividends and other distributions paid, divided by (ii) the beginning quoted market price, all of which is adjusted for any changes in equity structure, including but not limited to stock splits and stock dividends.

(b) Financial and Accounting Terms. Except as otherwise expressly provided or the context otherwise requires, financial and accounting terms, including terms defined herein as Performance Goals, are used as defined for purposes of, and shall be determined in accordance with, GAAP and as derived from the consolidated financial statements of the Corporation, prepared in the ordinary course of business and filed with the Securities and Exchange Commission from time to time.

(c) Rules of Construction. For purposes of this Plan and the Award Agreements, unless otherwise expressly provided or the context otherwise requires, the terms defined in this Plan include the plural and the singular, and pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms. For purposes of any Award Agreements, payments that will be made “as soon as practicable” after a specified event must be made within 90 days of the applicable event.

SECTION 3. Eligibility.

Any one or more Awards may be granted to any individual who is an Employee on the Date of Grant and who is designated by the Committee to receive an Award, provided that no individual who beneficially owns Stock possessing five percent or more of the combined voting power of all classes of stock of the Corporation shall be eligible to participate in this Plan.

SECTION 4. Awards.

(a) Type of Awards. The Committee may grant any of the following types of Awards, either singly or in combination with other Awards:

(1) Nonqualified Stock Options. A Nonqualified Stock Option is an Award in the form of an option to purchase Stock that is not intended to comply with the requirements of Code Section 422 or any successor provision of the Code. The exercise price of each Nonqualified Stock Option granted under this Plan shall be not less than the Fair Market Value of the Stock on the Date of Grant of the Option. All Nonqualified Stock Options shall be treated as Performance-Based Awards subject to the applicable restrictions under Section 4(b).

(2) Incentive Stock Options. An Incentive Stock Option is an Award in the form of an option to purchase Stock that is intended to comply with the requirements of Code Section 422 or any successor provision of the Code. The exercise price of each Incentive Stock Option granted under this Plan shall be not less than the Fair Market Value of the Stock on the Date of Grant of the Option. To the extent that the aggregate “fair market value” of Stock with respect to which one or more incentive stock options first become exercisable by a Participant in any calendar year exceeds \$100,000, taking into account both Stock

subject to Incentive Stock Options under this Plan and stock subject to incentive stock options under all other plans of the Corporation or of other entities referenced in Code Section 422(d)(1), the options shall be treated as Nonqualified Stock Options. For this purpose, the "fair market value" of the Stock subject to options shall be determined as of the Date of Grant of the Options. All Incentive Stock Options shall be treated as Performance-Based Awards subject to the applicable restrictions under Section 4(b).

(3) *Stock Appreciation Rights*. A Stock Appreciation Right or SAR is an Award in the form of a right to receive, upon surrender of the right, but without other payment, an amount based on appreciation in the value of Stock over a base price established in the Award, payable in cash, Stock or such other form or combination of forms of payout, at times and upon conditions as may be approved by the Committee. The minimum base price of a SAR granted under this Plan shall be the Fair Market Value of the underlying Stock on the Date of Grant of the SAR, or, in the case of a SAR related to an Option (whether already outstanding or concurrently granted), the exercise price of the related Option. All SARs shall be treated as Performance-Based Awards subject to the applicable restrictions under Section 4(b).

(4) *Restricted Stock*. Restricted Stock is an Award of shares of Stock of the Corporation that are issued, but subject to restrictions on transfer and/or such other restrictions on incidents of ownership as the Committee may determine. Awards of Restricted Stock to Executive Officers that are either granted or vest upon attainment of one or more of the Performance Goals shall only be granted as Performance-Based Awards subject to the applicable restrictions under Section 4(b).

(5) *Stock Units*. A Stock Unit is an Award payable in cash or Stock and represented by a bookkeeping entry where the amount represented by the bookkeeping entry for each Stock Unit equals the Fair Market Value of a share of Stock on the Date of Grant and which amount shall be subsequently increased or decreased to reflect the Fair Market Value of a share of Stock on any date from the Date of Grant up to the date the Stock Unit is paid to the Participant in cash or Stock. Stock Units are not outstanding shares of Stock and do not entitle a Participant to voting or other rights with respect to Stock; provided, however, that an Award of Stock Units may provide for the crediting of Dividend Equivalents or the crediting of additional Stock Units based on the value of dividends paid on Stock while the Award is outstanding, subject in each case to the vesting, forfeiture and Performance Goals applicable to the underlying Stock Units. Awards of Stock Units to Executive Officers that are either granted or vest upon attainment of one or more of the Performance Goals shall only be granted as Performance-Based Awards subject to the applicable restrictions under Section 4(b).

(6) *Cash-Based Awards*. Cash-Based Awards are Awards that provide Participants with the opportunity to earn a cash payment based upon the level of performance of the Corporation relative to one or more Performance Goals established by the Committee for an award cycle of more than one but not more than five years. For each award cycle, the Committee shall determine the size of the Awards, the Performance Goals, the performance targets as to each of the Performance Goals, the level or levels of achievement necessary for award payments and the weighting of the Performance Goals, if more than one Performance Goal is applicable. Cash-Based Awards to Executive Officers that are either granted or become vested, exercisable or payable based on attainment of one or more Performance Goals shall only be granted as Performance-Based Awards subject to the applicable restrictions under Section 4(b).

(b) Special Performance-Based Awards. Without limiting the generality of the foregoing, any of the types of Awards listed in Section 4(a) may be granted as awards that satisfy the requirements for "performance-based compensation" within the meaning of Code Section 162(m) ("Performance-Based Awards"), the grant, vesting, exercisability or payment of which depends on the degree of achievement of the Performance Goals relative to pre-established target levels. Notwithstanding anything contained in this Section 4(b) to the contrary, any Option or SAR shall be subject only to the requirements of Section 4(b)(1) and Sections 4(c)(1) and (2) below in order for such Awards to satisfy the requirements for Performance-Based Awards under this Section 4(b) (with such Awards referred to as a "Qualifying Option" or a "Qualifying Stock Appreciation Right," respectively). With the exception of any Qualifying Option or Qualifying Stock Appreciation Right, an Award that is intended to satisfy the requirements of this Section 4(b) shall be designated as a Performance-Based Award at the time of grant. Nothing in this Plan shall limit the ability of the Committee to grant Options or SARs with an exercise price or a base price

greater than Fair Market Value on the Date of Grant or to make the vesting of the Options or SARs subject to Performance Goals or other business objectives or conditions.

(1) *Eligible Class.* The eligible class of persons for Awards under this Section 4(b) shall be all Employees.

(2) *Performance Goals.* The performance goals for any Awards under this Section 4(b) (other than Qualifying Options and Qualifying Stock Appreciation Rights) shall be, on an absolute, average or relative basis, one or more of the Performance Goals. The specific performance target(s) with respect to Performance Goal(s) will be established by the Committee in advance of the deadlines applicable under Code Section 162(m) and while the performance relating to the Performance Goal(s) remains substantially uncertain.

(3) *Committee Certification.* Before any Performance-Based Award under this Section 4(b) (other than Qualifying Options and Qualifying Stock Appreciation Rights) is paid, the Committee must certify in writing (by resolution or otherwise) that the applicable Performance Goal(s) and any other material terms of the Performance-Based Award were satisfied; provided, however, that a Performance-Based Award may be paid without regard to the satisfaction of the applicable Performance Goal in the event of a Change in Control as provided in Section 7(b).

(4) *Terms and Conditions of Awards; Committee Discretion to Reduce Performance Awards.* The Committee shall have discretion to determine the conditions, restrictions or other limitations, in accordance with and subject to the terms of this Plan and Code Section 162(m), on the payment of individual Performance-Based Awards under this Section 4(b). To the extent set forth in an Award Agreement, the Committee may reserve the right to reduce the amount payable in accordance with any standards or on any other basis (including the Committee's discretion), as the Committee may determine.

(5) *Adjustments for Material Changes.* The Committee shall have the right to specify any adjustment that it deems necessary or appropriate to any Performance Goals and/or performance targets to take into account or exclude any extraordinary gain or loss or other event that is considered an extraordinary item under GAAP, provided the Committee exercises this right to specify the adjustment at the time the Performance Goals and/or performance targets are established under this Section 4(b). In addition, the Committee shall have the right to specify any adjustment that it deems necessary or appropriate to take into account or exclude any other gain or loss or event recognized under any accounting policy or practice affecting the Corporation and/or any Performance Goals or performance targets, provided the Committee exercises this right to exclude or take such gain or loss or event into account at the time the related Performance Goals and/or performance targets are established under this Section 4(b).

(6) *Interpretation.* Except as specifically provided in this Section 4(b), the provisions of this Plan and any Award Agreement shall be interpreted and administered by the Committee in a manner consistent with the requirements for qualification of Performance-Based Awards granted to Executive Officers as "performance-based compensation" under Code Section 162(m) and the regulations thereunder.

(c) Individual Limits.

(1) *Share-Based Awards.* The maximum number of shares of Stock that are issuable under this Plan pursuant to Options, SARs payable in shares of Stock, Restricted Stock and Stock Units payable in shares of Stock (described under Section 4(a)(5)) that are granted as Performance-Based Awards during any calendar year to any Participant shall not exceed 1,000,000, subject to adjustment as provided in Section 7; provided, that the maximum number of shares of Stock that may be granted as Restricted Stock Awards during any calendar year to any Participant under this Plan (including as Performance-Based Awards) shall not exceed 750,000 shares, subject to adjustment as provided in Section 7. Awards that are canceled during the year shall be counted against these limits.

(2) Share Unit and Cash Only SAR Awards. The aggregate number of Share Units that are issuable as Stock Units payable in cash only or SARs payable in cash only during any calendar year to any Participant as Performance-Based Awards shall not exceed 300,000, subject to adjustment as provided in Section 7. Awards that are canceled due to expiration or forfeiture during the year shall be counted against this limit.

(3) Cash-Based Awards. The aggregate amount of compensation to be paid to any Participant in respect of those Cash-Based Awards that are granted during any calendar year as Performance-Based Awards shall not exceed \$10,000,000.

(d) Maximum Term of Awards. No Award that contemplates exercise or conversion may be exercised or converted to any extent, and no other Award that defers vesting, shall remain outstanding and unexercised, unconverted or unvested more than ten years after the Date of Grant of the Award.

(e) Code Section 409A. It is the intent of the Corporation that no Award under this Plan be subject to taxation under Section 409A(a)(1) of the Code. Accordingly, if the Committee determines that an Award granted under this Plan is subject to Section 409A of the Code, such Award shall be interpreted and administered to meet the requirements of Sections 409A(a)(2), (3) and (4) of the Code and thus to be exempt from taxation under Section 409A(a)(1) of the Code.

(f) Out-of-the-Money Options or Stock Appreciation Rights. In no event shall the Corporation pay cash or other consideration for Options where at the time of payment the exercise price of the Option is less than the Fair Market Value of the Stock underlying the Option or pay cash or other consideration for SARs where at the time of payment the base price established in the Award is less than the Fair Market Value of the Stock underlying the SAR.

SECTION 5. Shares of Stock and Share Units Available Under Plan.

(a) Aggregate Share Limit for Share-Based Awards. Subject to adjustment as provided in this Section 5 or Section 7, the maximum number of shares of Stock that may be subject to Options (including Incentive Stock Options), SARs payable in shares of Stock, Restricted Stock and Stock Units payable in shares of Stock granted or issued under this Plan is 12,000,000, plus the number of shares of Stock reserved for future awards under the Predecessor Plan as of February 24, 2011, plus the number of shares of Stock subject to awards outstanding under the Predecessor Plan as of February 24, 2011 that thereafter are unexercised, unconverted or undistributed as a result of termination, expiration or forfeiture of the award, whether or not the individual holding the award received or was credited with benefits of ownership (such as dividends, Dividend Equivalents or voting rights) during the period in which the individual's ownership was restricted or otherwise not vested, including shares of Stock subject to Restricted Stock Awards that are subsequently reacquired by the Corporation due to termination, expiration or forfeiture.

(b) Restriction on Recycling or Reissue of Shares and Share Units. Shares of Stock issued upon the exercise of an Award or the vesting of an Award may not be used for a subsequent Award under this Plan. Any unexercised, unconverted or undistributed portion of any Award made under this Plan or any stock-based award under the Predecessor Plan resulting from termination, expiration or forfeiture of that Award shall again be available for Award under Section 5(a), whether or not the Participant has received or been credited with benefits of ownership (such as dividends, Dividend Equivalents or voting rights) during the period in which the Participant's ownership was restricted or otherwise not vested. Shares of Stock that are issued pursuant to Restricted Stock Awards and subsequently reacquired by the Corporation due to termination, expiration or forfeiture of the Award also shall be available for reissuance under this Plan. Shares of Stock subject to an Award that are reacquired by the Corporation to satisfy a withholding obligation of the Participant shall not be available for reissue. With respect to SARs payable in shares of Stock, the number of shares of Stock subject to an Award shall be counted against the number of shares of Stock available for issuance under this Plan regardless of the number of shares of Stock actually issued to settle the SARs upon exercise.

(c) Interpretive Issues. Additional rules for determining the number of shares of Stock or Share Units authorized under this Plan or available for grant or issuance from time to time may be adopted by the Committee, as it deems necessary or appropriate.

(d) Source of Shares; No Fractional Shares. The Stock that may be issued pursuant to an Award under this Plan may be authorized but unissued Stock or Stock acquired by the Corporation or any of its Subsidiaries, subsequently or in anticipation of a transaction under this Plan, in the open market or in privately negotiated transactions. No fractional shares of Stock shall be issued under this Plan, but fractional interests may be accumulated pursuant to the terms of an Award.

(e) Consideration. The Stock issued under this Plan may be issued (subject to Section 10(d)) for any lawful form of consideration, the value of which equals the par value of the Stock or such greater or lesser value as the Committee, consistent with Sections 10(d), may require.

(f) Purchase or Exercise Price; Withholding. The exercise or purchase price (if any) of the Stock issuable pursuant to any Award and any withholding obligation under applicable tax laws shall be paid in cash or, subject to the Committee's express authorization and the terms, restrictions, conditions and procedures as the Committee may in its sole discretion impose (subject to Section 10(d)), any one or combination of (i) cash, (ii) the delivery of shares of Stock, (iii) a reduction in the number of Shares of Stock issuable or cash payable pursuant to such Award, (iv) the delivery of a promissory note or other obligation for the future payment in money, or (v) in the case of purchase price only, labor or service as an Employee to be performed or actually performed. In the case of a payment by the means described in clause (ii) or (iii) above, the Stock to be so delivered or offset shall be determined by reference to the Fair Market Value of the Stock on the date as of which the payment or offset is made. Notwithstanding the foregoing, no Insider shall be permitted to satisfy the purchase or exercise price or withholding obligation with respect to an Award by using a method of payment otherwise authorized under this Plan or an Award Agreement if such method of payment would constitute a personal loan under Section 13(k) of the Exchange Act. If an Award Agreement to a Participant who is not an Insider authorizes a method of payment that would constitute a personal loan under Section 13(k) of the Exchange Act and the Participant subsequently becomes an Insider, then the payment method will no longer be available to the Participant and the Committee shall take whatever steps are necessary to make such payment method void as to such Participant, including but not limited to requiring the immediate payment of any note or loan previously obtained in connection with an Award.

(g) Cashless Exercise. Subject to any restrictions on Insiders pursuant to Section 13(k) of the Exchange Act, the Committee may permit the exercise of an Award and payment of any applicable withholding tax in respect of an Award by delivery of notice, subject to the Corporation's receipt from a third party of payment (or commitment to make payment) in full in cash for the exercise price and the applicable withholding prior to issuance of Stock, in the manner and subject to the procedures as may be established by the Committee.

SECTION 6. Award Agreements.

Each Award under this Plan shall be evidenced by an Award Agreement in a form approved by the Committee setting forth, in the case of Share-Based Awards, the number of shares of Stock or Share Units, as applicable, subject to the Award, and the price (if any) and term of the Award and, in the case of Performance-Based Awards (other than a Qualifying Option or a Qualifying Stock Appreciation Right), the applicable Performance Goals. The Award Agreement also shall set forth (or incorporate by reference) other material terms and conditions applicable to the Award as determined by the Committee consistent with the limitations of this Plan.

(a) Mandatory Provisions for Options and SARs. Award Agreements for Options and SARs payable in stock shall be deemed to contain the following provisions:

(1) *Vesting:* A provision providing for a minimum vesting schedule pursuant to which no Award of Options may become fully exercisable prior to the third anniversary of the Date of Grant, and to the extent an Award provides for vesting in installments over a period of no less than three years, no portion of an Award of Options may become exercisable prior to the first anniversary of the Date of Grant. In the event that the Participant is not an Employee on the date on which an Option would otherwise vest and become exercisable, the Options subject to that vesting date will be forfeited. Notwithstanding the foregoing, (i) any Award Agreement governing Options may provide for any additional vesting requirements, including but not limited to longer periods of required employment or the achievement of Performance Goals; (ii) any Award Agreement may provide that all or a portion of the Options subject to an Award vest immediately or, alternatively, vest in accordance with the vesting schedule but without

regard to the requirement for continued employment with the Corporation (or a Subsidiary) in the event of a Change in Control, or in the case of termination of employment with the Corporation (or a Subsidiary) due to death, disability, layoff, retirement or divestiture, or in the case of a vesting period longer than three years, vest and become exercisable or fail to be forfeited and continue to vest in accordance with the schedule in the Award Agreement prior to the expiration of any period longer than three years for any reason designated by the Committee; and (iii) any Award Agreement may provide that employment by another entity be treated as employment by the Corporation (or a Subsidiary) in the event a Participant terminates employment with the Corporation (or a Subsidiary) on account of a divestiture. No Award Agreement may provide for accelerated vesting of Options on account of layoff beyond vesting of up to the portion of the vesting period from the Date of Grant to the date on which a Participant's employment terminates. The vesting requirements of this Section 6(a) shall also apply to Award Agreements governing SARs.

(2) *Option and SAR Holding Period*: Subject to the authority of the Committee under Section 7, a minimum six-month period shall elapse between the date of initial grant of any Option or SAR paid in Stock and the sale of the underlying shares of Stock, and the Corporation may impose legend and other restrictions on the Stock issued on exercise of the Options or SARs to enforce this requirement.

(3) *No Waivers*: A provision that neither the Committee nor the Board of Directors has retained the authority to waive the requirements set forth in Sections 6(a)(1).

(b) Mandatory Provisions for Restricted Stock and Stock Units Payable in Stock. Award Agreements for Restricted Stock and Stock Units payable in Stock shall be deemed to contain the following provisions:

(1) *Vesting*: Provisions (I) prohibiting the sale of any shares of Restricted Stock granted under an Award prior to the third anniversary of the Date of Grant of the Award, (II) requiring the forfeiture of all shares of Restricted Stock subject to the Award in the event that the Participant does not remain an Employee for at least three years following the Date of Grant of the Restricted Stock and (III) prohibiting accelerated vesting of Restricted Stock on account of layoff (other than vesting of a pro rata portion of the Award based on the portion of the vesting period from the Date of Grant to the date on which a Participant's employment terminates).

Notwithstanding the foregoing, any Award Agreement governing Restricted Stock may provide (i) for any additional vesting or forfeiture requirements, including but not limited to longer periods of required employment or the achievement of Performance Goals; and (ii) that Restricted Stock vests, continues to vest or vests on a pro rata basis and any forfeiture provisions or restrictions on sale of the vested portions of Restricted Stock lapse prior to the third anniversary of the Date of Grant (A) in the event of a termination of employment following a Change in Control (except that vesting may occur upon or following a Change in Control without regard to termination of employment in the case of an employee who immediately prior to the Change in Control was not an officer of the Corporation who had been elected as such by the Board), (B) in the case of termination of employment with the Corporation (or a Subsidiary) due to death, disability, layoff, retirement or divestiture, (C) to satisfy any Tax withholding requirement with respect to the Restricted Stock, or (D) in the case of a vesting or forfeiture period longer than three years, prior to the expiration of any period longer than three years for any reason designated by the Committee. Dividends that become payable on Restricted Stock will not be payable to the Participant but shall be accrued and held by the Corporation until such time as the restrictions lapse on the underlying Restricted Stock and the shares become transferrable, at which time the accrued dividends shall be paid to the Participant; provided, however, that an Award Agreement may provide for accelerated vesting of Dividends, Dividend Equivalents, or DDEs associated with Restricted Stock to satisfy a Tax withholding requirement with respect to such Award. The vesting and forfeiture requirements of this Section 6(b) shall also apply to Award Agreements governing Stock Units payable in Stock unless the Stock Units are granted in conjunction with, or are part of another Award.

(2) *No Waivers*: A provision that neither the Committee nor the Board of Directors has retained the authority to waive the requirements set forth in Section 6(b)(1).

(c) Mandatory Provisions Applicable to All Award Agreements. Award Agreements shall be subject to the terms of this Plan and shall be deemed to include the following terms, unless the Committee in the Award Agreement consistent with applicable legal considerations, provides otherwise:

(1) *Non-assignability*: The Award shall not be assignable nor transferable, except by will or by the laws of descent and distribution, and during the lifetime of a Participant, the Award shall be exercised only by the Participant or by his or her guardian or legal representative. The designation of a Beneficiary hereunder shall not constitute a transfer prohibited by the foregoing provisions.

(2) *Rights as Stockholder*: A Participant shall have no rights as a holder of Stock with respect to any unissued securities covered by an Award until the date the Participant becomes the holder of record of the securities. Except in the case of Restricted Stock and except as provided in Section 7, no adjustment or other provision shall be made for dividends or other stockholder rights, except to the extent that the Award Agreement provides for Dividend Equivalents or similar economic benefits.

(3) *Tax Withholding*: Each Participant shall be responsible for payment of all Taxes imposed on such Participant with respect to an Award. All withholding Tax obligations shall be satisfied on or prior to the payment of an Award. If the Corporation concludes that any withholding Tax is required with respect to any Award (including with respect to associated Dividends, Dividend Equivalents, or DDEs), and the Participant has not otherwise made arrangements acceptable to the Corporation to satisfy the withholding Tax obligation, the Corporation may (i) offset an amount sufficient to satisfy the withholding Tax obligation against any obligation of the Corporation to the Participant, (ii) reduce the amount of the Award (including associated Dividends, Dividend Equivalents, or DDEs) paid to the Participant by an amount sufficient to satisfy the withholding Tax obligation, or (iii) require the Participant or his or her Beneficiary to pay the Corporation an amount in cash equal to the withholding Tax obligation. The satisfaction of any withholding Taxes with respect to Share-Based Awards also may be satisfied by cashless exercise as provided in Section 5(g).

(d) Other Provisions. Award Agreements may include other terms and conditions as the Committee shall approve, including but not limited to the following:

(1) *Other Terms and Conditions*: Any other terms not inconsistent with the terms of this Plan as are necessary, appropriate, or desirable to effect an Award to a Participant, including provisions describing the treatment of an Award in the event of the death, disability, layoff, retirement, divestiture or other termination of a Participant's employment with or services to the Corporation or a Subsidiary, any provisions relating to the vesting, exercisability, forfeiture or cancellation of the Award, any requirements for continued employment, any other restrictions or conditions (including performance requirements and holding periods) of the Award and the method by which the restrictions or conditions lapse, procedures acceptable to the Committee (if any) with respect to the effect on the Award of a Change in Control, subject, in the case of Performance-Based Awards, to the requirements for "performance-based compensation" under Code Section 162(m) and in the case of Options, SARs payable in shares of Stock, Restricted Stock and Stock Units payable in shares of Stock, to the requirements of Sections 6(a), (b) and (7).

(2) *Non-competition and non-solicitation clause*: A provision or provisions requiring the forfeiture or recoupment of an Award (whether or not vested) on account of activities deemed by the Committee in its sole discretion to be harmful to the Corporation, including but not limited to employment with a competitor, misuse of the Corporation's proprietary or confidential information, or solicitation of the Corporation's employees.

(3) *Claw-back*: A provision entitling the Corporation to recoup any Award (whether or not vested) or value received for an Award under circumstances specified in the Award Agreement or regulations, rules or interpretations of the Securities and Exchange Commission or other applicable law.

(e) Contract Rights, Forms and Signatures. Any obligation of the Corporation to any Participant with respect to an Award shall be based solely upon contractual obligations created by this Plan and an Award

Agreement. Subject to the provisions of Section 8(h), no Award shall be enforceable until the Award Agreement or an acknowledgement of receipt has been signed by the Participant and on behalf of the Corporation by an Executive Officer (other than the recipient) or his or her delegate. By executing the Award Agreement or otherwise providing an acknowledgement of receipt, a Participant shall be deemed to have accepted and consented to the terms of this Plan and any action taken in good faith under this Plan by and within the discretion of the Committee, the Board of Directors or their delegates. Unless the Award Agreement otherwise expressly provides, there shall be no third party beneficiaries of the obligations of the Corporation to the Participant under the Award Agreement.

SECTION 7. Adjustments; Change in Control; Acquisitions.

(a) Adjustments. If there shall occur any recapitalization, stock dividend, stock split (including a stock split in the form of a stock dividend), reverse stock split, merger, combination, consolidation, or other reorganization or any extraordinary dividend or other extraordinary distribution in respect of the Stock (whether in the form of cash, Stock or other property), or any split-up, spin-off, split-off, extraordinary redemption, or exchange of outstanding Stock, or there shall occur any other similar corporate transaction or event in respect of the Stock, or a sale of all or substantially all the assets of the Corporation as an entirety, then the Committee shall, in the manner and to the extent, if any, as it deems appropriate and equitable to the Participants and consistent with the terms of this Plan, and taking into consideration the effect of the event on the holders of the Stock, proportionately adjust any or all of the following:

- (1) the number and type of shares of Stock and Share Units that thereafter may be made the subject of Awards (including the specific maximum and numbers of shares of Stock or Share Units set forth elsewhere in this Plan),
 - (2) the number and type of shares of Stock, Share Units, cash or other property subject to any or all outstanding Awards,
 - (3) the grant, purchase or exercise price, or conversion ratio of any or all outstanding Awards, or of the Stock, other property or Share Units underlying the Awards,
 - (4) the securities, cash or other property deliverable upon exercise or conversion of any or all outstanding Awards,
 - (5) subject to Section 4(b), the Performance Goals or other standards appropriate to any outstanding Performance-Based Awards,
- or
- (6) any other terms as are affected by the event.

Notwithstanding the foregoing, in the case of an Incentive Stock Option, no adjustment shall be made that would cause this Plan to violate Section 424(a) of the Code or any successor provisions thereto, without the written consent of the Participant adversely affected thereby. The Committee may act prior to an event described in this Section 7(a) (including at the time of an Award by means of more specific provisions in the Award Agreement) if deemed necessary or appropriate to permit the Participant to realize the benefits intended to be conveyed by an Award in respect of the Stock in the case of an event described in Section 7(a).

(b) Change in Control. The Committee may, in the Award Agreement, provide for the effect of a Change in Control on an Award. Such provisions may include but are not limited to any one or more of the following with respect to any or all Awards: (i) the specific consequences of a Change in Control on the Awards; (ii) the acceleration or extension of time periods for purposes of exercising, vesting in, or realizing gain from, the Awards; (iii) a reservation of the Committee's right to determine in its discretion at any time that there shall be full acceleration or no acceleration of benefits under the Awards; (iv) that only certain or limited benefits under the Awards shall be accelerated; (v) that the Awards shall be accelerated for a limited time only; or (vi) that acceleration of the Awards shall be subject to additional conditions precedent (such as a termination of employment following a Change in Control).

In addition to any action required or authorized by the terms of an Award, the Committee may take any other action it deems appropriate to ensure the equitable treatment of Participants in the event of or in anticipation of a Change in Control, including but not limited to any one or more of the following with respect to any or all Awards: (i) the waiver of conditions on the Awards that were imposed for the benefit of the Corporation; (ii) provision for the cash settlement of the Awards for their equivalent cash value, as determined by the Committee, as of the date of a Change in Control; (iii) provisions for the assumption or continuation of the Award and the substitution for shares of stock of a successor entity, or a parent or subsidiary thereof, with appropriate adjustments as to the number of shares, exercise or conversion price and conditions of the Award; or (iv) such other modification or adjustment to the Awards as the Committee deems appropriate to maintain and protect the rights and interests of Participants upon or following a Change in Control. The Committee also may accord any Participant a right to refuse any acceleration of exercisability, vesting or benefits, whether pursuant to the Award Agreement or otherwise, in such circumstances as the Committee may approve.

Notwithstanding the foregoing provisions of this Section 7(b) or any provision in an Award Agreement to the contrary, if any Award to any Insider is accelerated to a date that is less than six months after the Date of Grant, the Committee may prohibit a sale of the underlying Stock (other than a sale by operation of law), and the Corporation may impose legend and other restrictions on the Stock to enforce this prohibition.

(c) Change in Control Definition. For purposes of this Plan, a "Change in Control" shall include and be deemed to occur upon one or more of the following events:

(1) A tender offer or exchange offer is consummated for the ownership of securities of the Corporation representing 25 percent or more of the combined voting power of the Corporation's then outstanding voting securities entitled to vote in the election of directors of the Corporation.

(2) The consummation of a merger, combination, consolidation, recapitalization, or other reorganization of the Corporation with one or more other entities that are not Subsidiaries if, as a result of the consummation of the merger, combination, consolidation, recapitalization or other reorganization, less than 75 percent 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 Corporation (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 Corporation representing 25 percent or more of the combined voting power of the Corporation's then outstanding securities entitled to vote in the election of directors of the Corporation.

(4) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested director 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 Corporation approve a plan of liquidation and dissolution of the Corporation, or a sale or transfer of all or substantially all of the Corporation's business and/or assets as an entirety to an entity that is not a Subsidiary is consummated.

Notwithstanding the foregoing, in the event the Committee determines that an Award could be subject to taxation under Section 409A(a)(1) of the Code, a Change in Control shall have no effect on the Award unless the Change in Control also would constitute a change in the ownership or effective control of the Corporation or in the ownership of a substantial portion of the assets of the Corporation within the meaning of Section 409A(a)(2)(A)(v) of the Code.

(d) Business Acquisitions. Awards may be granted under this Plan on terms and conditions as the Committee considers appropriate, which may differ from those otherwise required by this Plan, to the extent necessary to reflect a substitution for or assumption of stock incentive awards held by employees of other entities who become Employees of the Corporation or a Subsidiary as the result of a merger, consolidation or business combination of the employing entity with, or the acquisition of assets or stock of the employing entity by, the Corporation or a Subsidiary, directly or indirectly.

SECTION 8. Administration.

(a) Committee Authority and Structure. This Plan and all Awards granted under 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 and constituted so as to permit this Plan to comply with the disinterested administration requirements of Rule 16b-3 under the Exchange Act and the "outside director" requirement of Code Section 162(m). The Board shall designate the members of the Committee. Notwithstanding the foregoing, any action taken under this Plan by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board to administer this Plan and Awards granted under this Plan shall be valid and effective whether or not members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership set forth in this Section 8(a) or otherwise provided in any charter of the Committee.

(b) Selection and Grant. The Committee shall have the authority to determine the Employees to whom Awards will be granted under this Plan, the type of Award or Awards to be made, and the nature, amount, pricing, timing, and other terms of Awards to be made to any one or more of these individuals, subject to the terms of this Plan.

(c) Construction and Interpretation. The Committee shall have the power to interpret and administer this Plan and Award Agreements, and to adopt, amend and rescind related rules and procedures. All questions of interpretation and determinations with respect to this Plan, the number of shares of Stock, SARs, or Share Units or other Awards granted, and the terms of any Award Agreements, the adjustments required or permitted by Section 7, and other determinations hereunder shall be made by the Committee and its determination shall be final and conclusive upon all parties in interest. In the event of any conflict between an Award Agreement and any non-discretionary provisions of this Plan, the terms of this Plan shall govern.

(d) Limited Authority of Committee to Change Terms of Awards. In addition to the Committee's authority under other provisions of this Plan (including Sections 7 and 9), the Committee shall have the authority to accelerate the exercisability or vesting of an Award, to extend the term or waive early termination provisions of an Award (subject to the maximum ten-year term under Section 4(d)), and to waive the Corporation's rights with respect to an Award or restrictive conditions of an Award (including forfeiture conditions), in any case in such circumstances as the Committee deems appropriate. Notwithstanding the foregoing, the Committee's authority under this Section 8(d) is subject to any express limitations of this Plan (including under Sections 6(a), 6(b), 7 and 9) and this Section 8(d) does not authorize the Committee to accelerate exercisability or vesting or waive early termination provisions if that acceleration or waiver would be inconsistent with the mandatory vesting requirements set forth in Sections 6(a)(1) and 6(b)(1).

(e) Rule 16b-3 Conditions; Bifurcation of Plan. It is the intent of the Corporation that this Plan and Share-Based Awards hereunder satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Insiders, satisfies any applicable requirements of Rule 16b-3, so that these persons will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 under the Exchange Act and will not be subjected to avoidable liability thereunder as to Awards intended to be entitled to the benefits of Rule 16b-3. If any provision of this Plan or of any Award would otherwise frustrate or conflict with the intent expressed in this Section 8(e), 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 as to Awards intended as Rule 16b-3 exempt Awards. Notwithstanding anything to the contrary in this Plan, the provisions of this Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Plan or any Award Agreement intended (or required in order) to satisfy the applicable requirements of Rule 16b-3 are only applicable to Insiders and to those Awards to Insiders intended to satisfy the requirements of Rule 16b-3.

(f) Delegation and Reliance. The Committee may delegate to the officers or employees of the Corporation 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, except that the Committee may not delegate any discretionary authority to grant or amend an Award or with respect to substantive decisions or functions regarding this Plan or Awards as these relate to the material terms of Performance-Based Awards to Executive Officers or to the timing, eligibility, pricing, amount or other material terms of Awards to Insiders. In making any determination or in taking or not taking any action under this Plan, the Board and the Committee may obtain and may rely upon the advice of experts, including professional advisors to the Corporation. No director, officer, employee or agent of the Corporation shall be liable for any such action or determination taken or made or omitted in good faith.

(g) Exculpation and Indemnity. Neither the Corporation nor any member of the Board of Directors 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 of this Plan, 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 an Award (or action in respect of an Award) to satisfy Code requirements as to incentive stock options or to realize other intended tax consequences, to qualify for exemption or relief under Rule 16b-3 or to comply with any other law, compliance with which is not required on the part of the Corporation.

(h) Notices, Signature, Delivery. Whenever a signature, notice or delivery of a document, or acknowledgement of receipt of a document, is required or appropriate under this Plan or pursuant to an Award Agreement, signature, notice, delivery or acknowledgement may be accomplished by paper or written format, or, subject to Section 10(d), by electronic means. In the event electronic means are used for the signature, notice or delivery of a document, or acknowledgement of receipt of a document, the electronic record or confirmation of that signature, notice, delivery or acknowledgement maintained by or on behalf of the Corporation shall for purposes of this Plan and any applicable Award Agreement be treated as if it was a written signature, notice or acknowledgement and was delivered in the manner provided herein for a written document.

SECTION 9. Amendment and Termination of this Plan.

The Board of Directors may at any time terminate, suspend or discontinue this Plan. The Board of Directors may amend this Plan at any time, provided that any material amendment to this Plan will not be effective unless approved by the Corporation's stockholders. For this purpose, a material amendment is any amendment that would (i) materially increase the number of shares of Stock available under this Plan or issuable to a Participant (other than a change in the number of shares made pursuant to Section 7); (ii) change the types of awards that may be granted under this Plan; (iii) expand the class of persons eligible to receive awards or otherwise participate in this Plan; (iv) reduce the price at which an Option is exercisable or the base price of a SAR, either by amendment of an Award Agreement or by substitution of a new Award at a reduced price (other than as permitted in Section 7); or (v) require stockholder approval pursuant to the New York Stock Exchange Listed Company Manual (so long as the Corporation is a listed company on the New York Stock Exchange) or applicable law. The Committee may at any time alter or amend any or all Award Agreements under this Plan in any manner that would be authorized for a new Award under this Plan, including but not limited to any manner set forth in Section 8(d) (subject to any applicable limitations thereunder), so long as such an amendment would not require approval of the Corporation's stockholders, if such amendment was made to this Plan. Notwithstanding the foregoing, no such action by the Board or the Committee shall, in any manner adverse to a Participant other than as expressly permitted by the terms of an Award Agreement, affect any Award then outstanding and evidenced by an Award Agreement without the consent in writing of the Participant or a Beneficiary who has become entitled to an Award thereunder.

SECTION 10. Miscellaneous.

(a) Unfunded Plan. This Plan shall be unfunded. Neither the Corporation, the Board of Directors nor the Committee shall be required to segregate any assets that may at any time be represented by Awards made pursuant to this Plan. Neither the Corporation, the Board of Directors, nor the Committee shall be deemed to be a trustee of any amounts to be paid or securities to be issued under this Plan.

(b) Rights of Employees.

(1) *No Right to an Award.* Status as an Employee shall not be construed as a commitment that any one or more Awards will be made under this Plan to an Employee or to Employees generally. Status as a Participant shall not entitle the Participant to any additional future Awards.

(2) *No Assurance of Employment.* Nothing contained in this Plan (or in any other documents related to this Plan or to any Award) shall confer upon any Employee or Participant any right to continue in the employ or other service of the Corporation or any Subsidiary or constitute any contract (of employment or otherwise) or limit in any way the right of the Corporation or any Subsidiary to change a person's compensation or other benefits or to terminate the employment of a person with or without cause.

(c) Effective Date; Duration. This Plan has been adopted by the Board of Directors of the Corporation and shall become effective upon and shall be subject to the approval of the Corporation's stockholders. This Plan shall remain in effect until any and all Awards under this Plan have been exercised, converted or terminated under the terms of this Plan and applicable Award Agreements. Notwithstanding the foregoing, no Award may be granted under this Plan after April 27, 2021. Notwithstanding the foregoing, any Award granted under this Plan on or prior to April 27, 2021 may be amended after such date in any manner that would have been permitted prior to such date, except that no such amendment shall increase the number of shares of Stock or Stock Units subject to, comprising or referenced in such Award (other than in accordance with Section 7(a)).

(d) Compliance with Laws. This Plan, Award Agreements, and the grant, exercise, conversion, operation and vesting of Awards, and the issuance and delivery of shares of Stock and/or other securities or property or the payment of cash under this Plan, Awards or Award Agreements, 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 Corporation, be necessary or advisable to comply with all legal requirements. Any securities delivered under this Plan shall be subject to such restrictions (and the person acquiring such securities shall, if requested by the Corporation, provide such evidence, assurance and representations to the Corporation as to compliance with any thereof) as counsel to the Corporation may deem necessary or desirable to assure compliance with all applicable legal requirements.

(e) Applicable Law. This Plan, Award Agreements and any related documents and matters shall be governed by and in accordance with the laws of the State of Maryland (without regard to its provisions regarding choice of law), except as to matters of federal law.

(f) Awards to Participants Outside the United States. Notwithstanding any provision of this Plan to the contrary, in order to comply with the laws of other countries in which the Corporation and its Subsidiaries operate or have employees, the Committee shall have the authority to modify the terms and conditions of Awards granted to Employees outside the United States to comply with applicable foreign laws and to take any action, before or after an Award is made, that it deems necessary or advisable to obtain approval or comply with local government, regulatory, tax, exemption, approval or other requirements.

(g) Non-Exclusivity of Plan. Nothing in this Plan shall limit or be deemed to limit the authority of the Corporation, the Board of Directors or the Committee to grant awards or authorize any other compensation, with or without reference to the Stock, under any other plan or authority.

LOCKHEED MARTIN CORPORATION
SUPPLEMENTAL RETIREMENT PLAN

(Effective July 1, 2014)

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 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 Qualified Pension Plan is being amended: (i) to provide that pensionable earnings under the Qualified

Pension Plan shall not include amounts earned for or relating to any period after December 31, 2015; and (2) to freeze credited service under the Qualified Pension Plan effective January 1, 2020 and to provide that no Qualified Pension Plan participant shall accrue credited service with respect to any period after December 31, 2019. The Plan is hereby amended and restated to confirm that these Qualified Pension Plan amendments shall carry through to any applicable provision in this Plan, including Article III and IV and all Annexes and Appendices to the Plan. Accordingly, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015 shall not be used in determining benefits under the Plan, and service after December 31, 2019 shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under the 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.

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 of 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.

5. Plan Freeze. Notwithstanding anything herein to the contrary, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015 shall not be used in determining benefits under the Plan, and service after December 31, 2019 shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under the 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 Operations. 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, 2014 or such other date as set forth herein for a particular provision.

Lockheed Martin Corporation has caused this instrument to be executed this 1st day of July, 2014.

LOCKHEED MARTIN CORPORATION

By: /s/ John T. Lucas

John T. Lucas

Senior Vice President, Human Resources
& Communications

[RESERVED]

ANNEX B TO JANUARY 1, 2005 RESTATEMENT

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.

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 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 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 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.

5. Plan Freeze. Notwithstanding anything herein to the contrary, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015 shall not be used in determining benefits under the Plan, and service after December 31, 2019 shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under the 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 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 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 Operations . 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, 2014 or such other date set forth herein for a specific provision.

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.

5. Plan Freeze. Notwithstanding anything herein to the contrary, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015 shall not be used in determining benefits under the Plan, and service after December 31, 2019 shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under the Plan.

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.

5. Plan Freeze. Notwithstanding anything herein to the contrary, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015 shall not be used in determining benefits under the Plan, and service after December 31, 2019 shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under the Plan.

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

SUPPLEMENTAL RETIREMENT BENEFIT PLAN
FOR CERTAIN TRANSFERRED EMPLOYEES
OF LOCKHEED MARTIN CORPORATION

(Restated through July 1, 2014)

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 was 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.

The Qualified Pension Plan is being amended: (i) effective January 1, 2016, to provide that pensionable earnings under the Qualified Pension Plan shall not include amounts earned for or relating to any period after December 31, 2015; and (2) effective January 1, 2020, to freeze credited service under the Qualified Pension Plan and to provide that no Qualified Pension Plan participant shall accrue credited service with respect to any period after December 31, 2019. The Plan is hereby amended and restated to confirm these Qualified Pension Plan amendments shall carry through to any applicable provision in this Plan, including all Annexes and Appendices to the Plan. Accordingly, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015 shall not be used in determining benefits under the Plan, and service after December 31, 2019 shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under the Plan. Furthermore, the Plan is hereby amended and restated to close the Plan to new entrants effective July 1, 2014.

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. Notwithstanding the foregoing, no employee of the Company who is hired by a Participating Company or promoted to Vice President (Level 8) or above with a Participating Company on or after July 1, 2014 shall become an Eligible Employee.
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. Notwithstanding the foregoing, no employee of the Company who is hired by a Participating Company or promoted to Vice President (Level 8) or above with a Participating Company on or after July 1, 2014 shall become a Participant in the Plan.
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, prior to July 1, 2014 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, prior to July 1, 2014, 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 before July 1, 2014, 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 before July 1, 2014, 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.

Notwithstanding the foregoing, no employee of the Company shall become a Participant in the Plan on or after July 1, 2014.

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.

3. Plan Freeze

Notwithstanding anything herein to the contrary, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015 shall not be used in determining the Transfer Benefit or other benefits under the Plan, and service after December 31, 2019 shall not be considered, deemed to be, or otherwise be treated as Credited Service or similar benefit accrual service in determining benefits payable under the 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, prior to July 2, 2014:

- (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 prior to July 1, 2014 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 before July 1, 2014 by the Committee as a Participant; and
- (e) who is not eligible for a benefit under Article III of this Plan

Notwithstanding the foregoing, no employee of the Company shall become a Participant in the Plan on or after July 1, 2014.

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.

3. Plan Freeze

Notwithstanding anything herein to the contrary, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015 shall not be used in determining the Incentive Benefit or benefits under the Plan, and service after December 31, 2019 shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable 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 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 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 Plans Administration 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. 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, 2014 or such other date set forth herein for a particular provision.

Lockheed Martin Corporation has caused this instrument to be executed the 27th day of June, 2014.

LOCKHEED MARTIN CORPORATION

By: /s/ John T. Lucas

John T. Lucas
Senior Vice President, Human Resources &
Communications

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.

3. Plan Freeze

Notwithstanding anything herein to the contrary, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31,

2015 shall not be used in determining benefits under the Plan, and service after December 31, 2019 shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under the 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 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.

3. Plan Freeze

Notwithstanding anything herein to the contrary, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015 shall not be used in determining the Incentive Benefit or benefits under the Plan, and service after December 31, 2019 shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under the 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 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 Plans Administration 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. 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.

LOCKHEED MARTIN SUPPLEMENTARY PENSION PLAN
FOR TRANSFERRED EMPLOYEES OF GE OPERATIONS

(Restated as of July 1, 2014)

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 part of the Lockheed Martin Corporation Salaried Employee Retirement Program) 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. The Qualified Pension Plan is being amended: (1) , effective January 1, 2016, to provide that pensionable earnings under the Qualified Pension Plan shall not include amounts earned for or relating to any period after December 31, 2015; and (2) effective January 1, 2020, to freeze credited service under the Qualified Pension Plan and to provide that no Qualified Pension Plan participant shall accrue credited service with respect to any period after December 31, 2019. The Plan is hereby amended and restated to confirm that these Qualified Pension Plan amendments shall carry through to any applicable provision in this Plan, including all Annexes and Appendices to the Plan. Accordingly, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015, shall not be used in determining benefits under the Plan, and service after December 31, 2019, shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under the Plan.

ARTICLE IIDEFINITIONS

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 II Program (“Retirement Income Plan”). All terms used in this Plan which are defined in the Retirement Income 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 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.

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, or December 31, 2015, 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, or December 31, 2019, 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, or December 31, 2019, 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. Notwithstanding the foregoing, Average Annual Compensation will be frozen effective as of January 1, 2016. Accordingly, for purposes of determining Average Annual Compensation, the term "years" above shall not include any period after December 31, 2015, and Average Annual Compensation shall not include amounts earned for or relating to any period after December, 31, 2015.

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. Notwithstanding the foregoing, Compensation will be frozen effective as of January 1, 2016. Accordingly, Compensation shall not include amounts earned for or relating to any period after December, 31, 2015.

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.

Notwithstanding the foregoing, a Participant's Credited Service shall be frozen effective January 1, 2020, and no Participant shall accrue further Credited Service under this Plan with respect to any period after December 31, 2019.

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. For the purposes of this paragraph, the term "120 completed months" shall not include any period after December 31, 2015.

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 55th 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 55th 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 55th 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.

J. Plan Freeze. Notwithstanding anything to the contrary in this Article IV, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015, shall not be used in determining benefits under the Plan, and service after December 31, 2019, shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under the Plan.

ARTICLE IVPAYMENT 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 VIAMENDMENT 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 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. 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 July 1, 2014, or such other date set forth herein for a particular provision.

Lockheed Martin Corporation has caused this instrument to be executed this 11th day of July, 2014.

LOCKHEED MARTIN CORPORATION

By: /s/ John T. Lucas
John T. Lucas
Senior Vice President, Human Resources &
Communications

APPENDIX ALOCKHEED MARTIN SUPPLEMENTARY PENSION PLAN
FOR TRANSFERRED EMPLOYEES OF GE OPERATIONS

(Effective July 1, 2014)

ARTICLE IPURPOSES 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 part of the Lockheed Martin Corporation Salaried Employee Retirement Program) 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. The Qualified Pension Plan was amended: (1) effective January 1, 2016, to provide that pensionable earnings under the Qualified Pension Plan shall not include amounts earned for or relating to any period after December 31, 2015; and (2) effective January 1, 2020, to freeze credited service under the Qualified Pension Plan and to provide that no Qualified Pension Plan participant shall accrue credited service with respect to any period after December 31, 2019. These Qualified Pension Plan amendments shall carry through to any applicable provision in this Plan, including all Annexes and Appendices to the Plan. Accordingly, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015, shall not be used in determining benefits under the Plan, and service after December 31, 2019, shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under the Plan.

ARTICLE IIDEFINITIONS

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"). All terms used in this Plan which are defined in the Retirement Income Plan II have the same meanings, unless otherwise expressly provided in this Plan.
10. **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, or December 31, 2019, 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, or December 31, 2019, 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. Notwithstanding the foregoing, Average Annual Compensation will be frozen effective as of January 1, 2016. Accordingly, for purposes of determining Average Annual Compensation, the term "years" above shall not include any period after December 31, 2015, and Average Annual Compensation shall not include amounts earned for or relating to any period after December, 31, 2015.

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. Notwithstanding the foregoing, Compensation will be frozen effective as of January 1, 2016. Accordingly, Compensation shall not include amounts earned for or relating to any period after December 31, 2015.

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.

Notwithstanding the foregoing, a Participant's Credited Service shall be frozen effective January 1, 2020, and no Participant shall accrue further Credited Service under this Plan with respect to any period after December 31, 2019.

B. 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:

- (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, 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.

D. 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:

- (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. For the purposes of this paragraph, the term "120 completed months" shall not include any period after December 31, 2015.

E. Survivor Benefits. Subject to Section F.(b), 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.

F. 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:

- (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 on the later of: (1) the Employee's 55th birthday, or (2) the Employee's date of death.
- (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) 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.

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.

(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.

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 unless the Committee makes such determination.

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. 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.

J. Plan Freeze. Notwithstanding anything in this Article III to the contrary, base rate of pay, bonuses or other incentive compensation, or other amounts earned for or relating to the period after December 31, 2015, shall not be used in determining benefits under the Plan, and service after December 31, 2019, shall not be considered, deemed to be, or otherwise treated as Credited Service or similar benefit accrual service in determining benefits payable under the Plan.

ARTICLE IVPAYMENT 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 VIAMENDMENT 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 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. 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.

**LOCKHEED MARTIN CORPORATION
NONQUALIFIED CAPITAL ACCUMULATION PLAN**

2014 Amendment No. 1

Lockheed Martin Corporation (the "Corporation") wishes to amend the Lockheed Martin Corporation Nonqualified Capital Accumulation Plan (the "NCAP" or the "Plan") in coordination with certain changes being made to certain qualified and non-qualified defined benefit pensions plans maintained by the Corporation. Accordingly, pursuant to a Resolution of the Board of Directors of the Corporation dated June 26, 2014 and the authority granted therein, the NCAP is amended as follows, effective as set forth herein.

1. Article II of the Plan (DEFINITIONS) is amended by revising Section 12 thereof (Definition of Eligible Employee) in its entirety to read as follows:

"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(s)(17) limit for a Year; or (iii) with respect to the period prior to January 1, 2016, 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 non-qualified deferred compensation plan or who are Section 16 Persons shall not be eligible to participate in this NCAP . Notwithstanding the foregoing, effective January 1, 2016, an employee who is a Section 16 Person is eligible to participate in the NCAP , provided such Section 16 Person otherwise satisfies the requirements for participation set forth in the Plan. Furthermore, for purposes of clarification, the fact that an employee has a benefit under a SERP Plan with respect to period prior to January 1, 2020 does not preclude participation in the NCAP with respect to the period after that date, provided such employee does not accrue further service or benefit under the SERP Plan for the period after January 1, 2020."

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.

2. ARTICLE II of the Plan is further revised by adding thereto the following new definitions at the end thereof:

“AUTOMATIC COMPANY CONTRIBUTION—The Contribution made by the Company under the Qualified SSP (or successor thereto) that is determined as a percentage of a participant’s Base Salary, and is not a Company Matching Contribution.”

“BASE SALARY—A Participant’s or Limited Scope Participant’s “Base Salary” as defined in the Qualified SSP.”

“LIMITED SCOPE PARTICIPANT—With respect to the period prior to January 1, 2020, a person whose Account consists solely of Supplemental Automatic Company Contributions.”

“NQSSP—The Lockheed Martin Corporation Supplemental Savings Plan.”

“QUALIFIED SSP—The Lockheed Martin Corporation Salaried Savings Plan.”

“SERP PLAN—The Lockheed Martin Corporation Supplemental Retirement Plan, the Lockheed Martin Supplementary Pension Plan for Transferred Employees of GE Operations, the Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation, and/or the Lockheed Martin Pilots Supplemental Retirement Plan.”

“SUPPLEMENTAL AUTOMATIC COMPANY CONTRIBUTION—with respect to an Eligible Employee and a Limited Scope Participant, an amount equal to the same percentage of his/her Base Salary that would have been contributed to the Qualified SSP on his/her behalf as an Automatic Company Contribution for the previous year if not for the limits under Code Section 415 and 401(a)(17) for the previous Year.”

3. Section 1. of Article III (Commencement of Participation) is revised in its entirety to read as follows:

“Commencement of Participation. An Eligible Employee of the Company shall become a Participant in the Plan on the first date a Contribution is credited to his Account in accordance with Article IV(2). A person who is not an Eligible Employee shall become a Limited Scope Participant on the first date a Supplemental Automatic Contribution is credited to his Account.”

4. Section 2. Of Article III (Cessation of Eligibility While Still an Employee) is revised in its entirety to read as follows:

"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) with respect to period before January 1, 2016, the employee becomes a Section 16 Person. Following the 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."

5. Section 1 of Article IV (Amount of Contributions) is revised in its entirety to read as follows:

"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 previous Year if not for the application of the limits under Code sections 415 and 401(a)(17) for the previous Year; and
- b. with respect to the period before January 1, 2016, an amount equal to a Participant's Incentive Compensation paid during the Year multiplied by the percentage that is used for calculating Company contributions to the Participant's account (if any) in the Qualified CAP in the Year in which the Incentive Compensation is earned (as opposed to paid); and
- c. The Supplemental Automatic Company Contribution, except to the extent an equivalent amount is contributed to the NQSSP.

6. Section 2 of Article IV (Crediting of Contributions) is revised by adding the following additional sentence at the end thereof:

"Contributions made pursuant to Article IV(1) (c) shall be credited to an Account for the Eligible Employee or the Limited Purpose Participant, as applicable, no later than March 15 of the Year following the Year in which the Automatic Company Contributions reached the applicable Code limits."

7. Section 3 of Article IV (Vesting of Contributions) is revised by adding the following additional paragraph at the end thereof:

“Effective July 1, 2016, a Participant or Limited Scope Participant who is an active employee shall be 100% vested in his Account.”

IN WITNESS WHEREOF, Lockheed Martin Corporation has caused this instrument to be executed this 11th day of July, 2014.

LOCKHEED MARTIN CORPORATION

By: /s/ John T. Lucas

John T. Lucas
Senior Vice President, Human Resources
& Communications

**Acknowledgment of Ernst & Young LLP,
Independent Registered Public Accounting Firm**

Board of Directors
Lockheed Martin Corporation

We are aware of the incorporation by reference of our report dated July 23, 2014, relating to the unaudited consolidated interim financial statements of Lockheed Martin Corporation that is included in its Form 10-Q for the quarter ended June 29, 2014, in the following Registration Statements of Lockheed Martin Corporation:

- 33-58073, 33-58077, 33-58079, and 333-58097 on Form S-8, each 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;
- 333-146963 on Form S-8, dated October 26, 2007;
- 333-155687 on Form S-8, dated November 25, 2008;
- 333-162716 on Form S-8, dated October 28, 2009;
- 333-155684 on Form S-8 (Post-Effective Amendment No. 1), dated August 23, 2011;
- 333-176440 on Form S-8, dated August 23, 2011;
- 333-176446 on Form S-3, dated August 23, 2011;
- 333-178173 on Form S-3, dated November 23, 2011;
- 333-188118 on Form S-8, dated April 25, 2013; and
- 333-195466 on Form S-8, dated April 24, 2014.

/s/ Ernst & Young LLP

McLean, Virginia
July 23, 2014

**CERTIFICATION OF MARILLYN A. HEWSON PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Marillyn A. Hewson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 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/ Marillyn A. Hewson
Marillyn A. Hewson
Chief Executive Officer

Date: July 23, 2014

**CERTIFICATION OF BRUCE L. TANNER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bruce L. Tanner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 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
Chief Financial Officer

Date: July 23, 2014

CERTIFICATION OF MARILLYN A. HEWSON AND BRUCE L. TANNER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lockheed Martin Corporation (the "Corporation") on Form 10-Q for the quarter ended June 29, 2014, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Marillyn A. Hewson, Chief Executive Officer of the Corporation, and I, Bruce L. Tanner, Chief Financial Officer of the Corporation, each 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/ Marillyn A. Hewson

Marillyn A. Hewson

Chief Executive Officer

/s/ Bruce L. Tanner

Bruce L. Tanner

Chief Financial Officer

Date: July 23, 2014