
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported)—January 26, 2006

LOCKHEED MARTIN CORPORATION

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of Incorporation)

1-11437
(Commission File Number)

52-1893632
(IRS Employer
Identification No.)

6801 Rockledge Drive, Bethesda, Maryland 20817
(Address of principal executive offices) (Zip Code)

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

Not Applicable
(Former name or address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement

Lockheed Martin Corporation's executive officers receive annual cash compensation in the form of base salary and annual incentive compensation. They also receive long-term compensation – which may include stock options, restricted stock units, restricted stock awards, or long term performance awards, each of which may be subject to performance-based and time-based vesting requirements. None of the Corporation's executive officers have employment agreements. All executive officers are at will employees and serve at the pleasure of the Board of Directors.

The Management Development and Compensation Committee and the Stock Option Subcommittee (together the "Committee") of the Board of Directors oversees and reviews the Corporation's executive compensation policies and programs and approves the form and amount of compensation to be paid to executive officers. The Committee is independent and consists entirely of Board members who are neither officers nor employees of Lockheed Martin or its subsidiaries.

Base Salary. The Committee evaluates each individual executive's base salary by reference to the median for base salary of comparable executive positions from a group of 25 publicly held companies (referred to as our "Comparator Group") of a size, complexity and quality similar to that of the Corporation. The Committee has discretion to set an individual executive's actual base salary above or below the median of the Comparator Group.

The Committee historically had evaluated the base salaries of the Corporation's executive officers in September of each year. In September of 2005, the Committee determined to review base salaries in the first quarter of each year to coincide with annual incentive compensation awards. As a result of the Committee's review, the base salary for each named executive officer of the Corporation will increase effective as of February 27, 2006, as detailed in Exhibit 99.1

Annual Incentive Compensation. The Management Incentive Compensation Plan ("MICP") provides an opportunity for executives to earn additional cash compensation based on the Committee's assessment of performance measured against individual and organizational goals. Participation in the MICP is granted, in the Committee's discretion, to key employees who are positioned to contribute significantly to the success of the Corporation. The Committee also considers subjective criteria, such as the accomplishment of pre-established individual performance goals and contributions to operational performance, as well as the individual's implementation and adherence to our policy on ethics and standards of conduct, customer satisfaction, teamwork, and retention and development of key personnel.

Each of the named executive officers is assigned a targeted percentage (ranging from 65 percent to 125 percent) of base salary determined by the level of importance and responsibility of the participant's position in the Corporation. The target percentages are in a range that is comparable to annual incentive targets for similar positions in the Comparator Group. The amount of incentive compensation generated by the target percentage is adjusted upwards or downwards after assessment of corporate performance, as well as an individual's contribution to that performance. Following adjustment for organizational and individual performance ratings, the bonuses payable under the MICP to participants can range from 0 to 195 percent of the targeted percentage.

Corporate performance is assessed based on a comparison to the Corporation's long-range plan, as established at the end of the prior year and other standard measures of financial performance such as orders, sales, earnings, cash generation and return on invested capital. Contract performance, percentage of contract award fees earned, rate and dollar value of new business won, backlog,

achievement of cost savings under the LM21 Program, level of profit margin and inter-company sales and earnings may be taken into account. Non-financial performance factors such as mission success, workplace safety and health, workforce diversity and strategic initiatives also are considered. Management's assessment of performance relative to identified criteria is reviewed with the Committee. Selection of criteria and weighting of the various criteria in determining adjustments is within the discretion of the Committee.

The Committee approved the payment of cash incentive bonuses under the MICP to the named executive officers of the Corporation for the year ended December 31, 2005 in the amounts set forth on Exhibit 99.1. Executives may elect to defer all or a portion of their bonus awards and invest in stock units that track the performance of the Corporation's common stock, or in an interest-bearing investment option, under the Corporation's Deferred Management Incentive Compensation Plan.

Long-Term Compensation. For 2006, following a review of recent trends in executive compensation, the Committee decided to change the long-term incentive compensation program, so that executive officers and selected key employees would receive a combination of stock options, restricted stock units ("RSUs") and long-term incentive performance ("LTIP") awards. Historically, stock options had served as the primary vehicle for equity grants to key employees under the Corporation's Amended and Restated 2003 Incentive Performance Award Plan, and a limited number of corporate officers were eligible for LTIP awards. The value of each component of long-term compensation generally is based on an assigned economic value for the position and is expressed as multiple of base salary. RSUs were added as a new component of long-term compensation, and the relative weighting of stock options was reduced, for the 2006 awards. In deciding to rely less heavily on stock options, the Committee considered changes in accounting rules that require that stock options be expensed as of January 1, 2006, compensation trends at other companies, and the fact that stock options are comparatively more dilutive to earnings than RSUs. The Committee approved the grant of stock options, RSUs and LTIP target awards to the named executive officers for 2006 in the amounts set forth on Exhibit 99.1.

Stock options were awarded to named executive officers and other key personnel for 2006. Stock options have an exercise price equal to the closing market price of our common stock on the date of grant and are subject to a three-year vesting schedule.

RSUs are payable in shares of the Corporation's stock on the third anniversary of the grant, except in the case of termination due to death, disability, layoff, retirement, divestiture or change of control. Grants to the named executives and a limited number of other executives contain a performance goal with a one-year measurement period. For the 2006 RSU awards, the Committee will compare the value of a recipient's RSUs on the day of grant to a performance goal determined based on a specified percentage (0.40% for the CEO and 0.04% for other executives) of the Corporation's cash flow calculated per the terms of the RSU award agreement. To the extent that the value of the RSUs on the date of grant exceeds the performance goal, the participant will forfeit a number of RSUs equal to the value of the performance shortfall. A more complete description of the RSU award terms is set forth in the form of RSU award agreement for named executive officers filed as Exhibit 99.2. The 2006 RSU award to Robert J. Stevens, the Corporation's Chairman, President and Chief Executive Officer, includes extended vesting terms for a portion of the RSUs awarded for retention purposes. Mr. Stevens' award agreement is filed as Exhibit 99.3.

Under the Long-Term Incentive Performance ("LTIP") Award program, the Committee has discretion to determine a dollar target amount (the "Target Award") for each recipient. At the end of a specified performance period, the actual cash award a participant would be eligible to receive may be larger or smaller than the Target Award, or no award at all, depending on whether performance goals are attained over the measurement period.

Award payments may range from 0 percent to 200 percent of the Target Award. To the extent any payment is made at the end of the performance period, 50 percent is payable in cash and 50 percent is deferred automatically as stock units that track the performance of the Corporation's common stock for a period of two years. The allocation between the percent paid in cash and the percent deferred may be adjusted to satisfy plan limitations.

In the past, LTIP award payouts were based on the Corporation's total stockholder return relative to the total stockholder return of companies that comprise the S&P 500 over a three-year performance period. Based on the Corporation's relative total stockholder return to the S&P 500, over the 2003-2005 performance cycle applicable to the 2003 Target Awards, the Committee determined that the performance criteria were not met, and no LTIP awards were paid.

For the 2006 Target Awards, an individual's award at the end of the three-year performance period (2006-2008) will be based on the Corporation's performance as measured against both external and internal performance factors. External performance will be measured by comparing the Corporation's total stockholder return to the companies that comprise the S&P Industrials Index as reported by Bloomberg L.P. The internal performance factor will be weighted on a 50-50% basis to take into account the change in the Corporation's return on invested capital ("ROIC") and the Corporation's cash from operations during the performance cycle, in each case, per the terms of the award agreement. The 2006 Target Awards for the named executive officers are set forth on Exhibit 99.1. A more complete description of the 2006 LTIP award terms is set forth in the form of LTIP award agreement for named executive officers filed as Exhibit 99.4.

Both the RSU and LTIP awards to the named executive officers are intended to meet the requirements of Section 162(m) of the Internal Revenue Code with the result that the amounts paid would not be subject to the \$1 million cap on the Corporation's federal income tax deduction for compensation paid to each of the top five most highly-compensated executives. The stock option grants also are intended to meet the requirements of Section 162(m).

The Corporation intends to provide additional information regarding other compensation awarded to the named executive officers in respect of and during the year ended December 31, 2005 in the proxy statement for its 2006 annual meeting of stockholders, which is expected to be filed with the SEC in March 2006. In addition to the awards to named executive officers described in this report, other executive officers and key employees of the Corporation were eligible to participate in and received cash incentive bonuses, stock options, RSUs and LTIP target awards in amounts determined by the Committee under the MICP and 2003 Incentive Performance Award Plan.

Item 9.01 Financial Statements and Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Salary and Incentive Compensation Information for Named Executive Officers
99.2	Form of Restricted Stock Unit Agreement
99.3	Restricted Stock Unit Agreement for Robert J. Stevens, dated February 1, 2006
99.4	Form of Long-Term Incentive Performance Award Agreement

SIGNATURES

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

LOCKHEED MARTIN CORPORATION

/s/ David A. Dedman

David A. Dedman
Associate General Counsel

February 1, 2006

Lockheed Martin Corporation

Salary and Incentive Compensation Information for Named Executive Officers

Named Executive Officer ¹	Base Salary effective as of 02/27/06 ²	2005 MICP Bonus Award	2006 Stock Option Award ³ (# underlying shares)	2006 RSU Award ⁴ (# underlying shares)	LTIP Target Award 2006-2008 Performance Period ⁵	LTIP Payout 2003-2005 Performance Period
Robert J. Stevens	\$ 1,480,000	\$ 3,250,000	300,000	132,000	\$ 4,300,000	\$0
Robert B. Coutts	825,000	1,102,700	43,500	7,000	850,000	0
Christopher E. Kubasik	745,000	954,300	36,000	8,500	700,000	0
Michael F. Camardo	702,000	913,500	36,000	5,500	750,000	0
G. Thomas Marsh	679,000	896,300	0	0	850,000	0
Frank H. Menaker ⁶	N/A	893,500	N/A	N/A	N/A	0

¹ Consistent with SEC rules, the named executive officers reflected include: (i) the individuals serving as Chief Executive Officer of the Corporation during 2005; (ii) the four most highly compensated executive officers other than the CEO; and (iii) up to two additional individuals for whom disclosures would have been provided but for the fact that the person was not serving as an executive officer of the Corporation at the end of 2005.

² The percentage increase in base salary (rounded to the nearest whole percentage) over the prior base salary for each of the named executive officers was: Mr. Stevens (7%); Mr. Coutts (6%); Mr. Kubasik (10%); Mr. Camardo (5%); and Mr. Marsh (7%).

³ Stock options have an exercise price equal to the closing market price of our common stock on the date of grant (February 1, 2006) and are subject to a three-year vesting schedule.

⁴ RSUs are payable in shares of the Corporation's stock on the third anniversary of the grant, subject to reduction based on the Corporation's cash from operations performance in the year of grant. Of the RSUs awarded to Mr. Stevens, 92,000 have an extended vesting schedule for retention purposes.

⁵ LTIP award payments may range from 0 percent to 200 percent of the Target Award, based on performance factors over the 2006-2008 performance period. To the extent any payment is made at the end of the performance period, 50 percent is payable in cash and 50 percent is deferred automatically as stock units that track the performance of the Corporation's common stock for a period of two years.

⁶ Mr. Menaker served as Senior Vice President and General Counsel until October 1, 2005 and retired on February 1, 2006.

Date

Award Date:

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

Dear _____:

The Stock Option Subcommittee of the Board of Directors (“Subcommittee”) has awarded you [] Restricted Stock Units (“RSUs”). Each RSU entitles you, upon satisfaction of the continued employment and other requirements set forth in this letter, to receive from Lockheed Martin Corporation (“Corporation”) (i) one (1) share of the Corporation’s common stock, par value \$1.00 per share, (“Stock”); and (ii) quarterly cash payments equivalent to any cash dividends paid to stockholders of the Company, each in accordance with the terms of this letter, the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (“Plan”), and any rules and procedures adopted by the Subcommittee.

This letter constitutes the Award Agreement for your RSUs and sets forth some of the terms and conditions of your award under the Plan, as determined by the Subcommittee. Additional terms and conditions are described in the Plan and in the Prospectus relating to the Plan of which the Plan and this Award Agreement are a part. In the event of a conflict between this letter and the Plan, the Plan document will control. The Prospectus is available at <http://www.etrade.com/stockplans>.

Capitalized terms not defined in this Agreement will have the meaning ascribed to them in the Plan. The term Restricted Stock Unit or RSU as used in this Award Agreement refers only to the Restricted Stock Units awarded to you under this Award Agreement.

CONSIDERATION FOR AWARD

The consideration for the Restricted Stock Units is your continued service to the Corporation as a full-time employee during the Restricted Period set forth below. If you do not continue to perform services for the Corporation as a full-time employee during the entire Restricted Period, your award will be forfeited in whole or in part.

Your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt or returning an executed copy of this Award Agreement to the Office of the Vice President and Corporate Secretary (Mail Point 207, Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, MD 20817) as soon as possible. Acceptance of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this award. The Committee has authorized electronic means for the signature, delivery and acceptance of this Award Agreement.

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

For your acceptance to be effective and for the award to be enforceable, you must return your acknowledgment (either in written form or by electronic receipt) within thirty (30) calendar days from the date of this letter. If your acknowledgement is not received within sixty (60) calendar days, this Restricted Stock Unit award will be void and of no effect and the Stock that would have been issued pursuant to the Award will remain for future grants and awards under the Plan.

RIGHTS OF OWNERSHIP/RESTRICTIONS ON TRANSFER

During the Restricted Period, your RSUs will be subject to forfeiture. Until the Restricted Period ends with respect to a particular RSU and a share of Stock is delivered to you, you generally will not have the rights and privileges of a stockholder. In particular, you will not have the right to vote your RSUs on any matter put to the stockholders of the Corporation and you may not sell, transfer, assign, pledge, use as collateral or otherwise dispose of or encumber RSUs. You will, however, have the right to receive a cash payment for each RSU equivalent to the cash dividend paid to stockholders on a share of Stock at the time the corresponding dividend is paid to stockholders and this right continues until the expiration of the Restricted Period and until the date that Stock is deliverable to you.

Upon expiration or termination of the Restricted Period with respect to your RSUs, and subject to the forfeiture provisions set forth below, each RSU for which the restrictions have lapsed will be exchanged for a certificate evidencing one (1) share of Stock issued in your name (or other name(s) designated by you). Your shares will be delivered to you as soon as practicable upon the expiration or termination of the Restricted Period. In the event Code section 409A(a)(2)(B)(i) applies because you are a key employee receiving a distribution on account of a termination of employment, delivery of stock may be delayed for six months from such date; similarly, if you are an Insider subject to the reporting provisions of Section 16(a) of the Securities Exchange Act of 1934, delivery of Stock following the expiration of the Restricted Period for any reason may be delayed for six months. The certificates delivered to you may contain any legend the Corporation determines is appropriate under the securities laws. At the time the Restricted Period for your RSUs terminates, the Corporation is required to collect from you the appropriate amount of federal, state and local taxes. The Corporation may be required to collect FICA taxes from you prior to the termination of the Restricted Period if you become eligible for retirement prior to the termination of that period. In this regard, please see "Timing of Taxation and Withholding" below.

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

You have the right to designate a beneficiary (or beneficiaries) to receive your shares in exchange for your RSUs in the event of your death during the Restricted Period by completing a beneficiary designation form available from the Plan's website at <http://www.etrade.com/stockplans> and returning it to the Corporate Secretary's Office at the following address:

Ms. Lillian M. Trippett
Vice President and Corporate Secretary
Lockheed Martin Corporation
Mail Point 200-10
6801 Rockledge Drive
Bethesda, Maryland 20817

If, at your death, a completed beneficiary designation form is not on file at the Corporate Secretary's Office (or if your designated beneficiary predeceases you), the Stock in respect of your RSUs will be transferred to the personal representative of your estate.

RESTRICTED PERIOD, FORFEITURE

The vesting of the RSUs awarded under this Award Agreement is subject to satisfaction of a performance goal as well as your continued employment with the Corporation from the Award Date until [] (the "Restricted Period"). If either of these requirements is not satisfied you may forfeit all or part of your RSUs. Upon forfeiture, you will no longer have the right to receive Stock for forfeited RSUs or to receive cash payments as dividend equivalents.

1. Performance Goal

Shortly after the Corporation finalizes the financial results for the year ending December 31, 2006, the Subcommittee will multiply the number of RSUs awarded to you under this Award Agreement by the Fair Market Value of Stock on the Award Date [(\$_____)] ("RSU Award Value"). The Subcommittee will then compare your RSU Award Value to the product of [.040%] and the Corporation's Cash Flow for the year ending December 31, 2006 (with the product being referred to as the "RSU Performance Goal"). If your RSU Award Value exceeds your RSU Performance Goal (with the amount of that excess referred to as the "Performance Shortfall") then you will forfeit the number of whole RSUs that are equal to the Performance Shortfall divided by the Fair Market Value of Stock on the Award Date [(\$_____)].

For purposes of this Award Agreement, Cash Flow for any period means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's [] Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the period and the actual amounts contributed by the Corporation during the period; and (ii) any tax payments or tax benefits during the period associated with the divestiture of business units. Cash Flow shall be determined by the Subcommittee based upon the comparable numbers reported on the Corporation's audited

consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Subcommittee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows, in either case as modified by this paragraph.

2. Employment Requirement

Regardless of the satisfaction of the RSU Performance Goal, all of your RSUs will be forfeited and all of your rights to the RSUs and to receive Stock for your RSUs will cease without further obligation on the part of the Corporation unless you continue to provide services to the Corporation as a regular full-time Employee of the Corporation until the expiration or termination of the Restricted Period, which will occur on [], subject only to the specific exceptions provided below.

DEATH, DISABILITY, LAYOFF

1. Death and Disability

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

- (i) you die while still employed by the Corporation as a full time employee; or
- (ii) you terminate employment as a result of becoming totally disabled as evidenced by commencement of benefits under the Corporation's long-term disability plan in which you are enrolled (or, if you are not a participant of the long-term disability plan, when you would have been eligible for benefits using the standards set forth in that plan).

The vested RSUs will be exchanged for shares of Stock as soon as practicable following the date of your termination of employment on account of death or disability, but in no event later than the March 15 next following the year in which such termination occurs.

2. Lay Off

If you are laid off prior to [], you will forfeit all of your RSUs in accordance with the general rule requiring continued employment during the Restricted Period. If, however, you are laid off on or after [], your RSUs will continue to be subject to forfeiture to the extent of any Performance Shortfall certified by the Subcommittee on or after such date; however, you will not be subject to the continued employment requirement and, subject to any Performance Shortfall that may occur, the Restricted Period will end for a portion of your RSUs and you will vest in your RSUs as follows:

[Insert Vesting Schedule]

The vested RSUs will be exchanged for shares of Stock as soon as practicable following your layoff, but in no event later than the March 15 next following the year in which you are laid off. You will forfeit your remaining RSUs on the date you are laid off.

RETIREMENT

If your retirement is effective before [], you will forfeit all of your RSUs in accordance with the general rule set forth above. If you retire with an effective date on or after [], your RSUs will continue to be subject to forfeiture to the extent of any Performance Shortfall certified by the Subcommittee on or after such date; however, you will not be subject to the continued employment requirement and, subject to any Performance Shortfall that may occur, the Restricted Period will end for a portion of your RSUs and you will vest in a portion of your RSUs as follows:

[Insert Vesting Schedule]

The vested RSUs will be exchanged for shares of Stock as soon as practicable following your retirement, but in no event later than the March 15 next following the year in which you retire. You will forfeit the remaining RSUs on the date of your termination of employment. For purposes of this provision, the term “retirement” means retirement from service under the terms of the Corporation’s defined benefit pension plan in which you are a participant or following attainment of age 55 and five years of service if you do not participate in one of the Corporation’s defined benefit pension plans.

RESIGNATION OR TERMINATION WITH OR WITHOUT CAUSE

If you resign or your employment otherwise terminates before [], other than on account of death, disability, layoff, or retirement, whether voluntarily or by action of the Corporation and in the latter case whether with or without “cause,” you will forfeit your RSUs on the date of your termination.

DIVESTITURE

Notwithstanding the foregoing, if the Corporation divests (as defined below) all or substantially all of a business operation of the Corporation and such divestiture results in the termination of your employment with the Corporation or its subsidiaries and the transfer of such employment to the other party to the divestiture, the special rules in this paragraph will apply. Your RSUs will vest immediately and you will receive shares of Stock in exchange for RSUs as soon as practicable following your termination of employment with the Corporation, but in no event later than the March 15 next following the year in which your employment terminates. For the purposes of this provision, the term “divestiture” shall mean a transaction which results in the transfer of control of the business operation divested to any person, corporation, association, partnership, joint venture, limited liability company or other business entity of which less than 50% of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled directly or indirectly by the Corporation, by one or more of the Corporation’s subsidiaries or by a combination thereof.

CHANGE IN CONTROL

In the event your employment is terminated by the Corporation (or its successor) following a Change in Control, your RSUs will vest and the Restricted Period shall terminate on the date of your termination following the Change in Control. You will vest in your entire Award under this Agreement and without regard to any forfeiture that might otherwise occur because of a Performance Shortfall.

CHANGES IN CAPITALIZATION

In the event of a stock split, stock dividend or other similar action resulting in additional shares of Stock being issued to existing stockholders during the Restricted Period or in the event of a reverse stock split resulting in a contraction in the number of shares outstanding during the Restricted Period, the number of your RSUs will be adjusted in the same manner as if you held actual shares of Stock.

TIMING OF TAXATION AND WITHHOLDING

Upon the expiration or termination of the Restricted Period, the Fair Market Value of the Stock deliverable to you in respect of the RSUs will be taxable to you as compensation income, based on the Fair Market Value of Stock on the day the Stock is deliverable to you, and withholding of Federal, state, and local taxes will apply at the minimum rate prescribed by law.

FICA tax withholding also will apply except to the extent FICA taxes have already been collected in the case of retirement-eligible employees as described below. (If Code section 409A(a)(2)(B)(i) applies because you are a key employee receiving Stock on account of a termination of employment or if you are an Insider, your Stock may not be deliverable to you for six months following such date of termination and, accordingly, the Fair Market Value of the Stock on that date shall be used for purposes of determining your compensation income.)

Your tax basis in shares of Stock delivered to you in respect of the RSUs will be equal to the Fair Market Value of such shares on the day the Stock is deliverable to you. Your holding period for purposes of determining long-term capital gain or loss treatment on any subsequent sale of such Stock will begin on that day.

You will be deemed to have elected to pay any withholding tax on Stock deliverable to you by means of the Corporation's reducing the number of RSUs and shares of Stock deliverable to you in respect of vested RSUs, based upon the minimum rate of withholding prescribed by law.

Any cash paid to you as dividend equivalents with respect to RSUs during the Restricted Period will be taxable to you as compensation income and subject to withholding of Federal, state and local income taxes, and FICA taxes.

In the event you are or become eligible for retirement during the Restricted Period, a portion of your Award will become subject to FICA taxes prior to the termination of the Restricted Period, and FICA taxes will be withheld with respect to the number of RSUs on which the Restricted Period would terminate if you were to retire. FICA taxes will be computed based upon the Fair Market Value of the Stock on the date of withholding. For example, if you are eligible to retire during the Restricted Period, then you would become subject to FICA taxes on the later of the first anniversary of the Award Date or the date that you become retirement eligible, and FICA taxes would be withheld even though Stock would not be deliverable to you until the close of the Restricted Period. The Corporation will withhold such FICA tax from your regular wages or MICP payment. The Corporation may collect the FICA withholding from you either shortly before or after the date it is due and in the case of Insiders may require delivery of a check to satisfy any shortfall in the withholding.

Since we will withhold at the minimum rate prescribed by law for these awards, you may owe additional taxes as a result of the termination or expiration of the Restricted Period.

AMENDMENT AND TERMINATION OF PLAN OR AWARDS

As provided in Section 9 of the Plan, subject to certain limitations contained within Section 9, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Subcommittee may at any time alter or amend all Award Agreements under the Plan. Notwithstanding Section 9 of the Plan, no such amendment, suspension or discontinuance of the Plan or alteration or amendment of Award Agreements will, except with your express written consent, adversely affect your rights under this Award Agreement. This Award Agreement shall

not be amended or interpreted in a manner that is reasonably believed to result in the imposition of tax under Code section 409A. Your receipt of Stock shall be delayed six months from such date of termination of employment if you are a key employee and such delay is required by Code section 409A(a)(2)(B)(i).

MISCELLANEOUS

Nothing contained in this Award Agreement shall confer upon you any right of continued employment by the Corporation or guarantee that any future awards will be made to you under the Plan. In addition, nothing in this Award Agreement limits in any way the right of the Corporation to terminate your employment at any time. The value of the RSUs awarded to you will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits. Notwithstanding any other provision of the Award Agreement to the contrary, no Stock will be issued to you within six (6) months from the Award Date.

The Corporation recommends that Insiders consult with the Office of the General Counsel or the Office of the Corporate Secretary before entering into any transactions involving Stock even after the expiration or termination of the Restricted Period.

You must execute one copy of this Award Agreement and return it to the Office of the Corporate Secretary either by electronic receipt or by delivery to the Corporate Secretary at the address noted at the beginning of this Award Agreement. Execution of this Award Agreement constitutes your consent to and acceptance of the terms of the Plan and the provisions of this Award Agreement.

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from the Plan's intranet site <http://www.etrade.com/stockplans> as well as to electronic delivery of the Corporation's annual report on Form 10-k, annual proxy and quarterly reports on Form 10-Q. This consent can only be withdrawn by written notice to the Corporate Secretary at the address noted above.

Sincerely,

Lillian M. Trippett
(On behalf of the Subcommittee)

Acknowledgement: _____
(Signature & Date)

Date

Date

Award Date: February 1, 2006

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

Dear Robert J. Stevens:

The Stock Option Subcommittee of the Board of Directors ("Subcommittee") has awarded you 132,000 Restricted Stock Units ("RSUs"). Each RSU entitles you, upon satisfaction of the continued employment and other requirements set forth in this letter, to receive from Lockheed Martin Corporation ("Corporation") (i) one (1) share of the Corporation's common stock, par value \$1.00 per share, ("Stock"); and (ii) quarterly cash payments equivalent to any cash dividends paid to stockholders of the Company, each in accordance with the terms of this letter, the Lockheed Martin Corporation 2003 Incentive Performance Award Plan ("Plan"), and any rules and procedures adopted by the Subcommittee.

This letter constitutes the Award Agreement for your RSUs and sets forth some of the terms and conditions of your award under the Plan, as determined by the Subcommittee. Additional terms and conditions are described in the Plan and in the Prospectus relating to the Plan of which the Plan and this Award Agreement are a part. In the event of a conflict between this letter and the Plan, the Plan document will control. The Prospectus is available at <http://www.etrade.com/stockplans>.

Capitalized terms not defined in this Agreement will have the meaning ascribed to them in the Plan. The term Restricted Stock Unit or RSU as used in this Award Agreement refers only to the Restricted Stock Units awarded to you under this Award Agreement.

CONSIDERATION FOR AWARD

The consideration for the Restricted Stock Units is your continued service to the Corporation as a full-time employee during the Restricted Period set forth below. If you do not continue to perform services for the Corporation as a full-time employee during the entire Restricted Period, your award will be forfeited in whole or in part.

Your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt or returning an executed copy of this Award Agreement to the Office of the Vice President and Corporate Secretary (Mail Point 207, Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, MD 20817) as soon as possible. Acceptance of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this award. The Committee has authorized electronic means for the signature, delivery and acceptance of this Award Agreement.

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

For your acceptance to be effective and for the award to be enforceable, you must return your acknowledgment (either in written form or by electronic receipt) within thirty (30) calendar days from the date of this letter. If your acknowledgement is not received within sixty (60) calendar days, this Restricted Stock Unit award will be void and of no effect and the Stock that would have been issued pursuant to the Award will remain for future grants and awards under the Plan.

RIGHTS OF OWNERSHIP/RESTRICTIONS ON TRANSFER

During the Restricted Period, your RSUs will be subject to forfeiture. Until the Restricted Period ends with respect to a particular RSU and a share of Stock is delivered to you, you generally will not have the rights and privileges of a stockholder. In particular, you will not have the right to vote your RSUs on any matter put to the stockholders of the Corporation and you may not sell, transfer, assign, pledge, use as collateral or otherwise dispose of or encumber RSUs. You will, however, have the right to receive a cash payment for each RSU equivalent to the cash dividend paid to stockholders on a share of Stock at the time the corresponding dividend is paid to stockholders and this right continues until the expiration of the Restricted Period and until the date that Stock is deliverable to you.

Upon expiration or termination of the Restricted Period with respect to your RSUs, and subject to the forfeiture provisions set forth below, each RSU for which the restrictions have lapsed will be exchanged for a certificate evidencing one (1) share of Stock issued in your name (or other name(s) designated by you). Your shares will be delivered to you as soon as practicable upon the expiration or termination of the Restricted Period. In the event Code section 409A(a)(2)(B)(i) applies because you are a key employee receiving a distribution on account of a termination of employment, delivery of stock may be delayed for six months from such date; similarly, if you are an Insider subject to the reporting provisions of Section 16(a) of the Securities Exchange Act of 1934, delivery of Stock following the expiration of the Restricted Period for any reason may be delayed for six months. The certificates delivered to you may contain any legend the Corporation determines is appropriate under the securities laws. At the time the Restricted Period for your RSUs terminates, the Corporation is required to collect from you the appropriate amount of federal, state and local taxes. The Corporation may be required to collect FICA taxes from you prior to the termination of the Restricted Period if you become eligible for retirement prior to the termination of that period. In this regard, please see "Timing of Taxation and Withholding" below.

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

You have the right to designate a beneficiary (or beneficiaries) to receive your shares in exchange for your RSUs in the event of your death during the Restricted Period by completing a beneficiary designation form available from the Plan's website at <http://www.etrade.com/stockplans> and returning it to the Corporate Secretary's Office at the following address:

Ms. Lillian M. Trippett
Vice President and Corporate Secretary
Lockheed Martin Corporation
Mail Point 200-10
6801 Rockledge Drive
Bethesda, Maryland 20817

If, at your death, a completed beneficiary designation form is not on file at the Corporate Secretary's Office (or if your designated beneficiary predeceases you), the Stock in respect of your RSUs will be transferred to the personal representative of your estate.

RESTRICTED PERIOD, FORFEITURE

The vesting of the RSUs awarded under this Award Agreement is subject to satisfaction of a performance goal as well as your continued employment with the Corporation from the Award Date until the dates noted below under item 2, "Employment Requirement" (the "Restricted Period"). If either of these requirements is not satisfied you may forfeit all or part of your RSUs. Upon forfeiture, you will no longer have the right to receive Stock for forfeited RSUs or to receive cash payments as dividend equivalents.

1. Performance Goal

Shortly after the Corporation finalizes the financial results for the year ending December 31, 2006, the Subcommittee will multiply the number of RSUs awarded to you under this Award Agreement by the Fair Market Value of Stock on the Award Date [(\$_____)] ("RSU Award Value"). The Subcommittee will then compare your RSU Award Value to the product of 0.40% and the Corporation's Cash Flow for the year ending December 31, 2006 (with the product being referred to as the "RSU Performance Goal"). If your RSU Award Value exceeds your RSU Performance Goal (with the amount of that excess referred to as the "Performance Shortfall") then you will forfeit the number of whole RSUs that are equal to the Performance Shortfall divided by the Fair Market Value of Stock on the Award Date [(\$_____)].

For purposes of this Award Agreement, Cash Flow for any period means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2006 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the period and the actual amounts contributed by the Corporation during the period; and (ii) any tax payments or tax benefits during the period associated with the divestiture of business units. Cash Flow shall be

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

2. Employment Requirement

Regardless of the satisfaction of the RSU Performance Goal and subject only to the specific exceptions noted below, all or a portion of your RSUs will be forfeited and your right to receive Stock for your forfeited RSUs will cease without further obligation on the part of the Corporation unless you continue to provide services to the Corporation as a regular full-time Employee of the Corporation until the expiration or termination of the Restricted Period, which will occur on September 8, 2016, as follows:

(a) if you remain employed by the Corporation until February 1, 2009, you will vest in 40,000 RSUs and the Restricted Period will terminate with respect to those RSUs. Following February 1, 2009, the Restricted Period will continue to apply to 92,000 RSUs;

(b) if you remain employed by the Corporation until your 60th birthday on September 8, 2011, you will vest in 55,200 RSUs on that date and the Restricted Period will terminate with respect to those RSUs. Following September 8, 2011 the Restricted Period will continue to apply to 36,800 RSUs.

(c) if you remain employed by the Corporation until your 61st birthday on September 8, 2012, you will vest in 7,360 RSUs on that date and the Restricted Period will terminate with respect to those RSUs. Following September 8, 2012, the Restricted Period will continue to apply to 29,440 RSUs.

(d) if you remain employed by the Corporation until your 62nd birthday on September 8, 2013, you will vest in 7,360 RSUs on that date and the Restricted Period will terminate with respect to those RSUs. Following September 8, 2013, the Restricted Period will continue to apply to 22,080 RSUs.

(e) if you remain employed by the Corporation until your 63rd birthday on September 8, 2014, you will vest in 7,360 RSUs on that date and the Restricted Period will terminate with respect to those RSUs. Following September 8, 2014, the Restricted Period will continue to apply to 14,720 RSUs.

(f) if you remain employed by the Corporation until your 64th birthday on September 8, 2015, you will vest in 7,360 RSUs on that date and the Restricted Period will end with respect to those RSUs. Following September 8, 2015, the Restricted Period will continue to apply to 7,360 RSUs.

(g) if you remain employed by the Corporation until your 65th birthday on September 8, 2016, the Restricted Period will end on that date and you will vest in 7,360 RSUs. Following September 8, 2016, the Restricted Period will have lapsed with respect to all of your RSUs (other than those forfeited as a result of a Performance Shortfall or termination of employment prior to that date).

The number of RSUs that vest under paragraph (a) above will be reduced by the number of RSUs forfeited as a result of any Performance Shortfall. To the extent the number of RSUs forfeited as a result of the Performance Shortfall exceeds the number of RSUs that would otherwise vest under paragraph (a), the number of RSUs that vest on each succeeding date under paragraph (b) through (g) will be reduced (beginning with the RSUs under paragraph (b), then paragraph (c), and so on) as is necessary to fully take into account the forfeiture of all of the RSUs subject to the Performance Shortfall.

DEATH OR DISABILITY

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

- (i) you die while still employed by the Corporation as a full time employee; or
- (ii) you terminate employment as a result of becoming totally disabled as evidenced by commencement of benefits under the Corporation's long-term disability plan in which you are enrolled (or, if you are not a participant of the long-term disability plan, when you would have been eligible for benefits using the standards set forth in that plan).

The vested RSUs will be exchanged for shares of Stock as soon as practicable following the date of your termination of employment on account of death or disability, but in no event later than the March 15 next following the year in which such termination occurs.

RETIREMENT

If your retirement is effective before February 1, 2007, you will forfeit all of your RSUs in accordance with the general rule set forth above. If your retirement is effective on or after February 1, 2007 but before February 1, 2009, your RSUs will be subject to forfeiture to the extent of any Performance Shortfall certified by the Subcommittee on or after such date; however, you will not be subject to the continued employment requirement with respect to a portion of your RSUs and, subject to any Performance Shortfall that may occur, the Restricted Period will end for a portion of your RSUs and you will vest in a portion of your RSUs as follows:

- (i) you will vest in 13,333 RSUs subject to any Performance Shortfall if your retirement is effective on or after the first anniversary of the Award Date (February

1, 2007) but before the second anniversary of the Award Date (February 1, 2008). The remaining RSUs subject to this Award Agreement will be forfeited; and

- (ii) you will vest in 26,666 RSUs subject to any Performance Shortfall if your retirement is effective on or after the second anniversary of the Award Date (February 1, 2008) but before the third anniversary of the Award Date (February 1, 2009). The remaining RSUs subject to this Award Agreement will be forfeited.

The vested RSUs will be exchanged for shares of Stock as soon as practicable following your retirement, but in no event later than the March 15 next following the year in which you retire. You will forfeit the remaining RSUs on the date of your termination of employment. For purposes of this provision, the term "retirement" means retirement from service under the terms of the Corporation's defined benefit pension plan in which you are a participant or following attainment of age 55 and five years of service if you do not participate in one of the Corporation's defined benefit pension plans.

RESIGNATION OR TERMINATION WITH OR WITHOUT CAUSE

If you resign or your employment otherwise terminates before February 1, 2009, other than on account of death, disability, or retirement, whether voluntarily or by action of the Corporation and in the latter case whether with or without "cause," you will forfeit your RSUs on the date of your termination.

CHANGE IN CONTROL

In the event your employment is terminated by the Corporation (or its successor) following a Change in Control, your RSUs will vest and the Restricted Period shall terminate on the date of your termination following the Change in Control. You will vest in your entire Award under this Agreement and without regard to any forfeiture that might otherwise occur because of a Performance Shortfall.

CHANGES IN CAPITALIZATION

In the event of a stock split, stock dividend or other similar action resulting in additional shares of Stock being issued to existing stockholders during the Restricted Period or in the event of a reverse stock split resulting in a contraction in the number of shares outstanding during the Restricted Period, the number of your RSUs will be adjusted in the same manner as if you held actual shares of Stock.

TIMING OF TAXATION AND WITHHOLDING

Upon the expiration or termination of the Restricted Period, the Fair Market Value of the Stock deliverable to you in respect of the RSUs will be taxable to you as compensation income, based on the Fair Market Value of Stock on the day the Stock is deliverable to you, and withholding of Federal, state, and local taxes will apply at the minimum rate prescribed by law.

FICA tax withholding also will apply except to the extent FICA taxes have already been collected in the case of retirement-eligible employees as described below. (If Code section 409A(a)(2)(B)(i) applies because you are a key employee receiving Stock on account of a termination of employment or if you are an Insider, your Stock may not be deliverable to you for six months following such date of termination and, accordingly, the Fair Market Value of the Stock on that date shall be used for purposes of determining your compensation income.)

Your tax basis in shares of Stock delivered to you in respect of the RSUs will be equal to the Fair Market Value of such shares on the day the Stock is deliverable to you. Your holding period for purposes of determining long-term capital gain or loss treatment on any subsequent sale of such Stock will begin on that day.

You will be deemed to have elected to pay any withholding tax on Stock deliverable to you by means of the Corporation's reducing the number of RSUs and shares of Stock deliverable to you in respect of vested RSUs, based upon the minimum rate of withholding prescribed by law.

Any cash paid to you as dividend equivalents with respect to RSUs during the Restricted Period will be taxable to you as compensation income and subject to withholding of Federal, state and local income taxes, and FICA taxes.

In the event you are or become eligible for retirement during the Restricted Period, a portion of your Award will become subject to FICA taxes prior to the termination of the Restricted Period, and FICA taxes will be withheld with respect to the number of RSUs on which the Restricted Period would terminate if you were to retire. FICA taxes will be computed based upon the Fair Market Value of the Stock on the date of withholding. For example, if you are eligible to retire during the Restricted Period, then you would become subject to FICA taxes on the later of the first anniversary of the Award Date or the date that you become retirement eligible, and FICA taxes would be withheld even though Stock would not be deliverable to you until the close of the Restricted Period. The Corporation will withhold such FICA tax from your regular wages or MICP payment. The Corporation may collect the FICA withholding from you either shortly before or after the date it is due and in the case of Insiders may require delivery of a check to satisfy any shortfall in the withholding.

Since we will withhold at the minimum rate prescribed by law for these awards, you may owe additional taxes as a result of the termination or expiration of the Restricted Period.

AMENDMENT AND TERMINATION OF PLAN OR AWARDS

As provided in Section 9 of the Plan, subject to certain limitations contained within Section 9, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Subcommittee may at any time alter or amend all Award Agreements under the Plan. Notwithstanding Section 9 of the Plan, no such amendment, suspension or discontinuance of the Plan or alteration or amendment of Award Agreements will, except with your express written consent, adversely affect your rights under this Award Agreement. This Award Agreement shall

not be amended or interpreted in a manner that is reasonably believed to result in the imposition of tax under Code section 409A. Your receipt of Stock shall be delayed six months from such date of termination of employment if you are a key employee and such delay is required by Code section 409A(a)(2)(B)(i).

MISCELLANEOUS

Nothing contained in this Award Agreement shall confer upon you any right of continued employment by the Corporation or guarantee that any future awards will be made to you under the Plan. In addition, nothing in this Award Agreement limits in any way the right of the Corporation to terminate your employment at any time. The value of the RSUs awarded to you will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits. Notwithstanding any other provision of the Award Agreement to the contrary, no Stock will be issued to you within six (6) months from the Award Date.

The Corporation recommends that Insiders consult with the Office of the General Counsel or the Office of the Corporate Secretary before entering into any transactions involving Stock even after the expiration or termination of the Restricted Period.

You must execute one copy of this Award Agreement and return it to the Office of the Corporate Secretary either by electronic receipt or by delivery to the Corporate Secretary at the address noted at the beginning of this Award Agreement. Execution of this Award Agreement constitutes your consent to and acceptance of the terms of the Plan and the provisions of this Award Agreement.

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from the Plan's intranet site <http://www.etrade.com/stockplans> as well as to electronic delivery of the Corporation's annual report on Form 10-k, annual proxy and quarterly reports on Form 10-Q. This consent can only be withdrawn by written notice to the Corporate Secretary at the address noted above.

Sincerely,

Lillian M. Trippett
(On behalf of the Subcommittee)

Acknowledgement: _____
(Signature & Date)

Date



Lockheed Martin Corporation
6801 Rockledge Drive, Bethesda, MD 20817
Telephone 301-897-6000

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

[Date]

«Name»
«Street»
«City», «State» «Zip»

Re: Lockheed Martin Corporation 2003 Incentive Performance Award
Plan: **Long-Term Incentive Performance Award (2006-2008 Performance Period)**

Dear «Call_By_Name»:

On behalf of the Stock Option Subcommittee (the "Subcommittee") of the Board of Directors of Lockheed Martin Corporation, I am pleased to announce that you have been granted a Long-Term Incentive Performance Award under the Corporation's 2003 Incentive Performance Award Plan (the "Plan"). The purpose of this letter is to serve as the Award Agreement under such Plan and to set forth your Target Award as well as the terms and conditions to the payment of your Target Award. Additional terms and conditions are set forth in the Plan and in the Prospectus relating to the Plan of which the Plan document and this Award Agreement are a part. The Prospectus is available at <http://www.etrade.com/stockplans>. You should retain the Prospectus and the attached copy of the Plan in your records.

PLEASE NOTE THAT, FOR THIS AWARD TO BE EFFECTIVE, YOU MUST PROMPTLY SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT.

Capitalized terms used in this letter which have a special meaning either shall be defined in this letter or if not defined in this letter, have the meaning ascribed to the term in the Plan. The term "Target Award" as used in this Award Agreement refers only to the Target Award awarded to you under this Award Agreement and the term "Award" refers only to the Long Term Incentive Performance Award set forth in this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its subsidiaries. Appendix A contains an index of all capitalized terms used in this Agreement.

Section 1. Target Award. Performance Period.

1.1 Target Award. Your Target Award for the Performance Period under this Award Agreement shall be [Target].

1.2 Performance Period. The Performance Period under this Award Agreement is a three-year performance period that runs from January 1, 2006, until December 31, 2008.

1.3 Payment of Award. The amount payable to you under your Award is dependent upon the Corporation's performance as compared to the internal and external metrics described in this Award Agreement and your continued employment with the Corporation in accordance with Section 5 of this Agreement. As a result of these requirements, any payments you receive may be larger or smaller than your Target Award (*e.g.*, the performance factors could result in no payment in respect of your Award).

Section 2. Calculation of Award Payments.

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

(a) The Subcommittee will calculate the External Performance Factor based on the Corporation's performance during the Performance Period relative to the performance of other corporations which compose the Standard & Poor's Industrials Index reported under symbol S5INDU by Bloomberg, L.P. One-half of your Target Award will be multiplied by the External Performance Factor, with the resulting dollar amount to be known as the External Performance Amount.

(b) The Subcommittee will also calculate the Internal Performance Factor based on the Corporation's performance during the Performance Period as measured by the (i) change in the Corporation's ROIC and (ii) cumulative Cash Flow as compared to the projected cumulative Cash Flow in the 2006 Long Range Plan as presented at the February 2006 Board meeting. One-half of your Target Award will be multiplied by the Internal Performance Factor, with the resulting dollar amount to be known as the Internal Performance Amount.

(c) Your External Performance Amount and your Internal Performance Amount will then be added together, with the sum of those two numbers known as your "Potential Award". Assuming you satisfy the continued employment requirements set forth in Section 5 of this Award Agreement, one-half of your Potential Award (the "Immediate Portion") will be paid to you (or deferred to a later payment date specified at your election subject to the rules on deferrals set forth below) as soon as practicable after the Subcommittee completes its calculations in 2009.

2.2 Two Year Deferral Period. The remaining one-half of your Potential Award (the “Deferred Portion”) will be deferred and paid as soon as practicable in January 2011.

(a) Between December 31, 2008, and December 31, 2010, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2008, in the Corporation’s common stock and will be adjusted to reflect dividends, gains, and losses to reflect the performance of the Corporation’s common stock, as further specified in Section 5.2(c)(2).

(b) Assuming you satisfy the continued employment requirements set forth in Section 5.2(c) of this Award Agreement, the Deferred Portion (as adjusted) will be paid to you as soon as practicable in January 2011 (or deferred to a later payment date specified at your election subject to the rules on deferrals set forth below).

You must (except as specified in Section 5) remain employed by the Corporation through December 31, 2008, to receive a payment of any portion of your Award and through December 31, 2010, to receive payment of the Deferred Portion.

Section 3. External Performance Factor.

3.1. External Performance Factor – Peer Performance Group. The External Performance Factor will be based upon the Corporation’s relative ranking of its Total Stockholder Return (as defined in the Plan and assuming the reinvestment of any cash dividends) for the Performance Period to the Total Stockholder Return for such Period for the corporations which compose the Standard & Poor’s Industrials Index as reported under symbol S5INDU by Bloomberg, L.P. (“Peer Performance Group”) at the beginning of the Performance Period. The Corporation shall be included as a member of the Peer Performance Group. The Corporation’s Total Stockholder Return will be based on the performance of its common stock, par value \$1.00. The Total Stockholder Return of each corporation that is taken into account in computing the Peer Performance Group Total Stockholder Return will be based on the equity security of the relevant corporation that is used in computing the Standard & Poor’s Industrials Index.

3.2. Calculation of External Performance Factor.

(a) Calculation of Total Stockholder Return. After the end of the Performance Period, the Subcommittee shall compute the Total Stockholder Return for the Corporation for such Period and shall compute and rank the Total Stockholder Return for each corporation in the Peer Performance Group. Each corporation’s Total Stockholder Return shall be ranked among the Total Stockholder Return for each other corporation in the Peer Performance Group on a percentile basis. Each such Total Shareholder Return shall be computed from data available to the public.

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

<u>Band</u>	<u>Percentile Ranking</u>	<u>External Performance Factor</u>
One	75th or higher	200%
Two	60 th	150%
Three	50 th	100%
Four	40 th	50%
Five	35 th	25%
Six	Below 35 th	0%

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

Section 4. Internal Performance Factor.

4.1 **General Components of Internal Performance Factor.** The percentage of your Target Award which you shall be eligible to receive shall depend, in part, on the Corporation's performance during the Performance Period as measured by the change in the Corporation's ROIC during the Performance Period and by comparing the Corporation's cumulative Cash Flow during the Performance Period to the projected cumulative Cash Flow of the Corporation as forecasted in the Corporation's 2006 Long Range Plan.

(a) **ROIC.** For purposes of this Award Agreement, "ROIC" means return on invested capital calculated as (A) average annual (i) net income plus (ii) interest expense times one minus the highest marginal federal corporate tax rate ("Return"), divided by (B) the average quarter-end (beginning with the quarter-end immediately preceding the beginning of the Performance Period) (i) debt (including current maturities of long-term debt) plus (ii) stockholders' equity plus the minimum pension liability determined at year-end as included in the Corporation's Statement of Stockholder Equity ("Invested Capital"). Each component of ROIC and the calculation of any minimum pension liability shall be determined by the Subcommittee in accordance with generally accepted accounting principles in the United States and be based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the date or period on which ROIC is being determined, the Subcommittee shall make its determination in a manner consistent with the historical practices used by the Corporation in

determining the components of ROIC and minimum pension liability for purposes of reporting those items on its audited financial statements, as modified by this paragraph. Notwithstanding the foregoing, ROIC will be adjusted to exclude the impact of any change in accounting standards or adoption of any new accounting standards required under generally accepted accounting principals in the United States and that is reported in the Corporation's filings with the Securities and Exchange Commission as having a material effect on the Corporation's consolidated financial statements. The change in ROIC will be determined by comparing ROIC during the Performance Period to [] (ROIC for the fiscal year ending December 31, 2005), all determined in accordance with this Section 4.1(a).

(b) Cash Flow. For purposes of this Award Agreement, Cash Flow means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2006 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; (ii) any tax payments or benefits during the Performance Period associated with the divestiture of business units. Cash Flow shall be determined by the Subcommittee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Subcommittee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows, in either case as modified by this paragraph. The cumulative Cash Flow during the Performance Period will be expressed as a percentage of the cumulative Cash Flow of the Corporation as forecasted in the Corporation's 2006 Long Range Plan for the Performance Period.

(c) Determination of Internal Performance Factor. At the end of the Performance Period, the Subcommittee will calculate your Internal Performance Factor Amount by finding the Cell on the following chart which corresponds to both the change in ROIC determined under Section 4.1(a) and the three-year cumulative Cash Flow percentage determined under Section 4.1(b).

Internal Performance Factor - Cumulative Cash Flow vs. ROIC Improvement (50% / 50% Weight)

3 Year Cumulative Cash Flow (% of LRP)	200%	130% +	0	107.5	115	122.5	130	150	175	187.5	200
	175%	120%	0	95	102.5	110	117.5	137.5	162.5	175	187.5
	150%	110%	0	82.5	90	97.5	105	125	150	162.5	175
	100%	100%	0	57.5	65	72.5	80	100	125	137.5	150
	75%	90%	0	45	52.5	60	67.5	87.5	112.5	125	137.5
	50%	80%	0	32.5	40	47.5	55	75	100	112.5	125
	25%	70%	0	20	27.5	35	42.5	62.5	87.5	100	112.5
	0%	Below 70%	0	0	0	0	0	0	0	0	0
			< - 75	-75	-50	-25	0	25	50	75	100+
			Change in ROIC (basis points)								
Percent of target earned		0%	15%	30%	45%	60%	100%	150%	175%	200%	

(d) Interpolation of ROIC and Cash Flow Metrics. If (i) the cumulative Cash Flow percentage for the Performance Period is both more than 70% and less than 130% but falls between two of the Cumulative Cash Flow Percentage Bands in the above chart, or (ii) the change in ROIC for the Performance Period is both more than a decrease of 75 basis points and less than an increase of 100 basis points but falls between two of the Change in ROIC Bands in the above chart, the Internal Performance Factor will be interpolated on a linear basis.

Notwithstanding the foregoing, the Internal Performance Factor will be always be zero if the cumulative Cash Flow percentage for the Performance Period is less than 70%, or the change in ROIC for the Performance Period is a decrease of more than 75 basis points.

Section 5. Payment of Award: Potential Award, Mandatory Portion

5.1. Employment Requirement.

(a) General Rule. In order to be eligible to receive payment of any portion of your Potential Award as determined under Section 2.1(c), you must remain actively employed by the Corporation through the last day of the Performance Period. If your employment as an Employee terminates during the Performance Period, you shall forfeit your right to receive all or any part of your Potential Award.

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

- (1) that your employment as an Employee terminated as a result of your death, “Divestiture”, “Disability” or “Retirement” or
- (2) that the Corporation terminated your employment involuntarily as a result of a layoff,

you shall retain a fraction of your Potential Award. The numerator of such fraction shall equal the number of days in the Performance Period before your employment as an Employee terminated, and the denominator shall equal the total number of days in the Performance Period. The Subcommittee shall have complete and absolute discretion to make the determinations called for under this Section 5.1(b), and all such determinations shall be binding on you and on any person who claims all or any part of your Potential Award on your behalf as well as on the Corporation.

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

- (1) Your employment as an Employee shall be treated as terminating because of a Disability on the date you become eligible for a benefit

under the Corporation's long-term disability plan in which you participate, or if you are not enrolled in a long-term disability plan, the date on which long-term disability benefits would commence under the plan under which you would have been covered, had you enrolled;

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

(3) Your employment as an Employee shall be treated as terminating because of Retirement if (a) you participate in a defined benefit pension plan maintained by the Corporation, and your employment terminates on or after the date on which you satisfy the plan's age and service requirements for commencing receipt of an early retirement benefit under the plan or (b) you do not participate in a defined benefit pension plan maintained by the Corporation, and your employment terminates after you reach age 55 and have completed five years of service.

5.2. Payment Rules.

(a) General Rule. If you are eligible to receive your Potential Award under Section 5.1(a), the Immediate Portion of your Potential Award shall be fully vested and shall be either paid in cash to you or deferred in accordance with Section 5.2(e). The Deferred Portion of your Potential Award shall remain subject to forfeiture and shall be governed by the provisions of Section 5.2(c).

(b) Immediate Portion. Subject to section 5.2(e), you shall have the right to receive the Immediate Portion of your Potential Award currently in cash as soon as practicable after the date on which the Subcommittee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period, but in no event later than the March 15 next following the end of the Performance Period.

(c) Deferred Portion Subject to Forfeiture.

(1) Deferral and Forfeiture. If you are eligible to receive your Potential Award under Section 5.1(a), the payment of the Deferred Portion of your Potential Award shall be deferred through December 31, 2010,

and paid as specified below. You shall forfeit your right to the payment of the Deferred Portion of your Potential Award if you do not remain actively employed by the Corporation through December 31, 2010.

(2) Phantom Stock Account. The Subcommittee shall establish a bookkeeping account (a "Phantom Stock Account") on your behalf under this Section 5.2(c)(2) and shall credit such account with a number of units equal to the number of whole shares (and any fractional share) of the Corporation's common stock which could have been purchased by the Deferred Portion of your Potential Award described in Section 5.2(c)(1) based on the closing price for a share of the Corporation's common stock as reported on the New York Stock Exchange for the last trading day of the Performance Period, subject to the Subcommittee's certification in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period. Thereafter the Subcommittee shall make such credits or debits to the units previously credited to such account as the Subcommittee deems appropriate in light of any transaction described in Section 7(a) of the Plan (such as a stock split or stock dividend) or any cash dividends paid on the Corporation's common stock, which dividends shall increase the number of units credited to such account as if such dividends had been reinvested in the Corporation's common stock at the closing price of a share of the Corporation's common stock as reported on The New York Stock Exchange for the last trading day of the quarter in which such dividend is declared by the Board of Directors.

(3) Payment. Unless you forfeit your right to the Deferred Portion of your Potential Award described in this Section 5.2(c), you shall have the right to receive the payment of the value of your Phantom Stock Account as determined as of December 31, 2010, as soon as practicable after December 31, 2010, but in no event later than March 15, 2011 (subject to section 5.2(e)). The amount payable under this Section 5.2(c) shall be determined by multiplying the number of units representing shares of phantom stock credited to your account under Section 5.2(c)(2) by the closing price for a share of the Corporation's common stock as reported on the New York Stock Exchange for December 31, 2010, or, if it is not a trading day, on the last trading day before December 31, 2010.

(4) Special Payment Rule For Certain Terminated Employees. Notwithstanding Section 5.2(c)(1), if your employment terminates after the close of the Performance Period but prior to December 31, 2010, and the Subcommittee determines that your employment terminated under circumstances described in Sections 5.1(b)(1) or (2),

then the Deferred Portion of your Potential Award described in this Section 5.2(c) shall be paid to you or, in the event of your death, to your designated beneficiary, in cash as soon as practicable following your termination of employment, but in no event later than March 15 of the year following your termination of employment (subject to Section 5.2(e)). The amount payable under this Section 5.2(c)(4) shall be determined by multiplying the number of units representing shares of phantom stock credited to your account under Section 5.2(c)(2) on the date your termination becomes effective by the closing price for a share of the Corporation's common stock as reported on the New York Stock Exchange for the date on which your termination becomes effective, or if it is not a trading day, on the last trading day before that date. In the event of your death and you do not have a properly completed beneficiary designation form on file with the Office of the Corporate Secretary, your payment will be made to your estate.

(5) **No Shareholder Rights.** Units credited to your Phantom Stock Account are bookkeeping entries only and do not entitle you to any shares of the Corporation's common stock or to any voting or other rights associated with shares of such stock.

(d) **Special Rule.** If you terminate employment during the Performance Period but are eligible to receive a portion of your Potential Award as a result of an exception under Section 5.1(b), payment of such portion of your Potential Award shall be in full satisfaction of all rights you have under this Award Agreement; in such circumstances, you will not be eligible for a payment of the Deferred Portion under Section 5.2(c) and no other amounts will be payable to you or on your behalf. The portion of your Potential Award payable to you following a termination of employment during the Performance Period under circumstances described in Section 5.1(b) shall be paid to you or, in the event of your death, to your designated beneficiary for the Award, in cash as soon as practicable after the Subcommittee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period, but in no event later than March 15, 2009 (subject to section 5.2(e)). In the event of your death and you do not have a properly completed beneficiary designation form on file with the Office of the Corporate Secretary, your payment will be made to your estate.

(e) **Further Deferral.** You will be given an opportunity to elect to defer any amounts payable under Sections 5.2(b) and 5.2(d) of this Award Agreement and to further defer any amounts payable under Section 5.2(c)(3). Such election shall be irrevocable, shall be made in accordance with the terms of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan and the requirements of Code section 409A, and shall be subject to such additional terms and conditions as are set by the Subcommittee. A deferral election form and the terms and conditions for any deferral will be furnished to you in due course.

5.3. **Cutback.** Any payment called for under Section 5.2(b) will be reduced to the extent that such payment together with payments attributable to any other Cash-Based Awards that are granted during 2006 as Performance Based Awards exceeds \$5,000,000 and, further, any credit of phantom shares called for under Section 5.2(c)(2) shall be reduced to the extent that the number of phantom shares credited to you together with the number of shares of Stock and Share Units in respect of Share-Based Awards that are granted to you during 2006 as Performance Based Awards exceeds 1,000,000. To the extent that any payment called for under Section 5.2(b) would exceed the \$5,000,000 limit and therefore must be reduced, the amount in excess of \$5,000,000, shall be deferred and credited as phantom shares under Section 5.2(c)(2) unless such crediting would result in the crediting of phantom shares that would otherwise be prohibited by this Section 5.3. To the extent that any crediting called for under Section 5.2(c)(2) would exceed the 1,000,000 limit and therefore must be reduced, the units in excess of 1,000,000, shall not be credited and shall instead be paid in cash under Section 5.2(b) unless such payment would result in a payment that would otherwise be prohibited by this Section 5.3.

5.4. **Withholding.** Any payment made in respect of your Award will be subject to income tax withholding at the minimum rate prescribed by law. You may owe taxes in addition to the amount withheld and may request that tax be withheld from any payment at a greater rate. In addition, FICA tax will be withheld, as required under the law, when any portion of an award becomes vested for tax purposes prior to payment and shall reduce the amount of such Award. If prior to payment of the Immediate Portion, you become eligible for retirement, then any FICA tax due on your Deferred Portion will be withheld from the Immediate Portion. If you become retirement eligible following payment of the Immediate Portion, then FICA taxes will be withheld from your Deferred Portion.

Section 6. No Assignment – General Creditor Status.

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

Section 7. Plan.

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

Section 8. Change in Control.

8.1. Change in Control During Performance Period. If during the Performance Period, a Change in Control (as defined in Section 7 of the Plan) occurs, the Performance Period will terminate. Notwithstanding any deferral election or term of this Award Agreement to the contrary, a pro rata portion of your Award will be paid to you within 15 days of the Change in Control. The prorated portion will be the sum of (i) the result obtained by first multiplying your Target Award by the External Performance Factor calculated under Section 3.2(b), but determined as of the last day of the year immediately preceding the Change in Control, and then further multiplying that product by a fraction, the numerator of which is the number of whole calendar years of the Performance Period that were completed prior to the Change in Control and the denominator of which is three; and (ii) the product of your Target Award and a fraction, the numerator of which is the number of days preceding the Change in Control that occur in the calendar year in which the Change in Control occurs and the denominator of which is 1095.

8.2. Change in Control After Performance Period. If a Change in Control occurs after the end of the Performance Period but before December 31, 2010, notwithstanding any deferral election or term of this Award Agreement to the contrary, the Deferred Portion of your Potential Award described in Section 5.2(c) will be paid to you within 15 days of the Change in Control. The amount payable shall be determined by multiplying the number of units representing shares of phantom stock credited to your account under Section 5.2(c)(2) by the closing price for a share of the Corporation's common stock as reported on the New York Stock Exchange for the date on which the Change in Control occurs, or if it is not a trading day, on the last trading day before that date.

8.3. Special Rule. Notwithstanding Section 8.1 or Section 8.2, if a payment in accordance with those provisions would result in a nonexempt short-swing transaction under Section 16(b) of the Securities Exchange Act of 1934, then the date of distribution to you shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Securities Exchange Act of 1934.

Section 9. Amendment and Termination.

As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Subcommittee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Subcommittee shall amend Sections 1, 2, 3, 4, or 5 in a manner adverse to you or reduce the amount payable hereunder in a material manner without your written consent. For this purpose, a change in the amount payable hereunder that occurs solely by reason of a change in the date or form of payment shall in no case be treated as a reduction prohibited by this Section 9. Thus, for example, if an amount payable by reason of Section 8 is delayed by an amendment to this Award Agreement or other action undertaken to comply with Section 409A of the Internal Revenue Code and the amount

payable is reduced solely by reason of a corresponding delay in the date of valuation of a share of the Corporation's common stock, such a change shall not be treated as a reduction prohibited by this Section 9. This Section 9 shall be construed and applied so as to permit the Subcommittee to amend this Award Agreement at any time in any manner reasonably necessary or appropriate in order to comply with the requirements of Code section 409A, including amendments regarding the timing and form of payments hereunder.

Section 10. No Right to an Award.

Your status as an Employee shall not be construed as a commitment that any one or more awards shall be made under the Plan to you or to Employees generally. Your status as a Participant shall not entitle you to any additional award.

Section 11. No Assurance of Employment.

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

Section 12. Conflict.

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

Section 13. Compliance with Section 409A of the Internal Revenue Code.

13.1. General Rule. Notwithstanding any other provision of this Award Agreement to the contrary, to the extent that this Award Agreement constitutes a nonqualified deferred compensation plan to which Code section 409A applies, payments under this Award Agreement shall be made at a time and in a manner that satisfies the requirements of Code section 409A and guidance of general applicability issued thereunder, including the provisions of 409A(a)(2)(B) to the extent distributions to any employee are required to be delayed six months.

13.2. Means of Satisfying Code Section 409A. If any payment that would otherwise be made under this Award Agreement is required to be delayed by reason of Section 13.1, such payment shall be made at the earliest date permitted by Code section 409A. The amount of any delayed payment shall be the amount that would have paid prior to the delay adjusted to include interest from the original payment date to the actual payment date, compounded monthly, at a rate equivalent to the then published rate for computing the present value of future benefits at the time cost is assignable under Cost Accounting Standard 415, Deferred Compensation, as determined by the Secretary of the Treasury on a semi-annual basis pursuant to Pub. L. 92-41, 85 Stat. 97.

Section 14. Execution.

You must execute one copy of this Award Agreement and return it to the Office of the Vice President of Compensation and Benefits (Mail Point 123) as soon as possible as a condition to the Award becoming effective. Your execution of this Award Agreement constitutes your consent to and acceptance of any action taken under the Plan consistent with its terms with respect to your Award. In order for this Award to be effective, you must execute and return this Award Agreement promptly.

By signing this Award Agreement, you consent to receive copies of the Prospectus applicable to this Award from the Corporation's intranet site <http://www.etrade.com/stockplans> as well as to electronic delivery of the Corporation's annual report on Form 10-k, annual proxy and quarterly reports on Form 10-Q. This consent can only be withdrawn by written notice to the Corporate Secretary, Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, MD 20817.

A pre-addressed envelope has been enclosed for your convenience to return with a copy of this Award Agreement, as acknowledged by you below.

Sincerely,

Kenneth J. Disken
Sr. Vice President, Human Resources

Enclosures

ACKNOWLEDGEMENT:

Signature

Date

Print or type name

Appendix A
Capitalized Terms

Award	2 nd ¶
Band	§ 3.2(b)
Cash Flow	§ 4.1(b)
Cell	§ 4.1 (c)
Change of Control	IPA
Corporation	2 nd ¶
Corporation	2 nd ¶
Deferred Portion	§ 2.2
External Performance Amount	§ 2.1(a)
External Performance Factor	§ 3.1
Immediate Portion	§ 2.1(c)
Internal Performance Amount	§ 2.1(b)
Internal Performance Factor	§ 4.1
Peer Performance Group	§ 3.1
Percentile Ranking	§ 3.2(b)
Performance Period	§ 1
Phantom Stock Account	§ 5.2(c)(2)
Potential Award	§ 2.1(c)
ROIC	§ 4.1(a)
Share Units	IPA
Share-Based Awards	IPA
Stock	IPA
Target Award	2 nd ¶, § 1
Total Stockholder Return	IPA