

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

Form 10-K

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

For the fiscal year ended December 31, 2007

Commission file number 1-11437

LOCKHEED MARTIN CORPORATION
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

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

6801 Rockledge Drive, Bethesda, Maryland 20817-1877 (301/897-6000)
(Address and telephone number of principal executive offices)

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

Title of Each Class
Common Stock, \$1 par value

Name of each exchange on which registered
New York Stock Exchange, Inc.

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act (check one).
Large accelerated filer Accelerated filer Non-accelerated filer

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

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

Approximately \$38.9 billion as of June 30, 2007.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. Common Stock, \$1 par value, 408,122,756 shares outstanding as of January 31, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Lockheed Martin Corporation's 2008 Definitive Proxy Statement are incorporated by reference in Part III of this Form 10-K.

LOCKHEED MARTIN CORPORATION
FORM 10-K
For the Fiscal Year Ended December 31, 2007
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PART I

ITEM 1. BUSINESS

General

Lockheed Martin Corporation principally researches, designs, develops, manufactures, integrates, operates and sustains advanced technology systems and products, and provides a broad range of management, engineering, technical, scientific, logistic and information services. We serve both domestic and international customers with products and services that have defense, civil and commercial applications, with our principal customers being agencies of the U.S. Government. We were formed in 1995 by combining the businesses of Lockheed Corporation and Martin Marietta Corporation. We are a Maryland corporation.

In 2007, 84% of our net sales were made to the U.S. Government, either as a prime contractor or as a subcontractor. Our U.S. Government sales were made to both Department of Defense (DoD) and non-DoD agencies. Sales to foreign governments (including foreign military sales funded, in whole or in part, by the U.S. Government) amounted to 13% of net sales in 2007, while 3% of our net sales were made to commercial and other customers.

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

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

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

Business Segments

We operate in four principal business segments: Aeronautics, Electronic Systems, Information Systems & Global Services (IS&GS) and Space Systems. This structure reflects a realignment of our operations announced in early 2007 to enhance support for critical customer missions and increase our integration of resources. The realignment included the combination of our former Information Technology & Global Services (IT&GS) and Integrated Systems & Solutions (IS&S) business segments into the new IS&GS business segment, and the following additional changes:

- The Aircraft & Logistics Centers, which had been reported in IT&GS, became part of Aeronautics;
- Our contract to manage the Sandia National Laboratories and our ownership in the joint venture that manages the Atomic Weapons Establishment in the United Kingdom, which had been reported in IT&GS, became part of Electronic Systems; and
- Transportation and Security Solutions, which had been reported in Electronic Systems, became part of IS&GS.

The historical results, discussion and presentation of our business segments as set forth in this Form 10-K reflect this realignment. For more information concerning our segment presentation, including comparative segment sales, operating profits and related financial information for 2007, 2006 and 2005, see Note 15—Information on Business Segments beginning on page 90 of this Form 10-K.

Aeronautics

Aeronautics is engaged in the design, research and development, systems integration, production, sustainment, support and upgrade of advanced military aircraft, air vehicles and related technologies. Our customers include various government agencies and the military services of the United States and allied countries around the world. Major products and programs include design, development, production and sustainment of the F-35 stealth multi-role international coalition fighter; the

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F-22 air dominance and multi-mission stealth fighter; the F-16 international multi-role fighter; the C-130J tactical transport aircraft; the C-5 strategic airlifter modernization; and support for the F-117 stealth fighter, P-3 maritime patrol aircraft, S-3 multi-mission aircraft and U-2 high-altitude reconnaissance aircraft. We also produce major components for Japan's F-2 fighter and are a co-developer of the T-50 advanced jet trainer. Our Skunk Works® advanced development organization provides next generation innovative system solutions using rapid prototyping and advanced technologies.

In 2007, Aeronautics' net sales of \$12.3 billion represented 29% of our total net sales. The major lines of business and the percentage that each contributed to Aeronautics' 2007 net sales are:



The segment is dependent on the U.S. military and international governments as customers. In 2007, U.S. Government customers accounted for approximately 78% of the segment's net sales.

Combat Aircraft

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

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

Both the F-35 and F-22 are 5TH Generation fighters, combining stealth, supersonic speed, high maneuverability, sensor fusion and other attributes to achieve a level of capability and survivability unmatched by earlier generation combat aircraft. The F-16 is a 4TH Generation fighter which, as a result of multiple upgrades, continues to play an important role in the defense of the U.S. and its allies.

F-35

The F-35 Lightning II is designed to be a superior multi-role stealth aircraft offering profound improvements in lethality, survivability, affordability and supportability over all existing international multi-role aircraft. The United States and its international partners (the United Kingdom, Italy, the Netherlands, Turkey, Canada, Australia, Denmark and Norway) are working together on the System Development and Demonstration (SDD) program to design, test and build a family of aircraft and sustainment systems to meet joint and coalition requirements. Israel and Singapore are security cooperation participants on the SDD program. In 2007, the partner countries' government-to-government Production, Sustainment and Follow-On Development memoranda of understanding were finalized. The memoranda provide a long-term business framework for partner aircraft production, sustainment and future upgrades.

The F-35's multiple-variant designs include:

- The F-35A, a conventional takeoff and landing variant (CTOL);
- The F-35B, a short takeoff and vertical landing variant (STOVL); and
- The F-35C, a carrier-based variant (CV).

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The F-35 is planned to replace the F-16 and A-10 for the U.S. Air Force, the F/A-18A/C for the U.S. Navy, the AV-8B and F/A-18A/C/D for the U.S. Marine Corps, and the Harrier GR.7 and Sea Harrier short takeoff and vertical landing attack aircraft for the United Kingdom Royal Air Force and Royal Navy.

Aeronautics was awarded the SDD contract for the F-35 in the fourth quarter of 2001. Calendar-year 2007 marked the sixth full year of performance on the planned 12-year development contract. Testing of airworthiness and systems evaluation using the first F-35 CTOL aircraft continued in 2007, and component production has begun on all of the remaining SDD flight test aircraft (all variants) and both CTOL production aircraft in Low Rate Initial Production Lot 1. The first STOVL test airplane moved from the factory to the flight line in December 2007 and, after extensive ground testing, is expected to fly mid-year 2008. The first flight of the CV aircraft is planned to occur in the 2009 timeframe.

Given the size of the F-35 program, we anticipate that there will be a number of studies related to the program schedule and production quantities over time as part of the normal DoD, Congressional and international partners' oversight and budgeting processes.

F-22

We are the industry team leader for the F-22 Raptor. In production since 1997, the F-22 has unmatched capabilities compared with other operational U.S. Air Force aircraft. The capabilities include enhanced maneuverability, stealth, supercruise speed (speed in excess of Mach 1.5 without afterburner) and advanced integrated avionics that enable pilots to attack critical air and surface targets to gain and maintain air superiority against air-to-air and ground-to-air threats. The program is in full-rate production. Through 2007, a total of 110 F-22s have been delivered to the U.S. Air Force, including 24 Raptors delivered during 2007. In 2007, we received a 60-aircraft multi-year contract for Production Lots 7, 8 and 9. At December 31, 2007 there were 81 F-22s in backlog.

In 2007 we began delivering F-22s to the third operational squadron, the 90th Fighter Squadron at Elmendorf Air Force Base (AFB), Alaska, and we expect to deliver the first aircraft for the fourth operational unit, the 8th Fighter Squadron at Holloman AFB, New Mexico, in mid 2008. Also in 2007, the Raptor completed its deployment to Kadena Air Base, Japan, its first such deployment outside the U.S. and second deployment overall. The Raptor also participated in its first "Red Flag" exercise, a large-scale force-on-force exercise designed to prepare joint forces to respond to crises around the world. During the exercise, F-22s demonstrated exceptional performance, ensuring air dominance and enhancing the success of combat commanders by providing improved situational awareness for other ground and air assets. In December 2007, the U.S. Air Force declared Full Operational Capability for the F-22.

F-16

We produce the F-16 Fighting Falcon multi-role tactical fighter aircraft and continue to provide upgrades and support for the U.S. Air Force and our international customers. From the program's inception in the mid-1970s through 2007, 4,389 F-16s have been delivered worldwide, representing nearly 30 years of continuous production deliveries. As of year-end 2007, the aircraft had been selected by 24 countries, with 52 follow-on buys by 14 of these countries.

In 2007, a total of 41 F-16 aircraft were delivered worldwide. In July 2007, an Undefinitized Contractual Action (UCA) was signed for the foreign military sales procurement of 30 new F-16 Block 50 aircraft to the Government of Turkey. Backlog at year end was 107 F-16 aircraft, including the 30 aircraft under the Turkey UCA.

Many technologically advanced multi-role capability improvements have been incorporated into new F-16 production aircraft as well as modification programs for in-service aircraft. Air-to-air and precision attack capabilities have been improved through the inclusion of new systems, sensors and weapons. Advanced electronic warfare systems have improved survivability. New fuel tank configurations have increased range and endurance. Modernized, upgraded engines have increased aircraft performance and improved supportability. Advanced communication links have given the F-16 network-centric warfare capabilities.

Other Combat Aircraft

We also participate in joint production of the F-2 fighter aircraft, and are a co-developer of the T-50 supersonic jet trainer aircraft.

Air Mobility

In Air Mobility, we design, develop, produce and provide full system support and sustainment of tactical and strategic airlift aircraft. Our major programs include production, support and sustainment of the C-130J Super Hercules, upgrade and support of the legacy C-130 fleet, support of the existing C-5A/B/C fleet and development, installation and support of the emerging C-5M Super Galaxy fleet.

C-130J

The C-130J Super Hercules is an advanced technology, tactical transport aircraft offering improved performance and reliability, and reduced operating and support cost, compared to earlier C-130 models. The C-130J incorporates state-of-the-art cockpit design and avionics, a more powerful and efficient propulsion system and other innovations into a proven, mission-tested airframe. It is designed primarily to support the military mission of tactical combat transport. It also is a multi-mission platform that has been purchased in support of electronic warfare, weather reconnaissance and sea surveillance missions, and as an aerial tanker. In 2007, we delivered 12 C-130Js, including seven aircraft to the U.S. Air Force, four aircraft to the U.S. Marine Corps and one to the Royal Danish Air Force. A total of 213 C-130Js have been ordered, with 54 remaining in backlog at the end of 2007. Orders received in 2007 included six aircraft for the U.S. Government, four for Norway and 17 for Canada.

The Super Hercules is the latest variant produced on the longest continuously operating military aircraft assembly line in history. Including all models of the aircraft, we have delivered a total of 2,313 C-130s from the program's inception in 1954 through 2007. In the U.S., the active-duty Air Force, Air Force Reserve Command and Air National Guard units fly C-130Js. The Marine Corps operates KC-130J tankers and the Coast Guard flies the HC-130J, which will soon be fully missionized for maritime patrol and search and rescue. International C-130J operators include the United Kingdom Royal Air Force, Royal Australian Air Force, Italian Air Force and the Royal Danish Air Force.

C-5

Three fully modernized C-5M Super Galaxy aircraft are performing in a flight test program and continue to be on schedule for completion of flight test in the third quarter of 2008. The C-5M is the product of two major modification programs to the C-5 strategic airlifter: the C-5 Avionics Modernization Program (AMP) and the C-5 Reliability Enhancement and Reengining Program (RERP). The C-5 AMP program replaces the 1960s and 1970s-era analog avionics system in the C-5 fleet with a digital suite along with an integrated architecture that allows for further upgrades as well as providing Global Air Traffic Management (GATM) capability. The RERP portion of C-5M modification, which is planned for 49 aircraft in addition to the three in flight test, replaces out-of-production components with commercially proven reliable systems. Together, the modification programs are expected to significantly extend the life of the C-5 fleet. A total of 111 C-5 aircraft are currently in the U.S. fleet, including the three C-5Ms in flight testing. Active duty U.S. Air Force, Air National Guard, and Air Force Reserve Command units operate the C-5.

Advanced Research and Development and Other

We are involved in advanced development programs incorporating advanced design and rapid prototype applications. Our Advanced Development Programs organization, known as the Skunk Works[®], has made unmanned air systems one focus of its efforts, and is actively developing the operational concepts and enabling technologies to provide these assets to the DoD in a cost effective manner. Additional focus on future systems includes next generation capabilities for both long-range strike and air mobility.

Some notable accomplishments in 2007 include the phase two award of the Advanced Composite Cargo Aircraft (ACCA) Flight Demonstration contract, continued participation as a subcontractor on the Unmanned Combat Air System Demonstration (UCAS-D) effort, successful component and engine testing of the Revolutionary Approach to Time-critical Long Range Strike (RATTLRS) vehicle and continued focus on Falcon, a hypersonic technologies initiative.

In addition, we continue to explore technology advancement and insertion in existing aircraft, such as the F-35, F-22, F-16 and C-130; are actively involved in numerous network enabled activities that allow separate systems to work together to increase effectiveness and lethality; and continue to invest in new technologies to maintain and enhance competitiveness in military aircraft design and development.

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Global Sustainment

As part of each of our businesses, we provide a full range of logistics support, sustaining engineering, upgrade modifications and services for our full line of aircraft, including the F-35 Lightning II, the F-22 Raptor, the F-16 Fighting Falcon, the C-130 Hercules and the C-5 Galaxy airlifters, the P-3 Orion, the S-3 Viking, the F-117 Nighthawk and the U-2 Dragon Lady.

For the F-35 Lightning II SDD program, we have developed an Autonomic Logistics and Global Sustainment solution, focused on performance-based logistics, to provide an affordable total air system life-cycle sustainment solution for the aircraft's multiple variants and worldwide customer base.

We will continue through mid-year 2008 to provide the U.S. Air Force with contractor-led support for the F-117 Nighthawk fleet through our Total System Sustainment Partnership. At that time, after a distinguished legacy that includes 26 years of operational service and over 250,000 flight hours accomplished, the F-117 fleet is planned to be retired. As winner of the first DoD performance-based logistics award for systems-level support, we are growing that heritage with a program for the sustainment of the F-22 called the Follow-On Agile Sustainment for the Raptor or FASTeR. Beginning in early 2008, we will be responsible for integrating and accomplishing all sustainment activities for the F-22 as the Product Support Integrator in partnership with the U.S. Air Force System Support Manager.

Under the Falcon 2020 program, we provide international F-16 operators with avionics and structural upgrade kits to enable those customers to keep their fleets viable for the future.

We have developed an extensive service life extension program, including the planned production of new wings, for the existing fleet of P-3 aircraft. The Royal Norwegian Air Force will be the first service life extension program customer, having signed a contract to upgrade its P-3 fleet in February 2007. We believe there are additional opportunities to implement this program with a number of domestic and international P-3 operators. We continue our nearly decade-long support effort for the U.S. Navy's fleet of S-3 Viking aircraft through the S-3 Prime Vendor Support contract, which will continue until the Navy's planned retirement of the fleet in 2009.

With regard to the C-130, we continue as a key member of a team, including Rolls Royce and Marshall Aerospace, that was awarded the Hercules Integrated Operational Support (HIOS) contract for the long-term support of the United Kingdom's fleet of C-130 aircraft. In addition, we signed a partnering agreement in 2007 to provide long-term support for the Italian C-130J fleet for a period of three years. We also offer center wing box modifications and avionics upgrades to customers who fly legacy versions of the Super Hercules in addition to the support and partnerships provided to sustain our newest tactical aircraft.

The U-2 has been the backbone of our nation's airborne intelligence collection operations for several decades, and continues to provide unmatched operational capabilities in support of Operation Enduring Freedom. As a result of the Reconnaissance Avionics Maintainability Program upgrade, which includes state of the art cockpit displays and controls along with other sensor modifications, the U-2 is expected to continue to provide leading-edge intelligence collection capabilities for years to come.

Through our Sustainment Services organization, we offer "nose-to-tail" aircraft maintenance, modifications and state-of-the-art upgrades, and provide the full range of depot services in addition to a full range of supply chain services. Under our Integrated Prime Vendor contract with the Defense Logistics Agency, we provide parts to the U.S. Air Force's three Air Logistics Center depots.

Through Kelly Aviation Center, L.P., a joint venture with GE-Aviation and Rolls-Royce, we provide engine maintenance, repair and overhaul and new engine assembly and testing for military and commercial customers.

Competition

We are a major worldwide competitor in combat aircraft, air mobility and military aircraft research and development. Military aircraft are subject to a wide variety of U.S. Government controls (e.g., export restrictions, market access, technology transfer, industrial cooperation and contracting practices). Although a variety of criteria determine the results of different competitions, price is a major factor, as are past performance and customer confidence. Other critical factors are technical capabilities, release of technology, prior purchase experience, financing and total cost of ownership.

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In international sales, the purchasing government's relationship with the U.S. and its industrial cooperation programs are also important factors in determining the outcome of a competition. It is common for international customers to require contractors to comply with their industrial cooperation regulations, sometimes referred to as offset requirements. As a result, we have undertaken foreign offset agreements as part of securing some international business. For more information concerning offset agreements, see "Contractual Commitments and Off-Balance Sheet Arrangements" in Management's Discussion and Analysis beginning on page 54 of this Form 10-K.

With respect to military aircraft, we compete with both domestic and international companies. Some or all of these companies are competing, or preparing to compete, for unmanned military aircraft sales. Our military aircraft programs also face potential competition from the application of commercial-aircraft derivatives to missions that require large aircraft and the application of unmanned systems to various missions.

With respect to tactical fighters, the F-16 remains a formidable competitor especially on the basis of price and our continued ability to update its capabilities with changes in sensor and weapons systems. The F-22 and F-35 are recognized as the world's only 5TH Generation fighter aircraft and are designed to be both lethal and survivable against emerging high-threat systems. The F-22 is designed to provide air-dominance, strike and multi-mission stealth combat capabilities required for conventional military operations. The U.S. Air Force is the only F-22 customer since international sales of the Raptor are presently prohibited by the U.S. Congress. The F-35 is a cornerstone of future global defense cooperation and is planned to replace several existing multi-role fighters for the U.S. and its allied partners. Due to the number of governments that have agreed to participate in the SDD phase, we anticipate that significant international demand will develop for purchasing the F-35.

Demand for air mobility aircraft is driven by the need to maintain or replace large numbers of aircraft for which maintenance costs have been increasing and by the high development costs for new replacement aircraft. In some cases, the choice has been to modernize and update the available aircraft. With some customers, new commercial aircraft derivatives may make suitable replacement platforms and may be the final choice. In other cases, existing platforms may perform the job more capably if modernized. In 2007, domestic and international customers opened numerous competitions for air mobility aircraft or elected to procure new C-130J aircraft. The C-130J provides intra-theater airlift and a full range of tactical mobility, refueling and humanitarian airlift capabilities.

In concert with changes in the way products are deployed, operated and supported, our customers are changing their approach to sustainment of our platforms. Historically, nearly all domestic and international users of our fighter, transport and special mission aircraft have sought to develop and maintain the capability to perform 100 percent of the necessary support functions. Due to the combined factors of defense budget constraints, increased component reliability and decreased (or eliminated) depot inspections, it is no longer cost effective for many customers to perform substantially all of their own support functions. As a result, sustainment and logistics support opportunities have increased.

As the original equipment manufacturer for numerous platforms, we are focused on expanding our global sustainment services, an increasingly important portion of the Aeronautics business. We continue to provide support through depot partnerships and industrial cooperative relationships. Third-party providers offer competition within elements of the sustainment portfolio. However, in the major areas of sustaining engineering, modification and upgrade, and supply chain management, we, as the original equipment manufacturer, can spread development costs among multiple users and are in the best position to affordably integrate production improvements into a customer's existing complex systems.

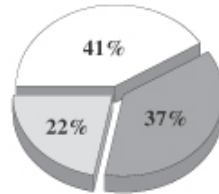
Electronic Systems

Our Electronic Systems segment is engaged in the design, research, development, integration, production and sustainment of high performance systems and subsystems for undersea, shipboard, land and airborne applications. Major product lines include: tactical missiles and weapon fire control systems; air and sea-based missile defense systems; surface ship and submarine combat systems; anti-submarine and undersea warfare systems; ground combat vehicle integration; avionics, systems integration and program management for fixed and rotary-wing aircraft systems; radars; surveillance and reconnaissance systems; and simulation and training systems.

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In 2007, Electronic Systems' net sales of \$11.1 billion represented 27% of our total net sales. Electronic Systems' three major lines of business and the percentage that each contributed to 2007 net sales are:

- Maritime Systems & Sensors
- Missiles & Fire Control
- Platform, Training, & Energy



The segment is dependent on both military and civilian agencies of the U.S. Government as well as international governments as customers. In 2007, U.S. Government customers accounted for approximately 74% of the segment's total net sales.

Maritime Systems & Sensors

Maritime Systems & Sensors (MS2) provides ship systems integration services, including command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) capability across shore-based command centers; surface ship and submarine combat systems, sea-based missile defense systems; sensors; tactical avionics; port traffic management systems; missile launching systems; aerostat surveillance systems; and supply chain management programs and systems.

The AEGIS weapon system is a fleet defense system and a sea-based element of the U.S. missile defense system. It is a radar and missile launching system, integrated with its own command and control system, designed to defend against advanced air, surface and subsurface threats. The AEGIS program encompasses activities in development, production, ship integration and test and lifetime support for ships of the U.S. Navy and international customers. We test and integrate these weapon systems for the U.S. Navy's Ticonderoga class cruiser and Arleigh Burke class destroyer, along with the Kongo class destroyer for Japan, the F100 and F105 class frigates for Spain, the Fridtjof Nansen class frigate for Norway, the KDX class destroyer for Korea and the Hobart class air warfare destroyer for Australia. Since program inception in 1978, MS2 has received contracts for 111 AEGIS weapons systems, including 27 for the Ticonderoga class cruiser, 62 for the Arleigh Burke class destroyer and 22 international systems. During 2007, our production workscope included four international systems and three domestic systems.

In 2007, the DoD's Missile Defense Agency (MDA) awarded MS2 a contract for continued development and evolution of the AEGIS Ballistic Missile Defense System (BMDS). There are 18 ships planned with BMDS technology and long-range surveillance and tracking capability. During the year, we performed a number of successful ballistic missile intercept tests. The latest test achieved an unprecedented result in which the BMDS successfully intercepted and destroyed two non-separating ballistic missile targets nearly simultaneously.

In early 2007, we were awarded a program to manage the logistics and warehousing for all tires used on U.S. Air Force and Army aircraft around the world, supporting the tire manufacturer and prime contractor on the program. This performance based contract will leverage our global supply chain management expertise as the U.S. military seeks to integrate the production and the logistics for aircraft tires.

The U.S. Navy has approved a revised ship delivery date of August 2008 for the Littoral Combat Ship *Freedom* (LCS-1), the first in a new class of ships designed to provide added flexibility to operate in coastal waters. Delivery is to be followed by a 60-day crew move aboard period in order to complete ship load-out activities and conduct ship crew familiarization training. At the end of 2007, the ship was over 80% complete, with compartment closeout and system testing proceeding. Our production activities continue to focus on preparing for a series of dockside tests in support of builder's sea

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trials to be held in Spring 2008. A second ship with a different design (LCS-2) is being built by a competitor. In 2007, work on the next two ships in the program (LCS-3, under contract to us, and LCS-4, under contract to our competitor) was terminated by the U.S. Navy. A competition to build the next ship in the program is expected to be held in 2008, with additional phases of the program to follow.

We were awarded a contract by the Portuguese Ministry of Defense to provide a full mission system avionics upgrade on five P-3C maritime surveillance aircraft. The upgrades include electronic support measures, acoustics, communications, electro-optic and infrared systems as well as new data management software and hardware including controls, displays and mission computers. Delivery of the first upgraded aircraft is scheduled for late 2009.

Missiles & Fire Control

Missiles & Fire Control develops and produces land-based, air, and theater missile defense systems, tactical battlefield missiles, electro-optical systems, fire control and sensor systems, and precision-guided weapons and munitions.

The PAC-3 missile is an advanced defensive missile designed to intercept incoming airborne threats. During 2007, we delivered a total of 176 missiles, with deliveries to Japan and the Netherlands representing the first international PAC-3 deliveries. We were awarded a sixth production contract in December 2007 for 148 PAC-3 missiles including 108 U.S. missiles and 40 missiles for international customers.

The Terminal High Altitude Area Defense (THAAD) system is a transportable defensive missile system designed to engage targets both inside and outside of the Earth's atmosphere. The THAAD system is comprised of the THAAD fire control and communication units, missiles, radars, launchers and ground support equipment. The program, currently in the development phase, conducted four successful test flights in 2007 and has conducted eight successful flights overall. Progress continued on a production contract with the MDA, received in late 2006, for two fire control and communications units.

The Arrowhead fire control system provides modernized targeting and piloting capabilities for Apache helicopter crews to the U.S. Army and international customers, continuing our over 20-year legacy of providing pilot night-vision sensors and targeting capabilities for the Apache. More than 1,000 sensor systems have been delivered to the U.S. Army and foreign military customers since 1983. The Arrowhead kits will replace certain legacy hardware on the U.S. Army and other international customers' Apache helicopters to provide a modernized sensor for safer flight in day, night and bad weather missions and improved weapons targeting capability. The initial Arrowhead production contract was awarded in 2003. Major new awards were received in 2007 for Arrowhead Lot 4, which authorized the production of 158 Arrowhead kits through December 2009 for the U.S. Army and international customers. A four-year performance-based logistics contract was also awarded in 2007.

Missiles & Fire Control received a number of new contracts and follow-on orders and achieved key program milestones in 2007. Significant orders included awards for several tactical missile and fire control programs from various international customers. In October, we delivered our 20,000th Hellfire missile. In addition, we lead a multinational venture that is developing the Medium Extended Air Defense System (MEADS), a mobile air defense system designed to replace Patriot systems used by the United States and Germany, and Nike Hercules systems in Italy. The MEADS program successfully completed the component preliminary design reviews. Product sustainment and logistic services continue to be a major focus for growth opportunities, resulting in significant orders in support of fire control and tactical missile programs.

Platform, Training & Energy

Our Platform, Training & Energy (PT&E) business integrates mission-specific applications for fixed and rotary-wing platforms, including providing logistics and sustainment; develops and integrates postal automation and material handling systems; develops tactical wheeled vehicles; and provides simulation, training and support services. We also manage Sandia National Laboratories in the U.S. for the Department of Energy. Sandia National Laboratories supports the stewardship of the U.S. nuclear weapons stockpile, developing sophisticated research and technology in the areas of engineering sciences, materials and processes, pulsed power, microelectronics and photonics, micro-robotics, and computational and information sciences. In the United Kingdom, we own one-third of a joint venture that manages the Atomic Weapons Establishment program.

We lead an industry team to provide the new fleet of "Marine One" helicopters for the President of the United States. VH-71 is the Presidential Helicopter replacement program, and is planned to provide a command and control capability to enable the President to perform the full duties of the office while airborne. We are currently performing on Increment 1,

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which includes test vehicles and pilot production aircraft. Flight tests continue on the test aircraft at Naval Air Station Patuxent River, Maryland. We have stopped work on Increment 2 at our customer's request and are working with the U.S. Navy as it evaluates requirements and funding profiles for the next phase of the program.

In 2007, we were awarded a multi-year contract by the U.S. Navy to produce and integrate mission systems for the new MH-60R multi-mission helicopter over the next five years. Designed primarily for anti-submarine and anti-surface warfare, the MH-60R will replace the Navy's current fleet of SH-60B and SH-60F Seahawk helicopters.

Our tactical wheeled vehicle team delivered four Lightweight Prime Mover (LWPM) vehicles to the U.S. Marine Corps in 2007. Also in 2007, we delivered the Future Tactical Truck System (FTTS) prototype vehicle to the U.S. Army, which began road tests in 2007. The purpose of the U.S. Army's FTTS program was to demonstrate technologies expected to be used in future truck procurement programs such as the Joint Light Tactical Vehicle (JLTV) program. We developed a JLTV prototype and began a combination of on-road and off-road testing in 2007, and testing continues in 2008.

We received a 20-year contract to provide basic flight training to the Republic of Singapore Air Force in 2006, the same year that we were selected as the preferred bidder for the United Kingdom's Military Flight Training System. We expect to complete negotiations on a contract early in 2008. In 2007, we won a competition for a multi-year contract and will continue to provide aircrew training and rehearsal support services for the U.S. Air Force. This program will provide Air Force Special Operations Command crews with training on a variety of weapon systems. Additionally, we were awarded a program to develop the U.S. Marine Corps Embedded Platform Logistics system. This advanced embedded capability for Marine Corps vehicles is intended to use vehicle sensors to capture data to provide predictive information and failure analysis, allowing the Marines to deploy the best equipment available for mission success. These programs continue and build on our record of performance in providing logistics and sustainment.

Competition

Electronic Systems' broad portfolio of products and services competes against the products and services of other large aerospace, defense and information technology companies, as well as numerous smaller competitors. We often form teams with other companies that are competitors in other areas to provide customers with the best mix of capabilities to address specific requirements. The principal factors of competition include technical and management capability, price, past performance and our ability to provide solutions to our customers' requirements on a timely basis.

In international sales, the purchasing government's relationship with the U.S. and its industrial cooperation programs are also important factors in determining the outcome of competitions. It is common for international customers to require contractors to comply with their industrial cooperation regulations, sometimes referred to as offset requirements. As a result, we have undertaken foreign offset agreements as part of securing some international business. For more information concerning offset agreements, see "Contractual Commitments and Off-Balance Sheet Arrangements" in Management's Discussion and Analysis beginning on page 54 of this Form 10-K.

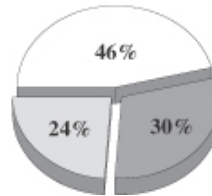
Information Systems & Global Services

Our IS&GS segment is engaged in providing federal services, Information Technology (IT) solutions and advanced technology expertise across a broad spectrum of applications and customers. IS&GS provides full life cycle support and highly specialized talent in the areas of software and systems engineering, including capabilities in space, air and ground systems, and also provides logistics, mission operations support, peacekeeping and nation-building services for a wide variety of U.S. defense and civil government agencies in the U.S. and abroad.

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In 2007, IS&GS had net sales of \$10.2 billion, which represented 24% of our total net sales. IS&GS' three major lines of business and the percentage that each contributed to its 2007 net sales are:

- Mission Solutions
- Information Systems
- Global Services



The segment is heavily dependent on both DoD and non-DoD agencies of the U.S. Government as customers. In 2007, U.S. Government customers accounted for approximately 94% of the segment's total net sales.

Mission Solutions

Mission Solutions combines our expertise with the requirements of Intelligence, Defense and Civil agency customers with significant research and development and engineering competencies to provide solutions that produce an operational effect or business outcome. Mission Solutions provides systems that gather, process, assimilate, fuse and distribute data from ground, air, and space assets. We are also responsible for complex systems integration support that provides real-time situational awareness information to the DoD. Key programs include a classified customer portfolio; transformational communications systems such as the Transformational Communications MILSATCOM Mission Operations Segment (TMOS) and the Warfighter Information Network-Tactical (WIN-T); mission and combat support solutions such as Global Command Support System (GCSS) and the Combatant Commanders Integrated Command & Control Systems (CCICCS); and mission critical civil agency programs including the U.S. Census, National Archives & Records Administration (NARA) and Transportation Worker Identification Credential (TWIC).

In 2007, the TMOS program, which provides the network management system and operations management system for the Government's Transformational Communications MILSATCOM system, completed a successful system design review with the U.S Air Force. We were also awarded the TWIC contract to support the enrollment and credential (card) issuance to at least 750,000 transportation workers for the DHS. In October, our customer accepted the En Route Automation Modernization (ERAM) system we developed and tested for the Federal Aviation Administration (FAA). Considered a critical part of the National Airspace System's future, ERAM is intended to be the backbone of the FAA's en route operations once it is fully operational. The system includes computer hardware, software and an extremely robust backup capability with four levels of redundancy.

Information Systems

Information Systems provides functional expertise in business systems, IT infrastructure and process outsourcing, systems based on the use of commercial technology, and solutions structured to deliver contractually specified levels of service. The contracts within this line of business are mostly task order vehicles (indefinite-delivery/indefinite-quantity (IDIQ) contracts) or Government Services Administration (GSA) schedules. Key programs include the FAA Automated Flight Service Station (AFSS) and large IT infrastructure programs such as FBI Sentinel.

In June 2007, the FBI deployed the first phase of their next-generation information management system as a part of the FBI Sentinel program, designed to provide FBI employees with a marked improvement in their ability to access, retrieve and move information. Also in 2007, in support of the FAA AFSS program, our flight specialists began using our Flight Service for the 21st Century (FS21) technology to provide flight services. FS21 streamlines flight planning and allows the sharing of weather and air space system status across the entire AFSS network.

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In addition to these contract milestones, IS&GS was awarded a contract in 2007 to support the Jet Propulsion Laboratory in its desktop infrastructure integration. IS&GS was also awarded the Information Technology Network Operations Virtual Alliance (IT NOVA) IDIQ contract with the Department of Homeland Security.

Global Services

In Global Services, we support mission services, global security and stability operations and provide facility services. In this arena, the key competencies are the people we provide to support the mission and our agility in responding to dynamic staffing requirements. Significant programs include mission planning and launch services for Orion and other National Aeronautics and Space Administration (NASA) programs, as well as military space efforts; in-transit visibility and other asset management and logistics programs; and infrastructure and operational support contracts.

Through our Pacific Architects and Engineers, Inc. (PAE) subsidiary, Global Services provides entire support infrastructures and staffing for overseas bases. This includes base camp construction, logistics, democratization services and management of embassies, air terminals, base camps and other facilities. These operations are increasingly global in nature as we are deployed with our customers and our services support their mission. Customers include the U.S. Department of State and international agencies such as the North Atlantic Treaty Organization (NATO) and the United Nations. The Global Services unit also includes Savi Technology, Inc., a subsidiary of ours, which provides radio frequency identification (RFID) solutions for both our government and commercial customers.

Competition

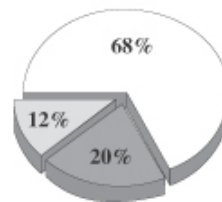
The range of products and services at IS&GS results in competition with other large aerospace, defense and information technology companies, as well as with numerous smaller competitors. The principal factors of competition include technical and management capability, the ability to develop and implement complex, integrated system architectures, price and past performance. Program requirements frequently result in the formation of teams such that companies teamed on one program are competitors for another, especially in our Mission Systems line of business. On some outsourcing procurements, which are more prevalent in our Information Systems line of business, we may also compete with a government-led bidding entity.

Space Systems

Space Systems is engaged in the design, research, development, engineering and production of satellites, strategic and defensive missile systems and space transportation systems. The Satellite product line includes both government and commercial satellites. Strategic & Defensive Missile Systems includes missile defense technologies and systems and fleet ballistic missiles. Space Transportation Systems includes the next generation human space flight system known as the Orion crew exploration vehicle, as well as the Space Shuttle's external tank and commercial launch services using the Atlas V launch vehicle. Through ownership interests in two joint ventures, Space Transportation Systems also includes Space Shuttle processing activities and expendable launch services for the U.S. Government.

In 2007, Space Systems' net sales of \$8.2 billion represented approximately 20% of our total net sales. Space Systems' principal lines of business and the percentage that each contributed to 2007 net sales are:

- Satellites
- Strategic & Defensive Missile Systems
- Space Transportation Systems



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The segment is heavily dependent on both military and civilian agencies of the U.S. Government as customers. In 2007, U.S. Government customers accounted for approximately 94% of the segment's net sales.

Satellites

Our Satellites business designs, develops, manufactures and integrates advanced technology satellite systems for government and commercial applications. We are responsible for various classified systems and services in support of vital national security systems.

The Space-Based Infrared System (SBIRS) program is providing the nation with enhanced worldwide missile detection and tracking capabilities. The consolidated ground system, operational since 2001, processes data from the Defense Support Program satellites and manages the satellite constellation. The ground system also provides the foundation to evolve mission capabilities as SBIRS payloads and satellites are deployed. SBIRS is envisioned to operate with a total of four satellites in geo-synchronous earth orbit and two sensors in highly-elliptical orbit (HEO) to increase mission capabilities for missile warning, missile defense, technical intelligence and battlespace characterization. Our current contract includes two geo-synchronous orbit spacecraft and two highly-elliptical orbit payloads. The first HEO payload is on-orbit and is exceeding specifications following initial on-orbit checkout.

The Advanced Extremely High Frequency (AEHF) system is the DoD's next generation of highly secure communications satellites. The AEHF constellation is envisioned to include three networked satellites designed to provide improved secure data throughput capability and coverage flexibility to regional and global military operations and to be compatible with the Milstar I and II systems. The AEHF communication system includes the satellite constellation, mission control segment and terminal development. We are under contract to build the three space vehicles and develop the ground segment.

The Global Positioning System (GPS) is a space-based radio navigation and time distribution system. Its mission is to provide precise, continuous, and all-weather three-dimensional position, velocity, timing and information to properly equipped air, land, sea and space-based users. We are the prime contractor for the GPS IIR program, which includes 20 satellites that will improve navigation accuracy and provide longer autonomous satellite operation than current global positioning satellites. In 2007, we delivered the eighth and final satellite in the modernized Block IIR production program to the U.S. Air Force. We also successfully delivered in-orbit the fourth GPS Block IIR-M satellite in the series. The GPS Block IIR-M satellites include new features that enhance operations and navigation signal performance for military and civilian GPS users around the globe.

In 2007, we continued to perform work in preparation for the GPS III program. GPS III is intended to deliver major improvements in accuracy, assured service delivery, integrity, and flexibility for military and civil users. We have assessed mission needs and requirements, and developed innovative architecture recommendations, culminating in a successful systems design review and subsequent proposal submittal in August 2007. The U.S. Air Force is expected to award a multi-billion dollar development contract to a single contractor in 2008.

We also continued to conduct risk reduction and system trade studies supporting the U.S. Air Force's Transformational Satellite program. The program represents the next step toward transitioning the DoD wideband and protected communications satellite architecture into a single network comprised of multiple satellite, ground and user segment components. The system is being designed to network mobile warfighters, sensors, weapons, and communications command and control nodes located on the ground, in the air, at sea or in space. We executed a successful space segment design review and subsequently submitted our proposal in July 2007. The U.S. Air Force is expected to award a multi-billion dollar development contract to a single contractor in 2008.

The Mobile User Objective System (MUOS) is a next-generation narrowband tactical satellite communications system for the U.S. Navy that is envisioned to provide significantly improved and assured communications for the mobile warfighter. MUOS is planned to replace the current narrowband tactical satellite communications system known as the Ultra High Frequency Follow-On (UFO) system. The MUOS satellites are designed to be compatible with the existing UFO system and associated legacy terminals and provide increased military communications availability. The program calls for the delivery of five satellites, and operational turnover of the first MUOS satellite is planned for 2010.

We produce exploration spacecraft such as the Mars Reconnaissance Orbiter and Mars Phoenix Lander, as well as earth-orbiting satellites and sensors for Earth observation and environmental monitoring. Our Satellite business also designs, builds, markets and operates turnkey commercial satellite systems for space-based telecommunications and other applications. In 2007, we delivered four commercial satellites and were awarded one new commercial satellite contract.

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Strategic & Defensive Missile Systems

Our Strategic & Defensive Missile Systems business has been the sole supplier of strategic fleet ballistic missiles to the U.S. Navy since the program's inception in 1955. The Trident II D5 is the latest generation of submarine launched ballistic missiles, following the highly successful Polaris, Poseidon C3, and Trident I C4 programs. The Trident II D5 began initial production in 1988 and has achieved a mission-success track record of 120 consecutive successful test launches. The Trident II D5 is the only intercontinental ballistic missile in production in the United States.

We are integrally involved with several missile defense programs. Under the Targets and Countermeasures Program, we manage the overall missile defense targets hardware and software portfolio for the MDA, providing realistic test environments for the system being developed by the MDA to defend against all classes of ballistic missiles. We are the prime contractor for the MDA's Multiple Kill Vehicles (MKV) payload system. In the event of an enemy launch, a single interceptor equipped with the MKV payload system is designed to destroy the enemy lethal reentry vehicle along with any countermeasures deployed to confuse the missile defense system. We are part of the industry team that is developing the Airborne Laser to detect, track and destroy hostile ballistic missiles in the vulnerable boost phase of flight. We provide the beam control fire control system, which is designed to accurately point and focus the high-energy laser beam. In 2007, the beam control fire control system successfully completed a series of flight tests.

Space Transportation Systems

Our Space Transportation Systems business provides human space flight systems.

We lead an industry team supporting NASA in the design, test, build, integration and operational capability of the Orion Crew Exploration Vehicle. Orion is an advanced crew capsule design utilizing state-of-the-art technology, and is planned to succeed the Space Shuttle in transporting a new generation of human explorers to and from the International Space Station, the Moon and eventually Mars and beyond.

We also manufacture the NASA Space Shuttle external tank. The tank is the only major non-reusable element of the Space Shuttle. One tank is used for each launch. Our existing contract for the external tanks will continue through the final Space Shuttle flight, currently scheduled for 2010.

Our Space Transportation Systems business also includes a 50% ownership interest in two joint ventures. United Space Alliance, LLC (USA) is responsible for the day-to-day operation and management of the Space Shuttle fleet for NASA. USA also performs the modification, testing and checkout operations required to prepare Space Shuttles for launch. United Launch Alliance, LLC (ULA) performs the engineering, production, test and launch operations associated with U.S. Government launches of the Atlas and Delta families of launch vehicles. We continue to market commercial Atlas launch services.

Competition

U.S. Government purchases of satellite systems, strategic missiles and space transportation systems are characterized by major competitions governed by DoD or NASA procurement regulations. While the evaluation criteria for selection vary from competition to competition, they are generally characterized by the customer's best value determination, which includes several important elements, such as price, technical capability, schedule and past performance. We compete worldwide for sales of satellites and commercial launch services against several competitors.

Based on current projected DoD, NASA and other government spending profiles and budget priorities, we believe we are well-positioned to compete for government satellites, strategic and defensive missile systems and space transportation systems programs. Future competitions for government systems include initiatives for transformational communications, global positioning, and planetary exploration and science.

Commercial demand for geo-stationary telecommunications satellites has been flat and manufacturing remains in an overcapacity situation. This has created significant price and competitive pressures. For further discussion of competitive factors in the sales of commercial satellites, see Management's Discussion & Analysis – "U.S. Government – Non-Department of Defense Business" beginning on page 34 of this Form 10-K.

Patents

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

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

Raw Materials and Seasonality

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

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

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

Government Contracts and Regulation

Our businesses are heavily regulated in most of our fields of endeavor. We deal with numerous U.S. Government agencies and entities, including all of the branches of the U.S. military, NASA, the U.S. Postal Service, the Social Security Administration, and the Departments of Defense, Energy, Justice, Health and Human Services, Homeland Security, State and Transportation. Similar government authorities exist with respect to our international efforts.

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

- require certification and disclosure of all cost or pricing data in connection with certain contract negotiations;
- impose specific and unique cost accounting practices that may differ from Generally Accepted Accounting Principles and therefore require reconciliation;
- impose acquisition regulations that define allowable and unallowable costs and otherwise govern our right to reimbursement under certain cost-based U.S. Government contracts; and
- restrict the use and dissemination of information classified for national security purposes and the export of certain products and technical data.

U.S. Government contracts are conditioned upon the continuing availability of Congressional appropriations. Long-term government contracts and related orders are subject to cancellation if appropriations for subsequent performance periods become unavailable. Congress usually appropriates funds on a fiscal-year basis even though contract performance may extend over many years. Consequently, at the outset of a program, the contract is usually partially funded, and Congress annually determines if additional funds are to be appropriated to the contract.

The U.S. Government, and other governments, may terminate any of our government contracts and, in general, subcontracts, at their convenience, as well as for default based on performance.

A portion of our business is classified by the U.S. Government and cannot be specifically described. The operating results of these classified programs are included in our consolidated financial statements. The business risks associated with classified programs, as a general matter, do not differ materially from those of our other government programs and products.

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Backlog

At December 31, 2007, our total negotiated backlog was \$76.7 billion compared with \$75.9 billion at the end of 2006. Of our total 2007 year-end backlog, approximately \$48.5 billion, or 63%, is not expected to be filled within one year.

These amounts include both funded backlog (unfilled firm orders for our products and services for which funding has been both authorized and appropriated by the customer – Congress, in the case of U.S. Government agencies) and unfunded backlog (firm orders for which funding has not been appropriated). We do not include unexercised options or potential indefinite-delivery/ indefinite-quantity (IDIQ) orders in our backlog. If any of our contracts are terminated by the U.S. Government, our backlog would be reduced by the expected value of the remaining terms of such contracts. Funded backlog was \$42.3 billion at December 31, 2007. The backlog for each of our business segments is provided as part of Management’s Discussion and Analysis – “Discussion of Business Segments” beginning on page 44 of this Form 10-K.

Research and Development

We conduct research and development activities under customer-funded contracts and with our own independent research and development funds. Our independent research and development costs include basic research, applied research, development, systems and other concept formulation studies, and bid and proposal efforts related to government products and services. These costs are generally allocated among all contracts and programs in progress under U.S. Government contractual arrangements. Corporation-sponsored product development costs not otherwise allocable are charged to expense when incurred. Under certain arrangements in which a customer shares in product development costs, our portion of the unreimbursed costs is generally expensed as incurred. Total independent research and development costs charged to costs of sales, including costs related to bid and proposal efforts, were \$1.2 billion in 2007, \$1.1 billion in 2006 and \$1.0 billion in 2005. See “Research and development and similar costs” in Note 1 – Significant Accounting Policies on page 68 of this Form 10-K.

Employees

At December 31, 2007, we had approximately 140,000 employees, the majority of whom were located in the U.S. We have a continuing need for numerous skilled and professional personnel to meet contract schedules and obtain new and ongoing orders for our products. The majority of our employees possess a security clearance. The demand for workers with security clearances who have specialized engineering, information technology and technical skills within the aerospace, defense and information technology industries is likely to remain high for the foreseeable future, while growth of the pool of trained individuals with those skills has not matched demand. As a result, we are competing with other companies with similar needs in hiring skilled employees. Management considers employee relations to be good.

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

Forward-Looking Statements

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

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

ITEM 1A. RISKFACTORS

An investment in our common stock or debt securities involves risks and uncertainties. While we attempt to identify, manage and mitigate risks to our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. You should consider the following factors carefully, in addition to the other information contained in this Form 10-K, before deciding to purchase our securities.

Our existing U.S. Government contracts are subject to continued appropriations by Congress and may be terminated or delayed if future funding is not made available. Reduced funding for defense procurement and research and development programs could result in terminated or delayed contracts and adversely affect our ability to grow or maintain our sales and profitability.

We rely heavily upon sales to the U.S. Government including both DoD and non-DoD agencies, obtaining 84% of our sales from U.S. Government customers in 2007. Future sales from orders placed under our existing U.S. Government contracts are conditioned upon the continuing availability of Congressional appropriations. Congress usually appropriates funds on a fiscal-year basis even though contract performance may extend over many years.

We and other U.S. defense contractors have benefited from an upward trend in overall U.S. defense spending in the last few years. This trend continued with the President's budget request for fiscal year 2009, which reflects the continued commitment to modernize the Armed Forces and sustain current capabilities while prosecuting the war on terrorism.

Although the ultimate size of future defense budgets remains uncertain, current indications are that overall defense spending will continue to increase over the next few years, albeit at lower rates of growth. However, DoD programs in which we participate, or in which we may seek to participate in the future, must compete with other programs for consideration during our nation's budget formulation and appropriation processes. Budget decisions made in this environment may have long-term consequences for our size and structure and that of the defense industry. While we believe that our programs are a high priority for national defense, there remains the possibility that one or more of our programs will be reduced, extended, or terminated. Reductions in our existing programs, unless offset by other programs and opportunities, could adversely affect our ability to grow our sales and profitability.

We provide a wide range of defense, homeland security and information technology products and services to the U.S. Government. While we believe that this diversity makes it less likely that cuts in any specific contract or program will have a long-term impact on us, termination of multiple or large programs or contracts could adversely affect our business and future financial performance. In addition, termination of large programs or multiple contracts affecting a particular business site could require us to evaluate the continued viability of operating that site.

Changes in military strategy and planning may affect future procurement priorities and existing programs.

We cannot predict whether potential changes in defense priorities will afford new or additional opportunities for our businesses in terms of existing, follow-on or replacement programs, or whether we would have to close existing manufacturing facilities or incur expenses beyond those that would be reimbursed if one or more of our existing contracts were terminated for convenience due to lack of funding. See "Management's Discussion and Analysis – Industry Considerations" beginning on page 33 of this report.

We are continuing to invest in business opportunities where we can use our customer knowledge, technical strength and systems integration capabilities to win new business. Whether we are successful in continuing to grow sales and profits will depend, in large measure, on whether we are able to deliver the best value solutions for our customer.

As a U.S. Government contractor, we are subject to a number of procurement rules and regulations.

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

In some instances, these laws and regulations impose terms or rights that are more favorable to the government than those typically available to commercial parties in negotiated transactions. For example, the U.S. Government may terminate any of our government contracts and, in general, subcontracts, at its convenience, as well as for default based on performance. Upon termination for convenience of a fixed-price type contract, we normally are entitled to receive the

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purchase price for delivered items, reimbursement for allowable costs for work-in-process and an allowance for profit on the contract or adjustment for loss if completion of performance would have resulted in a loss. Upon termination for convenience of a cost reimbursement contract, we normally are entitled to reimbursement of allowable costs plus a portion of the fee. Such allowable costs would include our cost to terminate agreements with our suppliers and subcontractors. The amount of the fee recovered, if any, is related to the portion of the work accomplished prior to termination and is determined by negotiation.

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

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

Our business could be adversely affected by a negative audit by the U.S. Government.

U.S. Government agencies, including the Defense Contract Audit Agency and various agency Inspectors General, routinely audit and investigate government contractors. These agencies review a contractor's performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. The U.S. Government also reviews the adequacy of, and a contractor's compliance with, its internal control systems and policies, including the contractor's management, purchasing, property, estimating, compensation, accounting and information systems. Any costs found to be misclassified may be nonreimbursed, while such costs already reimbursed may be subject to repayment. If an audit or investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. Government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us.

The nature of our business involves significant risks and uncertainties that may not be covered by indemnity or insurance.

Elements of our business provide products and services where insurance or indemnification may not be available, including:

- Designing, developing, integrating, producing, sustaining and supporting products using advanced and unproven technologies
- Designing, developing, integrating, producing, sustaining and supporting products with explosive or other inherently dangerous components
- Designing, developing, integrating, producing, sustaining and supporting large systems such as spacecraft, satellites, intelligence systems and homeland security applications that operate primarily in extreme, high demand or high risk conditions
- Deployment of employees in countries with unstable or competing governments; areas subject to peacekeeping or humanitarian missions; areas of armed conflict, at military installations or accompanying armed forces in the field
- Training others to operate or repair advanced technology products or provide security or other homeland security-related services
- Designing, developing, integrating, producing, sustaining and supporting products for the purpose of collecting, archiving, retrieving, fusing, distributing and analyzing various types of information.

Failure of these products and services could result in extensive loss of life or property damage. Sometimes these products and services are controversial and our role in providing these products and services could subject us to criticism or harm our reputation. Certain products and services may raise questions with respect to issues of civil liberties, intellectual property, trespass, conversion and similar concepts. The legal obligations of those working with developing technologies and the resulting products and services may raise issues of first impression and the legal decisions that do deal with these questions may differ from jurisdiction to jurisdiction on a global basis.

Although indemnification by the U.S. Government to cover potential claims or liabilities resulting from a failure of technologies developed and deployed may be available in some instances for our defense businesses, U.S. Government indemnification may not be available for homeland security purposes. In addition, there are some instances where the U.S.

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Government could provide indemnification under applicable law, but elects not to do so. While we maintain insurance for some business risks, it is not possible to obtain coverage to protect against all operational risks and liabilities. We generally seek, and in certain cases have obtained, limitation of such potential liabilities related to the sale and use of our homeland security products and services through qualification by the Department of Homeland Security under the SAFETY Act provisions of the Homeland Security Act of 2002. SAFETY Act qualification is less useful in mitigating potential liability for international applications of our homeland security products and services. Where we are unable to secure indemnification or qualification under the SAFETY Act or choose not to do so, we may nevertheless elect to provide the product or service when we think the related risks are manageable or when emergency conditions relative to national security make qualification impracticable. Our assumptions or judgment may prove to be inaccurate.

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

Our earnings and margins may vary based on the mix of our contracts and programs.

At December 31, 2007, our backlog included both cost reimbursable and fixed-price contracts. Cost reimbursable contracts generally have lower profit margins than fixed-price contracts. Production contracts are mainly fixed-price contracts, and developmental contracts are generally cost reimbursable contracts. Our earnings and margins may vary materially depending on the types of long-term government contracts undertaken, the nature of the products produced or services performed under those contracts, the costs incurred in performing the work, the achievement of other performance objectives and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

Under fixed-price contracts, we receive a fixed price irrespective of the actual costs we incur and, consequently, any costs in excess of the fixed price are absorbed by us. Under time and materials contracts, we are paid for labor at negotiated hourly billing rates and for certain expenses. Under cost reimbursable contracts, subject to a contract-ceiling amount in certain cases, we are reimbursed for allowable costs and paid a fee, which may be fixed or performance based. However, if our costs exceed the contract ceiling or are not allowable under the provisions of the contract or applicable regulations, we may not be able to obtain reimbursement for all such costs and may have our fees reduced or eliminated. The failure to perform to customer expectations and contract requirements can result in reduced fees and may affect our financial performance for the affected period. Under each type of contract, if we are unable to control costs we incur in performing under the contract, our financial condition and operating results could be materially adversely affected. Cost over-runs or the failure to perform on existing programs also may adversely affect our ability to sustain existing programs and obtain future contract awards.

If our subcontractors or suppliers fail to perform their contractual obligations, our prime contract performance and our ability to obtain future business could be materially and adversely impacted.

Many of our contracts involve subcontracts with other companies upon which we rely to perform a portion of the services that we must provide to our customers. There is a risk that we may have disputes with our subcontractors, including disputes regarding the quality and timeliness of work performed by the subcontractor, the workshare provided to the subcontractor, customer concerns about the subcontract, our failure to extend existing task orders or issue new task orders under a subcontract, or our hiring of the personnel of a subcontractor or vice versa. A failure by one or more of our subcontractors to satisfactorily provide on a timely basis the agreed-upon supplies or perform the agreed-upon services may materially and adversely impact our ability to perform our obligations as the prime contractor. Subcontractor performance deficiencies could result in a customer terminating our contract for default. A default termination could expose us to liability and have a material adverse effect on our ability to compete for future contracts and orders. In addition, a delay in our ability to obtain components and equipment parts from our suppliers may affect our ability to meet our customers' needs and may have an adverse effect upon our profitability.

We use estimates in accounting for many of our programs. Changes in our estimates could affect our future financial results.

Contract accounting requires judgment relative to assessing risks, estimating contract sales and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total

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sales and cost at completion is complicated and subject to many variables. For example, assumptions have to be made regarding the length of time to complete the contract because costs also include expected increases in wages and prices for materials. Similarly, assumptions have to be made regarding the future impacts of efficiency initiatives and cost reduction efforts. Incentives or penalties related to performance on contracts are considered in estimating sales and profit rates, and are recorded when there is sufficient information for us to assess anticipated performance. Estimates of award and incentive fees are also used in estimating sales and profit rates based on actual and anticipated awards.

Because of the significance of the judgments and estimation processes described above, it is likely that materially different amounts could be recorded if we used different assumptions or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances or estimates may adversely affect future period financial performance. For additional information on accounting policies and internal controls we have in place for recognizing sales and profits, see our discussion under Management's Discussion and Analysis – "Critical Accounting Policies – Contract Accounting/ Revenue Recognition" beginning on page 37 and "Controls and Procedures" beginning on page 57, and Note 1 – Significant Accounting Policies beginning on page 66 of this Form 10-K.

New accounting standards could result in changes to our methods of quantifying and recording accounting transactions, and could affect our financial results and financial position.

Changes to U.S. generally accepted accounting principles (GAAP) arise from new and revised standards, interpretations and other guidance issued by the Financial Accounting Standards Board, the SEC, and others. In addition, the U.S. Government may issue new or revised Cost Accounting Standards or Cost Principles. The effects of such changes may include prescribing an accounting method where none had been previously specified, prescribing a single acceptable method of accounting from among several acceptable methods that currently exist, or revoking the acceptability of a current method and replacing it with an entirely different method, among others. Such changes could result in unanticipated effects on our results of operations, financial position and other financial measures.

The level of returns on pension and postretirement plan assets, changes in interest rates and other factors could affect our earnings in future periods.

Our earnings may be positively or negatively impacted by the amount of expense we record for our employee benefit plans. This is particularly true with expense for our pension plans. GAAP requires that we calculate expense for the plans using actuarial valuations. These valuations are based on assumptions that we make relating to financial market and other economic conditions. Changes in key economic indicators can result in changes in the assumptions we use. The key year-end assumptions used to estimate pension expense for the following year are the discount rate, the expected long-term rate of return on plan assets and the rate of increase in future compensation levels. Our pension expense can also be affected by legislation and other government regulatory actions. For a discussion regarding how our financial statements can be affected by pension plan accounting policies, see Management's Discussion and Analysis – "Critical Accounting Policies – Postretirement Benefit Plans" beginning on page 38 of this Form 10-K.

International sales and suppliers may pose potentially greater risks.

Our international business may pose greater risks than our domestic business due to the greater potential for changes in foreign economic and political environments. In return, these greater risks are often accompanied by the potential to earn higher profits than from our domestic business. Our international business is also highly sensitive to changes in foreign national priorities and government budgets. Sales of military products are affected by defense budgets (both in the U.S. and abroad) and U.S. foreign policy.

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

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

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Some international customers require contractors to comply with industrial cooperation regulations and enter into industrial participation agreements, sometimes referred to as offset agreements. Offset agreements may require in-country purchases, manufacturing and financial support projects as a condition to obtaining orders or other arrangements. Offset agreements generally extend over several years and may provide for penalties in the event we fail to perform in accordance with offset requirements. See “Contractual Commitments and Off-Balance Sheet Arrangements” in Management’s Discussion and Analysis beginning on page 54 of this Form 10-K.

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

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

If we are not successful in identifying and closing these transactions, we may not be able to maintain a competitive leadership position or may be required to expend additional resources to develop capabilities internally in certain segments. In evaluating transactions, we are required to make valuation assumptions and exercise judgment regarding business opportunities and potential liabilities. Our assumptions or judgment may prove to be inaccurate. Our due diligence reviews may not identify all of the material issues necessary to accurately estimate the cost and potential loss contingencies of a particular transaction. Future acquisitions might require that we issue stock or incur indebtedness. This could dilute returns to existing stockholders, or adversely affect our credit rating or future financial performance. We also may incur unanticipated costs or expenses, including post-closing asset impairment charges, expenses associated with eliminating duplicate facilities, litigation and other liabilities. While we believe that we have established appropriate procedures and processes to mitigate many of these risks, there is no assurance that our integration efforts and business acquisition strategy will be successful.

Divestitures may result in continued financial involvement in the divested businesses, such as through guarantees or other financial arrangements, for a period of time following the transaction. Nonperformance by those divested businesses could affect our future financial results.

Joint ventures operate under shared control with other parties. Under the equity method of accounting, we recognize our share of the operating results of these ventures in our results of operations, and therefore our operating results can be affected by the performance of businesses over which we do not exercise unilateral control.

Business disruptions could seriously affect our future sales and financial condition or increase our costs and expenses.

Our business may be impacted by disruptions including, but not limited to, threats to physical security, information technology attacks or failures, damaging weather or other acts of nature and pandemics or other public health crises. Such disruptions could affect our internal operations or services provided to customers, and could impact our sales, increase our expenses or adversely affect our reputation or our stock price.

Unforeseen environmental costs could impact our future earnings.

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

We manage various government-owned facilities on behalf of the government. At such facilities, environmental compliance and remediation costs have historically been the responsibility of the government and we relied (and continue to rely with respect to past practices) upon government funding to pay such costs. While the government remains responsible for capital and operating costs associated with environmental compliance, responsibility for fines and penalties associated with environmental noncompliance are typically borne by either the government or the contractor, depending on the contract and the relevant facts.

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Most of the laws governing environmental matters include criminal provisions. If we were convicted of a violation of the Federal Clean Air Act or the Clean Water Act, our facility or facilities involved in the violation would be placed by EPA on the “Excluded Parties List” maintained by the General Services Administration. The listing would continue until the EPA concluded that the cause of the violation had been cured. Listed facilities cannot be used in performing any U.S. Government contract awarded to us during any period of listing by the EPA.

We have incurred and will likely continue to incur liabilities under various federal and state statutes for the cleanup of pollutants previously released into the environment. The extent of our financial exposure cannot in all cases be reasonably estimated at this time. Among the variables management must assess in evaluating costs associated with these cases and remediation sites generally are changing cost estimates, continually evolving governmental environmental standards and cost allowability issues. For information regarding these matters, including current estimates of the amounts that we believe are required for remediation or cleanup to the extent estimable, see “Environmental Matters” in Management’s Discussion and Analysis beginning on page 39 and Note 14 – Legal Proceedings, Commitments and Contingencies beginning on page 89 of this Form 10-K.

Unanticipated changes in our tax provisions or exposure to additional income tax liabilities could affect our profitability.

Our business operates in many locations under government jurisdictions that impose income taxes. Changes in domestic or foreign income tax laws and regulations, or their interpretation, could result in higher or lower income tax rates assessed or changes in the taxability of certain revenues or the deductibility of certain expenses, thereby affecting our income tax expense and profitability. In addition, audits by income tax authorities could result in unanticipated increases in our income tax expense.

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

Our business may be adversely affected by the outcome of legal proceedings and other contingencies (including environmental remediation costs) that cannot be predicted with certainty. As required by GAAP in the U.S., we estimate material loss contingencies and establish reserves based on our assessment of contingencies where liability is deemed probable and reasonably estimable in light of the facts and circumstances known to us at a particular point in time. Subsequent developments in legal proceedings may affect our assessment and estimates of the loss contingency recorded as a liability or as a reserve against assets in our financial statements. For a description of our current legal proceedings, see Item 3 – Legal Proceedings beginning on page 25 and Note 14 – Legal Proceedings, Commitments and Contingencies beginning on page 87 of this Form 10-K.

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

Our business has a continuing need to attract large numbers of skilled personnel, including personnel holding security clearances, to support the growth of the enterprise and to replace individuals who have terminated employment due to retirement or for other reasons. To the extent that the demand for qualified personnel exceeds supply, as has been the case in recent years, we could experience higher labor, recruiting or training costs in order to attract and retain such employees, or could experience difficulties in performing under our contracts if our needs for such employees were unmet.

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

Our forward-looking statements and projections may prove to be inaccurate.

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

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In addition, general economic conditions and trends, including interest rates, government budgets and inflation, can and do affect our businesses. For a discussion identifying additional risk factors and important factors that could cause actual results to vary materially from those anticipated in the forward-looking statements, see the preceding discussion of Risk Factors beginning on page 18, Government Contracts and Regulation beginning on page 16, Management's Discussion and Analysis beginning on page 32, and Note 1 – Significant Accounting Policies beginning on page 66 of this Form 10-K. Other factors, in addition to those described, may affect our forward-looking statements or actual results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

At December 31, 2007, we operated in 553 locations (including offices, manufacturing plants, warehouses, service centers, laboratories and other facilities) throughout the United States and internationally. Of these, we owned 47 locations aggregating approximately 29 million square feet and leased space at 506 locations aggregating approximately 26 million square feet. We also manage or occupy various government-owned facilities. The U.S. Government also furnishes equipment that we use in some of our businesses.

At December 31, 2007, our business segments occupied facilities at the following major locations that housed in excess of 500,000 square feet of floor space:

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

The following is a summary of our floor space by business segment at December 31, 2007:

<i>(Square feet in millions)</i>	<i>Leased</i>	<i>Owned</i>	<i>Government Owned</i>	<i>Total</i>
Aeronautics	3.4	5.0	15.2	23.6
Electronic Systems	10.7	10.0	6.3	27.0
Information Systems & Global Services	9.5	2.9	—	12.4
Space Systems	1.7	8.6	4.7	15.0
Corporate activities	0.8	2.8	—	3.6
Total	26.1	29.3	26.2	81.6

A portion of our activity is related to engineering and research and development, which is not susceptible to productive capacity analysis. In the area of manufacturing, most of the operations are of a job-order nature, rather than an assembly line process, and productive equipment has multiple uses for multiple products. Management believes that all of our major physical facilities are in good condition and are adequate for their intended use.

ITEM 3. LEGAL PROCEEDINGS

We are a party to or have property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment. In the opinion of management and in-house counsel, the probability is remote that the outcome of these matters will have a material adverse effect on the Corporation as a whole. The results of legal proceedings, however, cannot be predicted with certainty. These matters include the proceedings summarized in Note 14 – Legal Proceedings, Commitments and Contingencies beginning on page 87 of this Form 10-K.

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

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

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to the extent estimable, see Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Environmental Matters" beginning on page 39, and Note 14 – Legal Proceedings, Commitments and Contingencies beginning on page 89 of this Form 10-K.

Like many other industrial companies in recent years, we are a defendant in lawsuits alleging personal injury as a result of exposure to asbestos integrated into our premises and certain historical products. We have never mined or produced asbestos and no longer incorporate it in any currently manufactured products. We have been successful in having a substantial number of these claims dismissed without payment. The remaining resolved claims have settled for amounts that are not material individually or in the aggregate. A substantial majority of the asbestos-related claims have been covered by insurance or other forms of indemnity. Based on the information currently available, we do not believe that resolution of these asbestos-related matters will have a material adverse effect upon the Corporation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2007.

ITEM 4(a). EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers are listed below, as well as information concerning their age at December 31, 2007, positions and offices held with the Corporation, and principal occupation and business experience over the past five years. There were no family relationships among any of our executive officers and directors. All officers serve at the pleasure of the Board of Directors.

Robert J. Stevens (56), Chairman, President and Chief Executive Officer

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

James B. Comey (47), Senior Vice President and General Counsel

Mr. Comey has served as Senior Vice President and General Counsel since October 2005. He previously served as Deputy Attorney General of the United States to oversee all operations of the Department of Justice from 2003 to 2005 and U.S. Attorney for the Southern District of New York from 2002 to 2003.

Linda R. Gooden (54), Executive Vice President – Information Systems & Global Services

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

Ralph D. Heath (59), Executive Vice President – Aeronautics

Mr. Heath has served as Executive Vice President – Aeronautics since January 2005. He previously served as Executive Vice President and General Manager of the F-22 Program from November 2002 to December 2004.

Christopher E. Kubasik (46), Executive Vice President – Electronic Systems

Mr. Kubasik has served as Executive Vice President – Electronic Systems since September 2007. He previously served as Chief Financial Officer from October 2001 to August 2007.

Joanne M. Maguire (53), Executive Vice President – Space Systems

Ms. Maguire has served as Executive Vice President – Space Systems since July 2006. She previously served as Vice President and Deputy of Lockheed Martin Space Systems Company from July 2003 to June 2006 and Vice President, Special Programs for Lockheed Martin Space Systems Company from March 2003 to July 2003. From January 2000 to March 2003, Ms. Maguire served as Sector Deputy and Vice President of Business Development for TRW Space & Electronics, an operating sector of TRW, Inc.

Martin T. Stanislav (43), Vice President and Controller

Mr. Stanislav has served as Vice President and Controller since March 2005. He previously served as Vice President and Controller for Aeronautics from June 2002 to March 2005.

Bruce L. Tanner (48), Executive Vice President and Chief Financial Officer

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

Mary M. VanDeWeghe (48), Senior Vice President of Finance

Ms. VanDeWeghe has served as Senior Vice President of Finance since February 2006. Following a career with J.P. Morgan, where she was a Managing Director, she served as Chief Executive Officer of Forte Consulting from 1997 to 2006 and as Executive in Residence at the Robert H. Smith School of Business at the University of Maryland during the same period.

PART II

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

At January 31, 2008, we had 40,026 holders of record of our common stock, par value \$1 per share. Our common stock is traded on the New York Stock Exchange, Inc. under the symbol LMT. Information concerning the stock prices as reported on the NYSE composite transaction tape and dividends paid during the past two years is as follows:

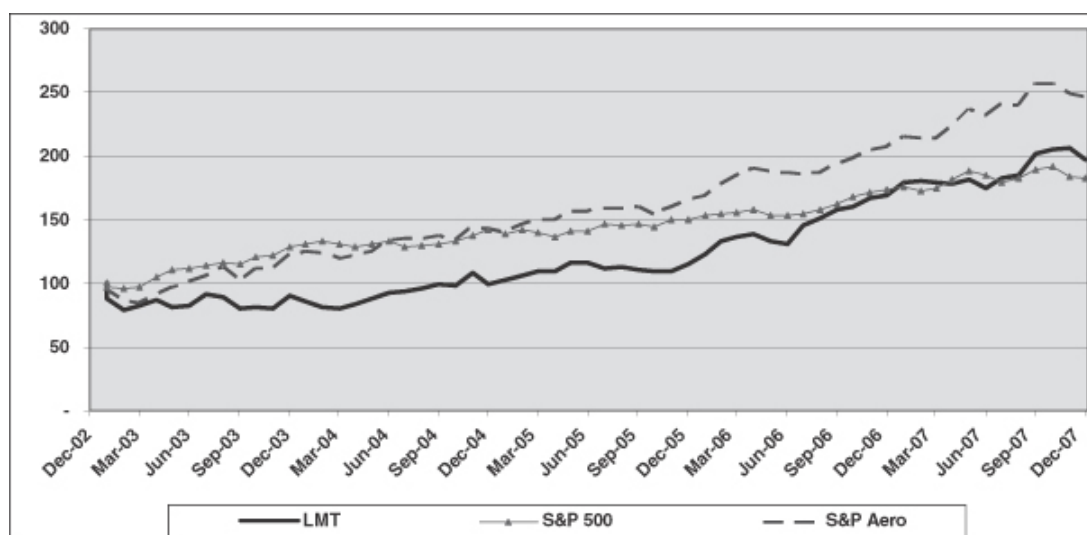
Common Stock – Dividends Paid and Market Prices

Quarter	Dividends Paid		Market Prices (High-Low)	
	2007	2006	2007	2006
First ^(a)	\$ 0.00	\$ 0.30	\$ 103.50 – \$91.08	\$ 77.78 – \$62.52
Second ^(a)	0.70	0.30	100.10 – 93.06	77.95 – 69.87
Third	0.35	0.30	108.75 – 88.86	86.45 – 72.01
Fourth	0.42	0.35	113.74 – 103.33	93.24 – 82.70
Year	\$ 1.47	\$ 1.25	\$ 113.74 – 88.86	\$ 93.24 – \$62.52

^(a) Dividends of \$0.35 per share were declared during the first quarter of 2007 and paid in the second quarter.

Stockholder Return Performance Graph

The following graph compares the total return on a cumulative basis of \$100 invested in Lockheed Martin common stock on December 31, 2002 to the Standard and Poor’s (S&P) Aerospace & Defense Index and the S&P 500 Index.



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

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

Issuer Purchases of Equity Securities

The following table provides information about our repurchases of common stock during the three-month period ended December 31, 2007.

<i>Period</i>	<i>Total Number of Shares Purchased</i>	<i>Average Price Paid Per Share</i>	<i>Total Number of Shares Purchased as Part of Publicly Announced Program ^(a)</i>	<i>Maximum Number of Shares That May Yet Be Purchased Under the Program ^(b)</i>
October	127,100	\$108.58	127,100	35,573,131
November	1,504,300	109.07	1,504,300	34,068,831
December	1,325,900	108.78	1,325,900	32,742,931

^(a) We repurchased a total of 2,957,300 shares of our common stock during the quarter ended December 31, 2007 under a share repurchase program that we announced in October 2002.

^(b) Our Board of Directors has approved a share repurchase program for the repurchase of up to 128 million shares of our common stock from time-to-time, including 20 million shares approved for repurchase by our Board of Directors in September 2007. Under the program, management has discretion to determine the number and price of the shares to be repurchased, and the timing of any repurchases, in compliance with applicable law and regulation. As of December 31, 2007, we had repurchased a total of 95.3 million shares under the program.

In 2007, we did not make any unregistered sales of equity securities.

ITEM 6. SELECTED FINANCIAL DATA
Consolidated Financial Data—Five Year Summary

<i>(In millions, except per share data and ratios)</i>	2007 ^(b)	2006 ^(c)	2005 ^(d)	2004 ^(e)	2003 ^(f)
OPERATING RESULTS ^(a)					
Net sales	\$41,862	\$39,620	\$37,213	\$35,526	\$ 31,824
Cost of sales	37,628	36,186	34,676	33,558	29,848
	4,234	3,434	2,537	1,968	1,976
Other income (expense), net	293	336	316	171	114
Operating profit	4,527	3,770	2,853	2,139	2,090
Interest expense	352	361	370	425	487
Other non-operating income (expense), net	193	183	133	(50)	(71)
Earnings before income taxes	4,368	3,592	2,616	1,664	1,532
Income tax expense	1,335	1,063	791	398	479
Net earnings	\$ 3,033	\$ 2,529	\$ 1,825	\$ 1,266	\$ 1,053
EARNINGS PER COMMON SHARE					
Basic	\$ 7.29	\$ 5.91	\$ 4.15	\$ 2.86	\$ 2.36
Diluted	\$ 7.10	\$ 5.80	\$ 4.10	\$ 2.83	\$ 2.34
CASH DIVIDENDS	\$ 1.47	\$ 1.25	\$ 1.05	\$ 0.91	\$ 0.58
CONDENSED BALANCE SHEET DATA					
Cash and cash equivalents	\$ 2,648	\$ 1,912	\$ 2,244	\$ 1,060	\$ 1,010
Short-term investments	333	381	429	396	240
Other current assets	7,959	7,871	7,856	7,497	8,151
Property, plant and equipment, net	4,320	4,056	3,924	3,599	3,489
Goodwill	9,387	9,250	8,447	7,892	7,879
Purchased intangibles, net	463	605	560	672	807
Prepaid pension asset	313	235	1,360	1,030	1,213
Other assets	3,503	3,921	2,924	3,408	3,386
Total	\$28,926	\$28,231	\$27,744	\$25,554	\$ 26,175
Current maturities of long-term debt	\$ 104	\$ 34	\$ 202	\$ 15	\$ 136
Other current liabilities	9,767	9,519	9,226	8,551	8,757
Long-term debt, net	4,303	4,405	4,784	5,104	6,072
Accrued pension liabilities	1,192	3,025	2,097	1,660	1,100
Other postretirement benefit liabilities	928	1,496	1,277	1,236	1,440
Other liabilities	2,827	2,868	2,291	1,967	1,914
Stockholders' equity	9,805	6,884	7,867	7,021	6,756
Total	\$28,926	\$28,231	\$27,744	\$25,554	\$ 26,175
COMMON SHARES AT YEAR-END	409	421	432	438	446
CASH FLOW DATA					
Cash provided by operating activities	\$ 4,241	\$ 3,783	\$ 3,194	\$ 2,924	\$ 1,809
Cash used for investing activities	(1,205)	(1,655)	(499)	(708)	(1,461)
Cash used for financing activities	(2,300)	(2,460)	(1,511)	(2,166)	(2,076)
RETURN ON INVESTED CAPITAL ^(g)	21.4%	19.2%	14.5%	10.8%	9.6%
NEGOTIATED BACKLOG	\$76,660	\$75,905	\$74,825	\$73,986	\$ 76,899

Notes to Five Year Summary

- (a) In 2007, we reclassified interest income and certain other debt-related expenses from Other income (expense), net to Other non-operating income (expense), net on our Statement of Earnings. All amounts for prior periods in the table above have been reclassified to conform to the 2007 presentation.
- (b) Includes the effects of items not considered in the assessment of the operating performance of our business segments (see the section, "Results of Operations – Unallocated Corporate Income (Expense), Net" in Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A)) which increased Operating profit by \$71 million, \$46 million after tax (\$0.11 per share). Also includes a reduction in Income tax expense of \$59 million (\$0.14 per share) resulting from the closure of Internal Revenue Service examinations for the 2003 and 2004 tax years and claims we filed for additional extraterritorial income tax benefits for years prior to 2005. On a combined basis, these items increased earnings by \$105 million after tax (\$0.25 per share).

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- (c) Includes the effects of items not considered in the assessment of the operating performance of our business segments which increased Operating profit by \$230 million, \$150 million after tax (\$0.34 per share). Also includes expenses of \$16 million, \$11 million after tax (\$0.03 per share) for a debt exchange, and a reduction in Income tax expense of \$62 million (\$0.14 per share) resulting from a tax benefit related to claims we filed for additional extraterritorial income exclusion (ETI) tax benefits. On a combined basis, these items increased earnings by \$201 million after tax (\$0.45 per share).
- (d) Includes the effects of items not considered in the assessment of the operating performance of our business segments which, on a combined basis, increased Operating profit by \$173 million, \$113 million after tax (\$0.25 per share).
- (e) Includes the effects of items not considered in the assessment of the operating performance of our business segments which decreased Operating profit by \$61 million, \$54 million after tax (\$0.12 per share). Also includes a charge of \$154 million, \$100 million after tax (\$0.22 per share) for the early repayment of debt, and a reduction in Income tax expense resulting from the closure of an Internal Revenue Service examination of \$144 million (\$0.32 per share). On a combined basis, these items reduced earnings by \$10 million after tax (\$0.02 per share).
- (f) Includes the effects of items not considered in the assessment of the operating performance of our business segments which, on a combined basis, decreased Operating profit by \$7 million, \$6 million after tax (\$0.01 per share). Also includes a charge of \$146 million, \$96 million after tax (\$0.21 per share) for the early repayment of debt.
- (g) We define return on invested capital (ROIC) as Net earnings plus after-tax interest expense divided by average invested capital (Stockholders' equity plus debt), after adjusting Stockholders' equity by adding back adjustments related to postretirement benefit plans. We believe that reporting ROIC provides investors with greater visibility into how effectively we use the capital invested in our operations. We use ROIC to evaluate multi-year investment decisions and as a long-term performance measure, and also use it as a factor in evaluating management performance under certain of our incentive compensation plans. ROIC is not a measure of financial performance under generally accepted accounting principles, and may not be defined and calculated by other companies in the same manner. ROIC should not be considered in isolation or as an alternative to Net earnings as an indicator of performance. We calculate ROIC as follows:

<i>(In millions)</i>	2007	2006	2005	2004	2003
Net earnings	\$ 3,033	\$ 2,529	\$ 1,825	\$ 1,266	\$ 1,053
Interest expense (multiplied by 65%) ¹	229	235	241	276	317
Return	\$ 3,262	\$ 2,764	\$ 2,066	\$ 1,542	\$ 1,370
Average debt ^{2, 5}	\$ 4,416	\$ 4,727	\$ 5,077	\$ 5,932	\$ 6,612
Average equity ^{3, 5}	7,661	7,686	7,590	7,015	6,170
Average benefit plan adjustments ^{3, 4, 5}	3,171	2,006	1,545	1,296	1,504
Average invested capital	\$15,248	\$14,419	\$14,212	\$14,243	\$14,286
Return on invested capital	21.4%	19.2%	14.5%	10.8%	9.6%

¹ Represents after-tax interest expense utilizing the federal statutory rate of 35%.

² Debt consists of Long-term debt, including Current maturities of long-term debt, and short-term borrowings (if any).

³ Equity includes non-cash adjustments, primarily for unrecognized benefit plan actuarial losses and prior service costs in 2007 and 2006, the adjustment for the adoption of FAS 158 in 2006, and the additional minimum pension liability in years prior to 2007.

⁴ Average benefit plan adjustments reflect the cumulative value of entries identified in our Statement of Stockholders Equity under the captions "Postretirement benefit plans," "Adjustment for adoption of FAS 158" and "Minimum pension liability." The total of annual benefit plan adjustments to equity were: 2007 = \$1,706 million; 2006 = (\$1,883) million; 2005 = (\$105) million; 2004 = (\$285) million; 2003 = \$331 million; 2002 = (\$1,537) million; and 2001 = (\$33 million). As these entries are recorded in the fourth quarter, the value added back to our average equity in a given year is the cumulative impact of all prior year entries plus 20% of the current year entry value.

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

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

Financial Section Roadmap

The financial section of our Form 10-K includes management's discussion and analysis, our consolidated financial statements, the notes to those financial statements and a five year summary of financial information. We have prepared the following summary, or "roadmap," to assist in your review of the financial section. It is designed to give you an overview of our Company and alert you as to some of the more important activities and events that occurred this year.

Our Business

We principally research, design, develop, manufacture, integrate, operate and sustain advanced technology systems and products, and provide a broad range of management, engineering, technical, scientific, logistic and information services. We mainly serve customers in domestic and international defense, civil agencies, and homeland security. Our sales to agencies of the U.S. Government, including those to the Department of Defense (DoD), represented 84% of our sales in 2007. Of the remaining 16% of sales, approximately 13% related to sales to international customers (including foreign military sales funded, in whole or in part, by the U.S. Government), with the remainder attributable to commercial and other customers. In 2006 and 2005, sales to agencies of the U.S. Government represented 84% and 85% of our total sales. Our main areas of focus are in defense, space, intelligence, homeland security and government information technology.

In February 2007, we announced a realignment of our operations to enhance support for critical customer missions and increase our integration of resources. The realignment included the combination of our former Information Technology & Global Services (IT&GS) and Integrated Systems & Solutions (IS&S) business segments into a new business segment named Information Systems & Global Services (IS&GS), along with certain other changes. All business segment disclosures and amounts in this Form 10-K have been reclassified to reflect the realignment.

We now operate in four principal business segments: Aeronautics, Electronic Systems, IS&GS and Space Systems. As a lead systems integrator, our products and services range from electronics and information systems, including integrated net-centric solutions, to missiles, aircraft and spacecraft. We organize our business segments based on the nature of the products and services offered.

Financial Section Overview

The financial section includes the following:

Management's discussion and analysis, or MD&A (pages 32 through 58) – provides our management's view about industry trends, risks and uncertainties relating to Lockheed Martin, accounting policies that we view as critical in light of our business, our results of operations, including discussions about the key performance drivers of each of our business segments, our financial position and cash flows, commitments and contingencies, important events or transactions that have occurred over the last three years, and forward-looking information, as appropriate.

Reports related to the financial statements and internal control over financial reporting (pages 59 through 61) – include the following:

- A report from management, indicating our responsibility for financial reporting, the financial statements, and the system of internal control over financial reporting and an assessment of the effectiveness of those controls;
- A report from Ernst & Young LLP, an independent registered public accounting firm, which includes their opinion on the effectiveness of our system of internal control over financial reporting; and
- A report from Ernst & Young LLP which includes their opinion on the fair presentation of our financial statements based on their audits.

Financial statements (pages 62 through 65) – include our consolidated Statements of Earnings, Cash Flows and Stockholders' Equity for each of the last three years, and our Balance Sheet as of the end of the last two years. Our financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP).

Notes to the financial statements (pages 66 through 95) – provide insight into and are an integral part of our financial statements. The notes contain explanations of our significant accounting policies, details about certain of the captions on the financial statements, information about significant events or transactions that have occurred, discussions about legal proceedings, commitments and contingencies, and selected financial information relating to our business segments. The notes to the financial statements also are prepared in accordance with GAAP.

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Highlights

The financial section of our Form 10-K describes our ongoing operations, including discussions about particular lines of business or programs, our ability to finance our operating activities, and trends and uncertainties in our industry and how they might affect our future operations. We also discuss those items affecting our results that were not considered in senior management's assessment of the operating performance of our business segments. We separately disclose these items to assist in your evaluation of our overall operating performance and financial condition of our consolidated company. We would like to draw your attention to the following items disclosed in this financial section and where you will find them:

<u>Topic</u>	<u>Location(s)</u>
Critical accounting policies:	
Contract accounting/revenue recognition	Page 37 and page 67
Postretirement benefit plans	Page 38 and page 83
Environmental matters	Page 39, page 67 and page 89
Goodwill	Page 40 and page 67
Stock-based compensation	Page 41, page 69 and page 80
Discussion of business segments	Page 44 and page 90
Liquidity and cash flows	Page 51 and page 64
Capital structure and resources	Page 52, page 63, page 65 and page 79
Legal proceedings, commitments and contingencies	Page 54 and page 87
Income taxes	Page 69 and page 77

Industry Considerations

U.S. Government – Department of Defense Business

The President's budget proposal for fiscal year 2009 focuses on ensuring America's economic prosperity and keeping our country safe. The Administration's priorities include balancing the budget by 2012, combating terrorism and protecting the homeland, promoting economic growth, and controlling non-security and entitlement spending. Over half of the discretionary spending in the budget proposal is allocated to defense and other security needs to be addressed by the Departments of Defense, Homeland Security, and State – all key customers of ours.

For fiscal year 2009, the President's budget proposes \$515.4 billion for the Department of Defense (DoD), reflecting the Administration's commitment to continued modernization of our Armed Forces and sustainment of current capabilities. This amount, called the base budget, excludes any funding for ongoing military operations in Iraq and Afghanistan or the global war on terrorism. These costs, discussed below, are requested as emergency supplemental funding. The fiscal year 2009 DoD base budget is an increase of \$35.9 billion, or 7.5%, over the fiscal year 2008 base budget as enacted into law at the end of 2007. The 2009 DoD base budget includes \$104.2 billion for procurement of systems and equipment (Procurement) and \$79.6 billion for research, development, test, and evaluation (RDT&E), collectively termed the investment accounts. The proposed investment budget of \$183.8 billion represents a nearly 5% increase in the investment accounts over fiscal year 2008 enacted levels and represents a record-high level of funding for these accounts.

The Operations and Maintenance accounts, which contain the bulk of funding for training, logistics, services, and other sustainment activities, total approximately \$179.8 billion for fiscal year 2009, an increase of \$15.6 billion, or nearly 10%, over fiscal year 2008 enacted levels. The balance of the budget, \$151.8 billion, includes amounts for military pay and benefits, construction, and other activities.

Over the fiscal years 2009-2013, total DoD funding is expected to rise to \$549.0 billion in 2013, or 14.4% higher than the fiscal year 2008 budget. Total proposed funding for the DoD over this five-year period is nearly \$2.7 trillion, reflecting both the significant increase in the same five-year period in the budget proposal submitted in February of 2007, as well as a small additional increase in this year's plan.

In addition to the base DoD budget, the Administration is again requesting funding to defray costs for Operation Iraqi Freedom and Operation Enduring Freedom in Afghanistan. The fiscal year 2009 budget proposal includes \$70.0 billion in supplemental funding for the ongoing war on terrorism, which is \$20 billion higher than anticipated in last year's budget proposal. This amount reflects only costs anticipated to be incurred in the first several months of fiscal year 2009 to ensure continuity of funding during the transition to the next Administration, which will begin in January of 2009, and the budget proposal assumes the next Administration will determine what additional amounts may be required for these activities. The

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budget proposal also assumes Congress will approve the full \$183.8 billion in supplemental funding requested for fiscal year 2008, of which only \$86.8 billion had been approved at the time of the budget submission. Total funding requested for the fiscal year 2009 base and supplemental budgets is \$585.4 billion.

Details of the supplemental funding request have not yet been released. Supplemental funding enables the DoD to proceed on critical modernization and acquisition programs, versus using funds available for those programs to pay for the Iraq and Afghanistan missions. While Congress has expressed concern about the size of supplemental budgets, funding for ongoing operations has not been significantly curtailed by Congress. We expect that Congress will approve the remaining fiscal year 2008 supplemental funding in a timely fashion, and, thus, we do not believe that the cost of ongoing operations in Iraq and Afghanistan will materially impact the investment accounts in the near term.

We believe our broad mix of programs and capabilities continues to position us favorably to support the current and future needs of the DoD. Our key aircraft programs are strongly supported in the fiscal year 2009 DoD budget request. The request includes \$4.0 billion for 20 F-22 Raptor air dominance fighter aircraft produced under a multiyear contract entered into in 2007, and \$6.7 billion for the F-35 Lightning II Joint Strike Fighter program. Funding of \$933 million is proposed for procurement of 8 C-130J aircraft, as well as advance procurement for 16 additional C-130Js. The budget also includes \$798.2 million to continue upgrades of the C-5 strategic airlift aircraft.

The fiscal year 2009 budget request includes \$10.5 billion, an increase of \$600 million over fiscal year 2008, for missile defense capabilities. We are represented in almost every aspect of land, sea, air and space-based missile defense, including the AEGIS weapon system program, the Medium Extended Air Defense System (MEADS), the Patriot Advanced Capability (PAC-3) missile program, the Terminal High Altitude Area Defense (THAAD) system, and the Multiple Kill Vehicle (MKV) program.

In the areas of space-based intelligence and information superiority, we have leadership positions on programs such as the TSAT Mission Operations System (TMOS), Mobile User Objective System (MUOS), the Advanced Extremely High Frequency (AEHF) system, the Space-Based Infrared System-High (SBIRS-H) and classified programs. Space-based systems are robustly funded in the fiscal year 2009 request at \$10.7 billion.

The fiscal year 2009 budget proposes \$16.4 billion for an array of command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) programs. We are well-positioned in these capabilities, including the Air Operations Center Weapons System Integrator, the Warfighter Information Network – Tactical, the Combatant Commanders Integrated Command and Control System, and the Global Communications Support System – Air Force.

We will continue to perform on contracts to develop and deliver essential munitions, missile, and other systems, such as Hellfire, Guided Multiple Launch Rocket Systems, and EQ-36, to our warfighters. We are bringing our systems integration expertise as well as our existing advanced technology products and services into adjacent military product lines, such as the Littoral Combat Ship and the VH-71 U.S. Presidential Helicopter programs, both of which are supported in the fiscal year 2009 budget request. We are well-positioned to expand in these adjacent markets, as well as in unmanned systems capabilities, including air, ground, and underwater systems.

We are a significant presence in information technology support and modernization for the DoD. We see opportunities for expansion of our sustainment and logistical support activities to enhance the longevity of the systems procured by our customers and improving global supply chain management, and we see opportunities to grow our business in providing global services and business process management across the DoD enterprise.

Most of the aforementioned programs require funding over several annual government budget cycles. There is always an inherent risk that these and other DoD programs could become potential targets for future reductions or elimination of funding to pay for other programs, either in the Administration's budget reviews or in the Congressional process of annual appropriations.

U.S. Government – Non-Department of Defense Business

The war on terrorism has focused greater attention on the security of our homeland and the need for better communication and interoperability among law enforcement, civil government agencies, intelligence agencies, and our military services. Our experience in the defense arena, together with our core information technology and services expertise, has enabled us to provide products and services to a number of government agencies, including the Departments of Homeland Security, Justice, Commerce, Health and Human Services, State, Transportation and Energy, the U.S. Postal Service, the Social Security Administration, the Federal Aviation Administration, the National Aeronautics and Space Administration (NASA), the Environmental Protection Agency (EPA), and the Library of Congress.

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The Administration's budget proposal for fiscal year 2009 seeks to limit overall growth in the civil agency budgets to one percent per year or less. Despite this limitation on total non-defense discretionary spending in the President's proposal, our key programs are well supported in the budgets of the various agencies with which we do business.

The fiscal year 2009 budget submission for NASA is \$17.6 billion, \$500 million higher than the fiscal year 2008 level, and our key programs are well supported in the request. The next-generation human space flight crew transportation system, known as the Crew Expeditionary Vehicle (CEV) or Orion, is a key element of NASA's Vision for Space Exploration and will succeed the Space Shuttle in transporting a new generation of human explorers to and from space. Orion is supported at a level of \$1.1 billion in the budget proposal for NASA.

Though we have continued to receive new orders from the U.S. military in 2007 for satellites to support missile defense, battlefield communications and other defense initiatives, the environment for our commercial satellites business continues to be very competitive due mainly to low demand for new satellites as a result of excess capacity in the telecommunications industry. We are managing our commercial satellite business with an expectation of receiving fewer orders due to market constraints.

The Department of Homeland Security fiscal year 2009 budget request of \$37.6 billion is an increase of 7.7% over fiscal year 2008 enacted level. Within the budget, the Coast Guard Deepwater system is funded at \$990.4 million. Despite overall decreases in the total budgets for the Departments of Transportation and Justice, the Transportation Workers Identity Card (TWIC) program, the Federal Aviation Administration's Automated Flight Services Station Network, and the Federal Bureau of Investigation's Sentinel program are well supported in their respective agency budgets. Other key programs are well supported in the civil agency budgets.

We have continued to expand our capabilities in critical intelligence, knowledge management and e-Government solutions for our customers, including the Social Security Administration and the EPA, as well for the DoD. We also provide program management, business strategy and consulting, complex systems development and maintenance, complete life-cycle software support, information assurance and enterprise solutions. The expected growth in business process outsourcing has been enabled by rule changes for public/private competitions. In addition, recent trends continue to indicate an increase in demand by federal and civil government agencies for upgrading and investing in new information technology systems and solutions. As a result, we continue to focus our resources in support of infrastructure modernization that allows for interoperability and communication across agencies.

In addition, the continuing strong emphasis on homeland security may increase demand for our capabilities in areas such as air traffic management, ports, waterways and cargo security, biohazard detection systems for postal equipment, employee identification and credential verification systems, information systems security, and other global security systems solutions. In addition, we may see an increase in demand from the Department of State and the United Nations for mission services, global security and stability operations, and facility services.

Similar to the risks inherent in our defense business, funding for our civil agency business is contingent on approval in annual appropriations acts for each of the agencies with which we have business. Major programs may be funded over several annual government budget cycles, with the risk of future reductions or elimination in the Administration's budget review or in the annual Congressional appropriations process.

In the civil government business, some risks are unique to particular programs. For example, although indemnification by the U.S. Government to cover potential claims or liabilities resulting from a failure of technologies developed and deployed may be available in some instances for our defense businesses, U.S. Government indemnification may not be available for homeland security purposes. In addition, there are some instances where the U.S. Government could provide indemnification under applicable law, but elects not to do so. While we maintain insurance for some business risks, it is not possible to obtain coverage to protect against all operational risks and liabilities. We generally seek, and in certain cases have obtained, limitation of such potential liabilities related to the sale and use of our homeland security products and services through qualification by the Department of Homeland Security under the SAFETY Act provisions of the Homeland Security Act of 2002. SAFETY Act qualification is less useful in mitigating potential liability for international applications of our homeland security products and services. Where we are unable to secure indemnification or qualification under the SAFETY Act or choose not to do so, we may nevertheless elect to provide the product or service when we think the related risks are manageable or when emergency conditions relative to national security make qualification impracticable.

Other Business Considerations

We have continued the expansion of our business with foreign governments primarily through Aeronautics, Electronic Systems and with IS&GS' acquisition of PAE in 2006. Our international sales are comprised of "foreign military sales" through the U.S. Government and direct commercial contracts. In Aeronautics, the U.S. Government and eight foreign government partners are working together on the design, testing and production of the F-35 Lightning II. The F-16 Fighting Falcon has been selected by 24 countries, with 52 follow-on buys from 14 customers. The C-130J Super Hercules air mobility aircraft is currently in service in four foreign countries, and is expanding its international footprint with recent orders from Canada and Norway. With regard to the AEGIS weapon system, our Electronic Systems segment performs activities in the development, production, ship integration and test, and lifetime support for ships of international customers (e.g., Japan, Korea and Spain). Electronic Systems also produces the PAC-3 missile, an advanced defensive missile designed to intercept incoming airborne threats, for international customers including Japan, Germany and the Netherlands. The acquisition of PAE has increased our presence in certain less developed countries by providing base camp construction, logistics, democratization and management services, among others, generally through our contracts with such customers as the United Nations and the U.S. Department of State.

As a government contractor, we are subject to U.S. Government oversight. The government may ask about and investigate our business practices and audit our compliance with applicable rules and regulations. Depending on the results of those audits and investigations, the government could make claims against us. Under government procurement regulations and practices, an indictment of a government contractor could result in that contractor being fined and suspended from being able to bid on, or be awarded, new government contracts for a period of time. A conviction could result in debarment for a specific period of time. Similar government oversight exists in most other countries where we conduct business. Although we cannot predict the outcome of these types of investigations and inquiries with certainty, based on current facts, we do not believe that any of the claims, audits or investigations pending against us are reasonably likely to have a material adverse effect on our business or our results of operations, cash flows or financial position.

In years in which an appropriations bill has not been signed into law before September 30 (the end of the U.S. Government's fiscal year), Congress typically passes a continuing resolution that authorizes U.S. Government agencies to continue to operate, generally at the same funding levels from the prior year, but does not authorize new spending initiatives. During periods covered by continuing resolutions (or until the regular appropriation bills are passed), we may experience delays in procurement of products and services due to lack of funding, and those delays may affect our revenue and profit during the period.

We are exposed to risks associated with U.S. Government contracting, including technological uncertainties, dependence on fewer manufacturing suppliers, and obsolescence, as well as Congressional appropriation and allotment of funds each year. Many of our programs involve the development and application of state-of-the-art technologies aimed at achieving challenging goals. As a result, setbacks, delays, cost growth and product failures can occur.

We have entered into various joint ventures, teaming and other business arrangements to help support our portfolio of products and services in many of our lines of business, since their activities are closely aligned with our operations. For example, we have a 50% equity interest in United Launch Alliance, LLC (ULA), which provides the production, engineering, test and launch operations associated with U.S. Government launches on Atlas and Delta launch vehicles, and a 50% equity interest in United Space Alliance, LLC (USA) which provides ground processing and other operational services to the Space Shuttle program.

Certain of our business arrangements include international partners. The conduct of international business introduces other risks into our operations, including changing economic conditions, fluctuations in relative currency values, regulation by foreign countries and the potential for unanticipated cost increases resulting from the possible deterioration of political relations. The nature of our international business also makes us subject to the export control regulations of the U.S. Department of State and the Department of Commerce. If these regulations are violated, it could result in monetary penalties and denial of export privileges. We are currently unaware of any violations of export control regulations which are reasonably likely to have a material adverse effect on our business or our results of operations, cash flows or financial position.

In August 2006, the President signed into law legislation related to pension plan funding in response to the public's concern over the adequacy of such funding. The law has the effect of accelerating the required amount of annual pension plan contributions under the Internal Revenue Code that most companies will be required to pay, effective in 2008. The legislation provides an exemption for us as well as other large U.S. defense contractors that delays the requirement to accelerate funding. The legislation also requires the U.S. Government Cost Accounting Standards (CAS) Board to modify its

pension accounting rules by 2010 to better align the recovery of pension contributions on U.S. Government contracts with the new accelerated funding requirements. The new funding requirements for large U.S. defense contractors will be delayed until the earlier of 2011 or the year in which the changes to the CAS rules are effective.

Critical Accounting Policies

Contract Accounting / Revenue Recognition

Approximately 84% of our sales are derived from long-term contracts for design, development and production activities, with the remainder attributable to contracts to provide other services that are not associated with design, development or production activities. We consider the nature of these contracts and the types of products and services provided when we determine the proper accounting method for a particular contract.

Accounting for Design, Development and Production Contracts

Generally, we record long-term, fixed-price design, development and production contracts on a percentage of completion basis using units-of-delivery as the basis to measure progress toward completing the contract and recognizing sales. For example, we use this method of revenue recognition on our C-130J tactical transport aircraft program and Multiple Launch Rocket System program. For certain other long-term, fixed-price design, development and production contracts that, along with other factors, require us to deliver minimal quantities over a longer period of time or to perform a substantial level of development effort in comparison to the total value of the contract, sales are recorded when we achieve performance milestones or using the cost-to-cost method to measure progress toward completion. Under the cost-to-cost method of accounting, we recognize sales based on the ratio of costs incurred to our estimate of total costs at completion. As examples, we use this methodology for our F-22 Raptor program and the AEGIS Weapon System program.

In some instances, long-term production programs may require a significant level of development and/or a low rate of initial production units in their early phases, but will ultimately require delivery of increased quantities in later, full rate production stages. In those cases, the revenue recognition methodology may change from the cost-to-cost method to the units-of-delivery method as new contracts for different phases of a program are received after considering, among other factors, program and production stability. As we incur costs under cost-reimbursement-type contracts, we record sales and an estimated profit. Cost-reimbursement-type contracts include time and materials and other level-of-effort-type contracts. Examples of this type of revenue recognition include the F-35 Lightning II Joint Strike Fighter System Development and Demonstration (SDD) program and the THAAD missile defense program. Most of our long-term contracts are denominated in U.S. dollars, including contracts for sales of military products and services to foreign governments conducted through the U.S. Government (*i.e.*, foreign military sales).

As a general rule, we recognize sales and profits earlier in a production cycle when we use the cost-to-cost and milestone methods of percentage of completion accounting than when we use the units-of-delivery method. In addition, our profits and margins may vary materially depending on the types of long-term contracts undertaken, the costs incurred in their performance, the achievement of other performance objectives, and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

Incentives and award fees related to performance on design, development and production contracts, which are generally awarded at the discretion of the customer, as well as penalties related to contract performance, are considered in estimating sales and profit rates. Estimates of award fees are based on actual awards and anticipated performance. Incentive provisions which increase or decrease earnings based solely on a single significant event are generally not recognized until the event occurs. Such incentives and penalties are recorded when there is sufficient information for us to assess anticipated performance.

Accounting for design, development and production contracts requires judgment relative to assessing risks, estimating contract revenues and costs, and making assumptions for schedule and technical issues. Due to the size and nature of the work required to be performed on many of our contracts, the estimation of total revenue and cost at completion is complicated and subject to many variables. Contract costs include material, labor and subcontracting costs, as well as an allocation of indirect costs. We have to make assumptions regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the contract (to estimate increases in wages and prices for materials), performance by our subcontractors, and the availability and timing of funding from our customer. For contract change orders, claims or similar items, we apply judgment in estimating the amounts and assessing the potential for realization. These amounts are only included in contract value when they can be reliably estimated and realization is considered probable. We have accounting policies in place to address these as well as other contractual and business arrangements to properly account for long-term contracts.

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Products and services provided under long-term design, development and production contracts represent approximately 84% of our sales for 2007. Therefore, the amounts we record in our financial statements using contract accounting methods and cost accounting standards are material. Because of the significance of the judgments and estimation processes, it is likely that materially different amounts could be recorded if we used different assumptions or if our underlying circumstances were to change. For example, if underlying assumptions were to change such that our estimated profit rate at completion for all design, development and production contracts was higher or lower by one percentage point, our Net earnings would increase or decrease by approximately \$225 million. When adjustments in estimated contract revenues or estimated costs at completion are required, any changes from prior estimates are recognized by recording adjustments in the current period for the inception-to-date effect of the changes on current and prior periods.

Accounting for Services Contracts

Revenue under contracts for services other than those associated with design, development or production activities is generally recognized either as services are performed or when a contractually required event has occurred, depending on the contract. This methodology is mainly used by our IS&GS segment. Services contracts primarily include operations and maintenance contracts, and outsourcing-type arrangements. Revenue under such contracts is generally recognized on a straight-line basis over the period of contract performance, unless evidence suggests that the revenue is earned or the obligations are fulfilled in a different pattern. Costs incurred under these services contracts are expensed as incurred, except that initial “set-up” costs are capitalized and recognized ratably over the life of the agreement. Earnings related to such services contracts may fluctuate from period to period, particularly in the earlier phases of the contract. Incentives and award fees related to performance on services contracts are recognized when they are fixed and determinable, generally at the date of award.

Other Contract Accounting Considerations

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

We closely monitor compliance with and the consistent application of our critical accounting policies related to contract accounting. Business segment personnel assess the status of contracts through periodic contract status and performance reviews. Also, regular and recurring evaluations of contract cost, scheduling and technical matters are performed by management personnel independent from the business segment performing work under the contract. Costs incurred and allocated to contracts with the U.S. Government are reviewed for compliance with regulatory standards by our personnel, and are subject to audit by the Defense Contract Audit Agency. For other information on accounting policies we have in place for recognizing sales and profits, see our discussion under “Sales and earnings” in Note 1 to the financial statements.

Postretirement Benefit Plans

Most of our employees are covered by defined benefit pension plans (pension plans), and we provide health care and life insurance benefits to eligible retirees. Our earnings may be negatively or positively impacted by the amount of expense or income we record for our employee benefit plans. This is particularly true with expense or income for pension plans because those calculations are sensitive to changes in several key economic assumptions and workforce demographics. Non-union represented employees hired after January 1, 2006 do not participate in our defined benefit pension plans, but are eligible to participate in a defined contribution plan in addition to our other retirement savings plans. They also have the ability to participate in our retiree medical plans, but we do not subsidize the cost of their participation.

We account for our pension plans using Statement of Financial Accounting Standards (FAS) 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* and FAS 87, *Employers’ Accounting for Pensions*. FAS 158, which we adopted as of December 31, 2006, required us to recognize on a plan-by-plan basis the funded status of our postretirement benefit plans, with a corresponding adjustment to Accumulated other comprehensive loss, net of tax, in Stockholders’ equity. Prior to the end of 2006,

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unrecognized actuarial losses and prior service costs were netted against the plans' funded status on our Balance Sheet in accordance with FAS 87. The funded status is measured as the difference between the fair value of the plan's assets and the projected benefit obligation (PBO) of the plan.

FAS 87 requires that the amounts we record, including the expense or income for the plans, be computed using actuarial valuations. These valuations include many assumptions, including assumptions we make relating to financial market and other economic conditions. Changes in key economic indicators can result in changes in the assumptions we use. The key year-end assumptions used to estimate pension expense or income for the following calendar year are the discount rate, the expected long-term rate of return on plan assets and the rates of increase in future compensation levels, with the more subjective of these being the discount rate and the expected long-term rate of return on plan assets. We use judgment in reassessing these assumptions each year because we have to consider current market conditions and, in the case of the expected long-term rate of return on plan assets, past investment experience, judgments about future market trends, changes in interest rates and equity market performance. We also have to consider factors like the timing and amounts of expected contributions to the plans and benefit payments to plan participants.

The discount rate we select impacts both the calculation of the PBO at the end of the year as well as the calculation of net postretirement benefit plan cost in the subsequent year. We evaluate several data points in order to arrive at an appropriate discount rate. These items include quoted rates from long-term bond indices and changes in long-term bond rates over the past year. At the close of 2007, the annualized Merrill Lynch index for long-term AA corporate bonds (15+ years) was 6.37%.

We also calculate the approximate average yields on securities that were selected to match our projected pension-related cash flows. Our pension-related cash flows are put into actuarial models that included data for corporate bonds rated AA or better. The available universe of bonds are adjusted to reflect call provisions, outstanding issue amount, and bonds that are considered "outliers." As of December 31, 2007, the actuarial models calculated rates ranging from 6.35% to 6.57%. The data we collect provides important inputs into our determination of an appropriate discount rate. After reviewing all of the above data, we determined that the most appropriate discount rate for calculating our benefit obligations as of December 31, 2007 would be 6.375%, compared to 5.875% used at the end of 2006.

The discount rate assumption we select at the end of each year is based on our best estimates and judgment. A reasonably possible change of plus or minus 25 basis points in the 6.375% discount rate assumption at December 31, 2007, with all other assumptions held constant, would decrease or increase the amount of the projected benefit obligation we recorded at the end of 2007 by approximately \$900 million, resulting in an after-tax increase or decrease in Stockholders' equity at the end of the year of approximately \$580 million. If the 5.875% discount rate at December 31, 2006 that was used to compute 2007 pension expense had been 25 basis points higher or lower, with all other assumptions held constant, the amount of expense recorded would have been lower or higher by approximately \$90 million.

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

Environmental Matters

We are a party to various agreements, proceedings and potential proceedings for environmental cleanup issues, including matters at various sites where we have been designated a potentially responsible party (PRP) by the EPA or by a state agency. We record financial statement accruals for environmental matters in the period that it becomes probable that a liability has been incurred and the amounts can be reasonably estimated (see the discussion under "Environmental Matters" in Note 1 to the financial statements). Judgment is required when we develop assumptions and estimate costs expected to be incurred for environmental remediation activities due to difficulties in assessing the extent of environmental remediation to be performed, complex environmental regulations and remediation technologies, cost allowability issues, agreements among PRPs to share in the cost of remediation as discussed below and other factors.

We enter into agreements (*e.g.*, administrative orders, consent decrees) which document the extent and timing of our environmental remediation obligation. We are also involved in remediation activities at environmental sites where formal

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agreements exist, but do not quantify the extent and timing of our obligation. Environmental cleanup activities usually cover several years, which makes estimating the costs more judgmental due to, for example, changing remediation technologies. To determine the costs related to cleanup sites, we have to assess the extent of contamination, the appropriate technology to be used to accomplish the remediation, and evolving regulatory environmental standards. We consider these factors in our estimates of the timing and amount of any future costs that may be required for remediation actions, which generally results in the calculation of a range of estimates for a particular environmental site. We record a liability for the amount within the range which we determine to be our best estimate of the cost of remediation or, in cases where no amount within the range is better than another, we record an amount at the low end of the range. We review the estimates periodically and make adjustments to reflect changes in facts and circumstances. Given the required level of judgment and estimation, it is likely that materially different amounts could be recorded if different assumptions were used or if circumstances were to change (e.g., a change in environmental standards).

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

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

At the end of 2007, the total amount of liabilities recorded on our Balance Sheet for environmental matters was \$572 million. About 40% of the liability relates to former operating sites in Redlands and Burbank, California, mainly for remediation of soil and groundwater contamination. The remainder of the liability relates to other properties (including current operating facilities and certain facilities operated in prior years) for which our obligation is probable and the financial exposure can be reasonably estimated. We have recorded assets totaling \$480 million at December 31, 2007 for the portion of environmental costs that are probable of future recovery in pricing of our products and services to agencies of the U.S. Government. The amount that is expected to be allocated to our commercial businesses has been expensed through Cost of sales. Any recoveries we receive from other PRPs or insurance would reduce the allocated amounts included in our future U.S. Government Net sales and Cost of sales.

Goodwill Impairment

In accordance with FAS 142, *Goodwill and Other Intangible Assets*, we review Goodwill for impairment on an annual basis and whenever events or changes in circumstances indicate the carrying value of Goodwill may not be recoverable. Such events or circumstances could include significant changes in the business climate of our industry, operating performance indicators, competition, or sale or disposal of a portion of a reporting unit. The assessment is performed at the reporting unit level which we generally define as the business segment level or one level below the business segment. Our annual testing date is October 1.

Performing the Goodwill impairment test requires judgment, including the identification of reporting units and the determination of the fair value of each reporting unit. We estimate the fair value of each reporting unit using a discounted cash flow methodology which requires significant judgment, including estimation of future cash flows. Forecasts of future cash flows are based on our best estimate of future sales and operating costs, based primarily on existing firm orders, expected future orders, contracts with suppliers, labor agreements, general market conditions and the determination of our weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or Goodwill impairment for each reporting unit.

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

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Our Goodwill at December 31, 2007 amounted to \$9.4 billion. We completed our assessment of Goodwill as of October 1, 2007 and determined that no impairment existed at that date. Changes in estimates and assumptions we make in conducting our Goodwill assessment could affect the estimated fair value of one or more of our reporting units and could result in a Goodwill impairment charge in a future period. However, a 10% decrease in the estimated fair value of any of our reporting units at October 1, 2007 would not have resulted in a Goodwill impairment charge.

Stock-Based Compensation

We account for our stock-based compensation under the provisions of FAS 123(R), *Share-Based Payments*. We recognize compensation cost related to all share-based payments, including restricted stock units (RSUs) and stock options. Compensation cost for RSUs is based on the market value of our common stock on the date of the award. We estimate the fair value for stock options at the date of grant using the Black-Scholes option pricing model. Our stock options do not include market or performance conditions. We generally recognize the compensation cost for RSUs and stock options ratably over a three-year vesting period.

The Black-Scholes option pricing model requires us to make estimates and assumptions in determining certain inputs to the model, including a volatility factor for our stock, an expected life of the option and a risk-free interest rate. We estimate volatility based on the historical volatility of our daily stock price over the past five years, which is commensurate with the expected life of the options. We base the average expected life on the contractual term of the stock option, historical trends in employee exercise activity and post-vesting employment termination trends. We analyzed the option exercise patterns of our employees and determined there are no significant differences between employee groups. We base the risk-free interest rate on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. We also are required to estimate forfeitures at the date of grant which we base on historical experience. If any of our estimates or assumptions used in the Black-Scholes model were to change significantly, stock-based compensation expense could differ materially in the future from the amount recorded in 2007. Compensation cost recognized in 2007 totaled \$149 million.

Acquisition and Divestiture Activities

We continuously strive to strengthen our portfolio of products and services to meet the current and future needs of our customers. We accomplish this not only internally, through our independent research and development activities, but also through acquisitions. We selectively pursue the acquisition of businesses and investments that complement our current portfolio and allow access to new customers or technologies. We have made a number of such niche acquisitions of businesses during the past several years. Over the last five years, we have paid \$2.6 billion to complete 18 such acquisitions. Conversely, we may also explore the divestiture of businesses, investments and real estate. If we were to decide to sell any such assets, the resulting gains, if any, would be recorded when the transactions are completed and losses, if any, would be recorded when the value of the related asset is determined to be impaired.

Acquisitions

We used approximately \$160 million in 2007 for acquisition activities including the acquisition of, among others, Management Systems Designers Inc. (MSD), a provider of information technology (IT) and scientific solutions supporting government life science, national security, and other civil agency missions. The amount also includes certain payments related to acquisitions completed in prior years. The acquisitions were not material to our consolidated results of operations in 2007.

In 2006 and 2005, we completed acquisitions of the following businesses:

Year ended December 31, 2006 –

- Pacific Architects and Engineers, Inc., a provider of services to support military readiness, peacekeeping missions, nation-building activities, and disaster relief services (included in our IS&GS segment);
- Savi Technology, Inc., a developer of active radio frequency identification solutions (included in our IS&GS segment);
- Aspen Systems Corporation, an information management company that delivers a range of business process and technology solutions (included in our IS&GS segment);
- ISX Corporation, a provider of military decision systems and other information technology solutions (included in our Electronic Systems segment); and
- HMT Vehicles, a military vehicle design company (included in our Electronic Systems segment).

Year ended December 31, 2005 –

- The SYTEX Group, Inc., a provider of information technology solutions and technical support services (included in our IS&GS segment);

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- STASYS Limited, a U.K.-based technology and consulting firm specializing in network communications and defense interoperability (included in our IS&GS segment);
- INSYS Group Limited, a U.K.-based diversified supplier of military communications systems, weapons systems and advanced analysis services (included in our Electronic Systems segment); and
- Coherent Technologies, Inc., a supplier of high-performance, laser-based remote sensing systems (included in the Space Systems segment).

The aggregate cash paid for the 2006 acquisitions, as well as for amounts paid in 2006 related to acquisitions completed in 2005, was \$1.1 billion. The aggregate cash paid for the 2005 acquisitions, as well as for amounts paid in 2005 related to acquisitions completed in prior periods, was \$564 million. We accounted for the acquisitions under the purchase method of accounting, and therefore recorded purchase accounting adjustments by allocating the purchase price to the assets acquired and liabilities assumed based on their estimated fair values. The acquisitions were not material to our consolidated results of operations in 2006 or 2005.

Divestitures

During 2007, 2006 and 2005, we continued to execute the strategy to monetize certain of our equity investments and real estate by divesting of the following:

Year ended December 31, 2007

- Our remaining 20% interest in Comsat International, which resulted in a gain, net of state income taxes, of \$25 million in Other income (expense), net, and increased Net earnings by \$16 million (\$0.04 per share); and
- Certain land in California, which resulted in a gain, net of state income taxes, of \$25 million in Other income (expense), net, and increased Net earnings by \$16 million (\$0.04 per share).

Year ended December 31, 2006

- Our ownership interests in Lockheed Khronichev Energia International, Inc. (LKEI) and International Launch Services, Inc. (ILS). The gain on the sale was deferred pending the disposition of guarantees associated with providing launch services for certain customers (see Note 2);
- 21 million shares of Inmarsat plc, which resulted in a gain, net of state income taxes, of \$127 million in Other income (expense), net, and increased Net earnings by \$83 million (\$0.19 per share);
- The assets of Space Imaging, LLC, which resulted in a gain, net of state income taxes, of \$23 million in Other income (expense), net, and increased Net earnings by \$15 million (\$0.03 per share); and
- Certain land in California and Florida, which resulted in an aggregate gain, net of state income taxes, of \$51 million in Other income (expense), net, and increased Net earnings by \$33 million (\$0.08 per share).

Year ended December 31, 2005

- Our interest in NeuStar, Inc., which resulted in a gain, net of state income taxes, of \$30 million in Other income (expense), net, and increased Net earnings by \$19 million (\$0.04 per share);
- 16 million of our Inmarsat plc shares for \$89 million. In addition, primarily as a result of a successful initial public offering by Inmarsat, we recognized a gain of \$42 million which had previously been deferred. Together, these transactions resulted in gains, net of state income taxes, totaling \$126 million in Other income (expense), net, and increased Net earnings by \$82 million (\$0.18 per share); and
- Our 25% interest in Intelsat, Ltd., which resulted in a gain, net of state income taxes, of \$47 million in Other income (expense), net, and increased Net earnings by \$31 million (\$0.07 per share).

United Launch Alliance

On December 1, 2006, we completed the formation of ULA (see Note 2) with The Boeing Company (Boeing). The net book value of the assets we contributed and the liabilities that ULA assumed from us was initially determined to be \$190 million as of the date of closing. We accounted for the transfer at net book value, with no gain or loss recognized. In July 2007, we reached agreement with Boeing with respect to resolution of the final working capital and the value of the launch vehicle support contracts that we each contributed to form ULA, as contemplated by the original agreements. In connection with the resolution agreements, we made additional contributions to ULA in respect of the working capital adjustment totaling \$177 million which resulted in an increase in our investment in ULA. ULA also conformed the accounting policies of the contributed businesses. The adoption of conformed accounting policies affected the book value of the assets and liabilities that each of us contributed and resulted in adjustments to ULA's balance sheet as of December 1, 2006.

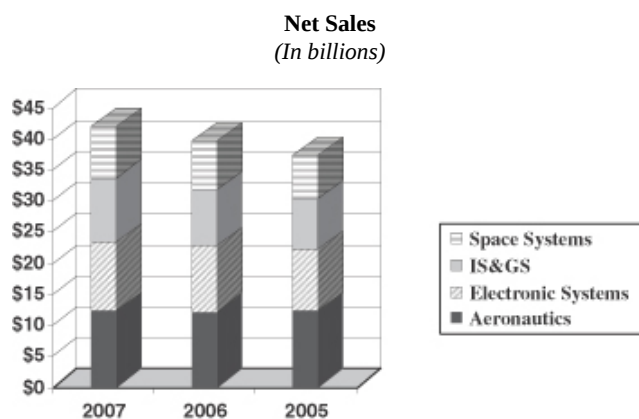
After the agreement was implemented and the adjustments were recorded, our 50% ownership share of ULA's net assets exceeded the book value of our investment by approximately \$395 million, which we are recognizing ratably over 10 years

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as Equity in net earnings (losses) of equity investees in Other income (expense), net. Our investment in ULA totaled \$402 million and \$197 million at December 31, 2007 and 2006. ULA did not have a material impact on our consolidated results of operations, financial position or cash flows in 2007.

Results of Operations

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



The following discussion of net sales and operating results provides an overview of our operations by focusing on key elements in our Statement of Earnings. The “Discussion of Business Segments” which follows describes the contributions of each of our business segments to our consolidated Net sales and Operating profit for 2007, 2006 and 2005. We follow an integrated approach for managing the performance of our business, and generally focus the discussion of our results of operations around major lines of business versus distinguishing between products and services. Product sales are predominantly generated in the Aeronautics, Electronic Systems and Space Systems segments, while most of our services revenues are generated in our IS&GS segment.

For 2007, Net sales were \$41.9 billion, a 6% increase over 2006 sales. Sales for 2006 were \$39.6 billion, a 6% increase over 2005 sales. Sales increased during 2007 in all segments as compared to 2006. Except for anticipated reductions at Aeronautics, sales increased in all segments in 2006 as compared to 2005. The U.S. Government is our largest customer, accounting for about 84% of our sales in 2007, 84% in 2006, and 85% in 2005.

Other income (expense), net was \$293 million for 2007 compared to \$336 million in 2006. This decrease was primarily due to gains recognized in 2006 from the sale of shares of Inmarsat and assets of Space Imaging, offset partially by increased equity earnings in affiliates in 2007. Other income (expense), net increased \$20 million from 2005 to 2006 due to higher equity earnings in affiliates and gains from the sale of land in 2006.

Effective January 1, 2006, we adopted FAS 123(R), *Share-Based Payments*, and related rules, on a modified prospective basis (see Note 11). Under this method, we recognize compensation cost related to the estimated fair value of nonvested stock options and restricted stock granted in 2006 and prior years. Prior to January 1, 2006, we measured compensation cost for stock options using the intrinsic value method, but disclosed the pro forma effects on Net earnings and Earnings per share as if compensation cost had been recognized based upon the fair value-based method. During the years ended December 31, 2007 and 2006, we recorded compensation cost related to stock options and restricted stock totaling \$149 million and \$111 million which is included in the Statement of Earnings in Cost of sales. The net impact to earnings was \$96 million (\$0.22 per share) and \$70 million (\$0.16 per share). Compensation cost related to restricted stock in 2005 was not material. As of December 31, 2007, we had \$136 million of total unrecognized compensation cost related to nonvested stock options, restricted stock units and restricted stock awards. That cost is expected to be recognized over a weighted-average period of 1.6 years.

State income taxes are included in our operations as general and administrative costs and, under U.S. Government regulations, are allowable in establishing prices for the products and services we sell to the U.S. Government. Therefore, a substantial portion of state income taxes is included in our Net sales and Cost of sales. As a result, the impact on our Operating profit of certain transactions and other matters disclosed in this Form 10-K is disclosed net of state income taxes.

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Our Operating profit for 2007 was \$4.5 billion, an increase of 20% compared to 2006. Our Operating profit for 2006 was \$3.8 billion, an increase of 32% compared to 2005. Operating profit increased across all business segments in both comparative periods and was also favorably impacted by lower Unallocated Corporate costs, primarily due to a decline in the FAS/CAS pension adjustment.

Interest expense for 2007 was \$352 million, \$9 million lower than 2006. This decrease was mainly driven by lower interest expense associated with the September 2006 debt exchange. Interest expense for 2006 was \$361 million, \$9 million lower than in 2005. This decrease in interest expense primarily was due to reductions in our debt outstanding.

Other non-operating income (expense), net totaled \$193 million in 2007, an increase of 5% from 2006, and was \$183 million in 2006, an increase of 38% from 2005. The increase in 2007 was mainly due to the \$16 million of debt exchange expenses recorded in 2006, as there were no comparable charges in 2007. The increase in 2006 over 2005 primarily was attributable to higher interest rates and amounts invested.

Our effective tax rates were 30.6% for 2007, 29.6% for 2006, and 30.2% for 2005. The effective rates for all years were lower than the statutory rate of 35% primarily due to tax deductions for U.S. manufacturing activities, dividends related to our employee stock ownership plan, and research and development (R&D) tax credits. In addition, the rate for 2007 reflected a reduction in Income tax expense of \$59 million related to the completion of an IRS audit in the first quarter. The rate for 2006 reflected a reduction in Income tax expense of \$62 million related to a refund claim for additional extraterritorial income exclusion (ETI) benefits in prior years recognized in the third quarter of 2006. The rates in 2006 and 2005 also reflected tax benefits related to ETI.

The increase in the 2007 effective tax rate when compared to 2006 is primarily the result of the elimination of the extraterritorial tax benefits in 2007, partially offset by additional tax benefits resulting from a statutory increase in U.S. manufacturing benefits, new legislation that provided enhanced R&D tax credits, and the favorable closure of an IRS audit. The small decrease in the 2006 tax rate when compared to 2005 is primarily the result of higher extraterritorial tax benefits in 2006 resulting from a refund claim for additional prior year benefits.

Net earnings increased as compared to the prior year for the sixth consecutive year. We reported Net earnings of \$3.0 billion (\$7.10 per share) in 2007, Net earnings of \$2.5 billion (\$5.80 per share) in 2006, and Net earnings of \$1.8 billion (\$4.10 per share) in 2005.

Discussion of Business Segments

In February 2007, we announced a realignment of our operations to enhance support for critical customer missions and increase our integration of resources. The realignment included the combination of our IT&GS and IS&S business segments into a new business segment named IS&GS, along with certain other changes.

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

Our Aeronautics business segment is engaged in the design, research and development, systems integration, production, sustainment, support and upgrade of advanced military aircraft, air vehicles and related technologies, primarily for U.S. and allied country military services. Combat aircraft programs include the F-35, F-22 and F-16 aircraft. The F-35 Lightning II is currently in the System Development and Demonstration phase and has entered low rate production. Aeronautics has been producing F-22 Raptors since 1997, and delivered 24 to the U.S. Air Force in 2007, bringing the total deliveries to 110. We also received a 60 aircraft multi-year contract for Production Lots 7, 8 and 9. A total of 41 F-16 Fighting Falcons were delivered in 2007 worldwide, bringing the total deliveries to 4,389. Sales at Aeronautics are expected to decline in 2008 primarily due to a projected reduction in F-16 activities. In the area of Air Mobility, we produce the C-130J Super Hercules aircraft. We delivered 12 aircraft in 2007. A total of 213 have been ordered and 159 delivered through 2007. In addition to aircraft production, the segment provides logistics support, sustainment, and upgrade modification and services for its aircraft.

The Electronic Systems business segment is engaged in the design, research, development, integration, production and sustainment of high performance systems and subsystems for undersea, shipboard, land and airborne applications, including tactical missiles, surface ship and submarine combat systems, ground combat vehicle integration and radars, among others. With such a broad portfolio of products and services, many of its activities involve a combination of both development and production contracts with varying delivery schedules. This business segment has continued to expand its core competencies

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as a leading systems integrator. Some of its more significant programs, including the Terminal High Altitude Area Defense (THAAD) system, the VH-71 Presidential helicopter, the AEGIS weapon system and the Arrowhead fire control system for the Apache helicopter, demonstrate the diverse products and services Electronic Systems provides.

The IS&GS business segment combines a full range of information competencies with a global delivery capability. The segment provides full life cycle support and expertise in the areas of software and systems engineering, including in space, air and ground systems, and provides logistics, mission operations support, peacekeeping and nation-building services for a wide variety of U.S. defense and civil government agencies. Key programs and activities include the Transformational Communications MILSATCOM Mission Operations Segment (TMOS) program, the FAA Automated Flight Service Station (AFSS) program and a number of task order vehicles (indefinite-delivery/indefinite-quantity (IDIQ) contracts) in our Information Technology line of business. We expect continued strong growth in providing information technology solutions to government agencies.

The Space Systems business segment is engaged in the design, research, development, engineering and production of satellites for both government and commercial customers, strategic and defensive missile systems and space transportation systems. Through ownership interests in two joint ventures, the segment also includes Space Shuttle processing activities and expendable launch services for the U.S. Government. Government satellite programs include the Advanced Extremely High Frequency (AEHF) system, the Mobile User Objective System (MUOS), the Global Positioning System (GPS) and the Space-Based Infrared System (SBIRS). Strategic and missile defense programs include the Targets and Countermeasures Program and the Fleet Ballistic Missile program. Space transportation includes the NASA Orion program.

In the following table of financial data, total Operating profit of the business segments is reconciled to the corresponding consolidated amount. The reconciling item "Unallocated Corporate expense, net" includes the FAS/CAS pension adjustment (see the discussion of "Postretirement Benefit Plans" under "Critical Accounting Policies"), costs for stock-based compensation programs, the effects of items not considered part of management's evaluation of segment operating performance, and Corporate costs not allocated to the operating segments, as well as other miscellaneous Corporate activities. Since the activities of the investees in which certain business segments hold equity interests are closely aligned with the operations of those segments, the equity earnings (losses) from those investees are included in the Operating profit of the respective segments.

This table shows Net sales and Operating profit of the business segments and reconciles to the consolidated total. For all years presented, interest income has been reclassified from segment Operating profit and Unallocated Corporate income (expense), net to Other non-operating income (expense), net to conform to the 2007 consolidated Statement of Earnings presentation (see Note 1). In 2006, we reclassified \$199 million, including \$182 million from Unallocated Corporate expense, net and \$17 million from across the business segments. In 2005, we reclassified \$143 million, including \$132 million from Unallocated Corporate expense, net and \$11 million from across the business segments. The impact on the individual segments' operating results was not material. In addition, we reclassified \$16 million in expenses associated with the debt exchange in 2006 and \$10 million related to a charge for the early repayment of debt in 2005, each from Unallocated Corporate expense, net to Other non-operating income (expense), net in the respective years.

<i>(In millions)</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Net sales			
Aeronautics	\$12,303	\$12,188	\$12,349
Electronic Systems	11,143	10,519	9,811
Information Systems & Global Services	10,213	8,990	8,233
Space Systems	8,203	7,923	6,820
Total	\$41,862	\$39,620	\$37,213
Operating profit			
Aeronautics	\$ 1,476	\$ 1,221	\$ 1,018
Electronic Systems	1,410	1,264	1,078
Information Systems & Global Services	949	804	720
Space Systems	856	742	605
Total business segments	4,691	4,031	3,421
Unallocated Corporate expense, net	(164)	(261)	(568)
Total	\$ 4,527	\$ 3,770	\$ 2,853

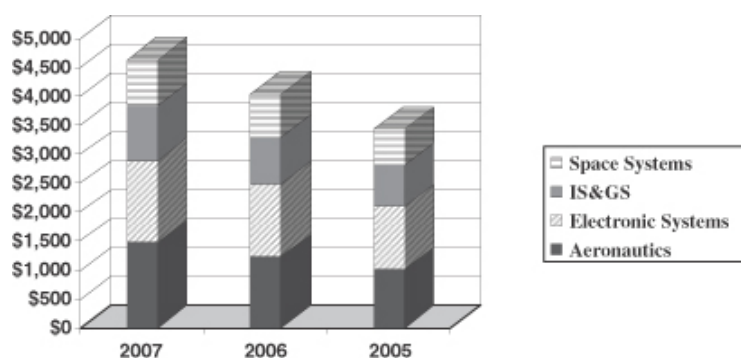
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The following segment discussions also include information relating to negotiated backlog for each segment. Total negotiated backlog was approximately \$76.7 billion and \$75.9 billion at December 31, 2007 and 2006. This amount included both funded backlog (unfilled firm orders for which funding has been both authorized and appropriated by the customer – Congress in the case of U.S. Government agencies) and unfunded backlog (firm orders for which funding has not yet been appropriated). Negotiated backlog does not include unexercised options or task orders to be issued under indefinite-delivery/indefinite-quantity (IDIQ) contracts. Funded backlog was approximately \$42.3 billion at December 31, 2007.

The Aeronautics segment generally includes fewer programs that have much larger sales and operating results than programs included in the other segments. Therefore, due to the large number of comparatively smaller programs in the remaining segments, the discussions of the results of operations of these business segments generally focus on lines of business within the segments rather than on specific programs. The following tables of financial information and related discussions of the results of operations of our business segments are consistent with the presentation of segment information in Note 15 to the financial statements.

In our discussions of comparative results, changes in Net sales and Operating profit are generally expressed in terms of volume and/or performance. Volume refers to increases (or decreases) in sales resulting from varying production activity levels, deliveries or service levels on individual contracts. Volume changes typically include a corresponding change in Operating profit based on the estimated profit rate at completion for a particular contract for design, development and production activities. Changes in segment Operating profit are also expressed in terms of performance. Performance generally refers to changes in contract profit rates at completion. These changes on our contracts for products usually relate to profit recognition associated with revisions to total estimated costs at completion of the contract that reflect improved (or deteriorated) operating or award fee performance on a particular contract. Changes in estimates of Net sales and Operating profit on contracts for products are recognized by recording adjustments in the current period for the inception-to-date effect of the changes on current and prior periods.

Segment Operating Profit
(In millions)



Aeronautics

Aeronautics' operating results included the following:

(In millions)	2007	2006	2005
Net sales	\$12,303	\$12,188	\$12,349
Operating profit	1,476	1,221	1,018
Backlog at year-end	26,300	26,900	31,100

Net sales for Aeronautics increased by 1% in 2007 compared to 2006. The increase in Net sales was due to growth in Other Aeronautics programs and Combat Aircraft, which were offset partially by declines in Air Mobility. Other Aeronautics programs increased \$106 million primarily due to higher volume in sustainment services activities. Combat Aircraft sales increased \$43 million mainly due to volume increases on the F-22 program that more than offset declines on F-16 programs. These increases were offset partially by a \$34 million decline in Air Mobility sales due to lower volume on C-130 programs.

Net sales for Aeronautics decreased by 1% in 2006 compared to 2005. The anticipated decline in Net sales was due to a decline in Air Mobility sales that was offset partially by increases in Combat Aircraft and Other Aeronautics programs sales.

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Air Mobility sales declined by \$535 million primarily due to C-130J deliveries (12 in 2006 compared to 15 in 2005) and lower volume on the C-5 program. Combat Aircraft sales increased by \$292 million mainly due to higher F-35 and F-22 volume, partially offset by reduced volume on F-16 programs. Other Aeronautics programs sales increased by \$83 million primarily due to higher volume in sustainment services activities.

Operating profit for the segment increased 21% in 2007 compared to 2006. Operating profit increases in Combat Aircraft more than offset decreases in Other Aeronautics programs and Air Mobility. Combat Aircraft operating profit increased \$326 million mainly due to improved performance on F-22 and F-16 programs. Air Mobility and Other Aeronautics programs declined \$77 million due to lower operating profit in support and sustainment activities.

Operating profit for the segment increased 20% in 2006 compared to 2005. Operating profit increased in both Combat Aircraft and Air Mobility. Combat Aircraft increased \$114 million, mainly due to higher volume on the F-35 and F-22 programs, and improved performance on F-16 programs. The improvement for the year was also attributable in part to the fact that in 2005, operating profit included a reduction in earnings on the F-35 program. Air Mobility operating profit increased \$84 million, mainly due to improved performance on C-130J sustainment activities in 2006.

Backlog decreased in 2007 as compared to 2006 primarily as a result of sales volume on the F-35 program. This decrease was offset partially by increased orders on the F-22 and C-130J programs.

Electronic Systems

Electronic Systems' operating results included the following:

<i>(In millions)</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Net sales	\$ 11,143	\$10,519	\$ 9,811
Operating profit	1,410	1,264	1,078
Backlog at year-end	21,200	19,700	18,600

Net sales for Electronic Systems increased by 6% in 2007 compared to 2006. Sales increased in Missiles & Fire Control (M&FC), Maritime Systems & Sensors (MS2), and Platform, Training & Energy (PT&E). M&FC sales increased \$258 million mainly due to higher volume in fire control systems and air defense programs, which more than offset declines in tactical missile programs. MS2 sales grew \$254 million due to volume increases in undersea and radar systems activities that were offset partially by decreases in surface systems activities. PT&E sales increased \$113 million, primarily due to higher volume in platform integration activities, which more than offset declines in distribution technology activities.

Net sales for Electronic Systems increased by 7% in 2006 compared to 2005. Higher volume in platform integration activities led to increased sales of \$329 million at PT&E. MS2 sales increased \$267 million primarily due to surface systems activities. Air defense programs contributed to increased sales of \$118 million at M&FC.

Operating profit for the segment increased by 12% in 2007 compared to 2006, representing an increase in all three lines of business during the year. Operating profit increased \$70 million at PT&E primarily due to higher volume and improved performance on platform integration activities. MS2 operating profit increased \$32 million due to higher volume on undersea and tactical systems activities that more than offset lower volume on surface systems activities. At M&FC, operating profit increased \$32 million due to higher volume in fire control systems and improved performance in tactical missile programs, which partially were offset by performance on certain international air defense programs in 2006.

Operating profit for the segment increased by 17% in 2006 compared to 2005. Operating profit increased by \$74 million at MS2 mainly due to higher volume on surface systems and undersea programs. PT&E operating profit increased \$61 million mainly due to improved performance on distribution technology activities. Higher volume on air defense programs contributed to a \$52 million increase in operating profit at M&FC.

The increase in backlog during 2007 over 2006 resulted primarily from increased orders for certain tactical missile programs and fire control systems at M&FC and platform integration programs at PT&E.

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Information Systems & Global Services

Information Systems & Global Services' operating results included the following:

<i>(In millions)</i>	2007	2006	2005
Net sales	\$10,213	\$ 8,990	\$8,233
Operating profit	949	804	720
Backlog at year-end	11,800	10,500	9,200

Net sales for IS&GS increased by 14% in 2007 compared to 2006. During the year, sales increased in Global Services, Information Systems, and Mission Solutions. Global Services sales increased \$609 million due to higher volume and growth in mission services activities including the impact of the acquisition of PAE in September 2006. Information Systems sales increased \$401 million due to growth in information technology and the acquisition of MSD in February 2007. Higher volume in mission and combat support activities accounted for the majority of the \$216 million sales increase at Mission Solutions.

Net sales for IS&GS increased by 9% in 2006 compared to 2005. During the year, sales increases in Global Services and Mission Solutions more than offset declines in Information Systems. Global Services sales increased \$761 million primarily due to higher volume in mission services activities and the acquisition of PAE. Information Systems sales decreased \$143 million primarily due to lower volume in information technology activities. At Mission Solutions, sales increased \$140 million due to higher volume in global security solutions activities that more than offset declines in mission and combat support solutions.

Operating profit for the segment increased by 18% in 2007 compared to 2006. During the year, operating profit increased in all three lines of business. Mission Solutions operating profit increased \$90 million due to higher volume in mission and combat support solutions and aviation solutions activities. Global Services operating profit growth of \$35 million was primarily attributable to the acquisition of PAE. Information Systems increased \$34 million primarily due to improved performance of information technology activities and the acquisition of MSD.

Operating profit for the segment increased by 12% in 2006 compared to 2005. During the year, operating profit increased in all three lines of business. Higher volume in global security solutions activities accounted for the majority of the \$41 million increase in operating profit at Mission Solutions. Information Systems operating profit increased \$34 million mainly due to improved performance in information technology and systems integration activities. Operating profit increased \$15 million in Global Services primarily due to the acquisition of PAE.

The increase in backlog during 2007 over 2006 was due to increased orders in Mission Support activities and Information Systems programs.

Space Systems

Space Systems' operating results included the following:

<i>(In millions)</i>	2007	2006	2005
Net sales	\$ 8,203	\$ 7,923	\$ 6,820
Operating profit	856	742	605
Backlog at year-end	17,400	18,800	15,900

Net sales for Space Systems increased 4% in 2007 compared to 2006. During the year, sales increases at Satellites and Strategic & Defensive Missile Systems (S&DMS) more than offset declines at Space Transportation. In Satellites, an increase of \$354 million was mainly driven by higher volume in government satellite activities, while commercial satellites sales remained relatively flat. There were four commercial satellite deliveries during 2007 and five in 2006. Higher volume in strategic missile programs accounted for the majority of a \$225 million increase in sales at S&DMS. Space Transportation sales declined \$290 million. This decline was expected given the divestiture of the International Launch Services business and the formation of the ULA joint venture in the fourth quarter of 2006. The Corporation no longer records sales on Atlas launch vehicles and related support to the U.S. Government, as ULA is accounted for under the equity method of accounting. This sales decline was offset partially by higher volume on the Orion program.

Net sales for Space Systems increased by 16% in 2006 compared to 2005. During the year, sales growth in Satellites and S&DMS offset declines in Space Transportation. The \$1.1 billion growth in Satellites sales was mainly due to higher volume

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on both government and commercial satellite programs. There were five commercial satellite deliveries in 2006 compared to no deliveries in 2005. Higher volume in both strategic missile programs accounted for the \$114 million sales increase at S&DMS. In Space Transportation, sales declined \$102 million primarily due to lower volume in government space transportation activities on the Titan and External Tank programs. Increased sales on the Atlas Evolved Expendable Launch Vehicle Launch capabilities (ELC) contract partially offset the lower government space transportation sales.

Operating profit for the segment increased 15% in 2007 compared to 2006. During the year, operating profit growth in Satellites and S&DMS more than offset declines at Space Transportation. Satellites' operating profit increased \$90 million due to improved performance in commercial and government satellite activities. Increased operating profit of \$33 million at S&DMS was due to higher volume and improved performance on strategic missile programs. In Space Transportation, the decline of \$18 million in 2007 operating profit from 2006 was mainly due to a charge recognized by ULA in the third quarter of 2007 for an asset impairment on Delta II medium lift launch vehicles. The decline also reflects benefits recognized in 2006 from risk reduction activities, including the definitization of the ELC contract, and other performance improvements on the Atlas program, with no similar items recognized in the comparable period in 2007.

Operating profit for the segment increased 23% in 2006 compared to 2005. Operating profit increased in Satellites, Space Transportation and S&DMS. The \$69 million growth in Satellites operating profit was primarily driven by the volume and performance on government satellite programs and commercial satellite deliveries. In Space Transportation the \$44 million growth in operating profit was attributable to improved performance on the Atlas program resulting from risk reduction activities, including the first quarter definitization of the ELC contract. In S&DMS, the \$26 million increase was attributable to higher volume on strategic missile programs.

Under the agreement to sell our ownership interests in LKEI and ILS in the fourth quarter of 2006, we continued to be responsible to refund customer advances to certain customers if launch services are not provided and ILS does not refund the advance. We expect to recognize the \$67 million deferred net gain on the transaction when our responsibility to refund the advances expires, which we generally believe will be in 2008 based on the expected Proton launch schedule, which is subject to change. Our ability to realize the deferred net gain is dependent upon Khruichev State Research and Production Space Center (Khruichev) providing the contracted launch services or, in the event the launch services are not provided, ILS' ability to refund the advance.

Our Balance Sheet at December 31, 2007 included current assets relating to LKEI and ILS totaling \$132 million and current liabilities totaling \$189 million, both of which will be reduced as the launch services are provided. The assets primarily relate to advances we have made to Khruichev, the manufacturer of the launch vehicles and provider of the launch services, for future launches, and the liabilities relate primarily to advances we have received from customers for future launches. Any potential earnings impact resulting from our inability to realize the assets related to LKEI and ILS would be partially mitigated by our not recognizing the \$67 million deferred net gain on the transaction.

The decrease in backlog during 2007 as compared to 2006 was mainly due to sales volume related to government and commercial satellite programs, which more than offset increased orders on strategic missile programs.

Unallocated Corporate Income (Expense), Net

The following table shows the components of Unallocated Corporate income (expense), net.

<i>(In millions)</i>	2007	2006	2005
FAS/CAS pension adjustment	\$ (58)	\$(275)	\$(626)
Items not considered in segment operating performance	71	230	173
Stock compensation expense	(149)	(111)	—
Other, net	(28)	(105)	(115)
	\$(164)	\$(261)	\$(568)

The FAS/CAS pension adjustment represents the difference between pension expense calculated in accordance with FAS 87 and pension costs calculated and funded in accordance with CAS. Because the CAS expense is recovered through the pricing of our products and services on U.S. Government contracts, and therefore recognized in a particular segment's Net sales and Cost of sales, the results of operations of our segments only include pension expense as determined and funded in accordance with CAS rules. Accordingly, the FAS/CAS adjustment is not included in segment operating results and therefore is included in the reconciliation of total segment Operating profit to consolidated Operating profit under GAAP.

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The following table shows the CAS funding that is included as expense in the segments' operating results, the related FAS expense, and the resulting FAS/CAS pension adjustment:

<i>(In millions)</i>	2007	2006	2005
FAS 87 expense	\$(687)	\$(938)	\$(1,124)
Less: CAS expense and funding	(629)	(663)	(498)
FAS/CAS pension adjustment – expense	\$ (58)	\$(275)	\$ (626)

The FAS 87 expense decreased in 2007 due to an increase in the discount rate and other factors such as the effects of the actual return on plan assets. FAS 87 expense decreased in 2006 primarily due to the reduction in the rate of future compensation increases as well as the growth in plan assets in 2006, including contributions we made to the pension trust.

CAS are a major factor in determining our pension funding requirements and govern the extent to which our pension costs are allocable to and recoverable under contracts with the U.S. Government. The total funding requirement for pension plans under CAS in 2007 was \$629 million, which was recorded in our segment results of operations. That amount was funded through discretionary prepayments we made to the plans in 2006. For 2008, we expect our funding requirements and expense under CAS to decrease. Also in 2008, funding in addition to the amount calculated under CAS will likely be required under Internal Revenue Code (IRC) rules. Any additional amounts computed under the IRC rules are considered to be prepayments under the CAS rules, and are recorded on our Balance Sheet and recovered in future periods. In 2007, 2006 and 2005, we made discretionary prepayments of \$335 million, \$594 million and \$980 million to the pension trust. Prepayments reduce the amount of future cash funding that will be required under the CAS and IRC rules and, as a result, we expect to have no required cash contributions to the pension trust in 2008.

Certain items are excluded from segment results as part of senior management's evaluation of segment operating performance consistent with the management approach permitted by FAS 131, *Disclosures about Segments of an Enterprise and Related Information*. For example, gains and losses related to the disposition of businesses or investments managed by Corporate, as well as certain other Corporate activities, are not considered by management in evaluating the operating performance of business segments. Therefore, for purposes of segment reporting, the following items were included in Unallocated Corporate income (expense), net for 2007, 2006 and 2005:

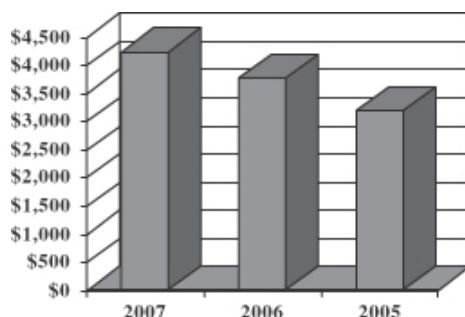
<i>(In millions, except per share data)</i>	Operating Profit (Loss)	Net Earnings (Loss)	Earnings (Loss) Per Share
Year ended December 31, 2007			
Gain on sale of interest in Comsat International	\$ 25	\$ 16	\$ 0.04
Gain on sale of land in California	25	16	0.04
Earnings from reversal of legal reserves due to settlement	21	14	0.03
	\$ 71	\$ 46	\$ 0.11
Year ended December 31, 2006			
Gain on sale of interest in Inmarsat	\$ 127	\$ 83	\$ 0.19
Gains on sale of land	51	33	0.08
Earnings from expiration of AES transaction indemnification	29	19	0.04
Gain on sale of Space Imaging's assets	23	15	0.03
	\$ 230	\$ 150	\$ 0.34
Year ended December 31, 2005			
Gains related to Inmarsat transactions	\$ 126	\$ 82	\$ 0.18
Gain on sale of interest in Intelsat	47	31	0.07
Gain on sale of interest in NeuStar	30	19	0.04
Impairment charge related to a satellite	(30)	(19)	(0.04)
	\$ 173	\$ 113	\$ 0.25

The change in the "Other, net" component of Unallocated Corporate income (expense), net from 2006 to 2007 and from 2005 to 2006 primarily was due to lower expense associated with a number of corporate activities.

Liquidity and Cash Flows

We have a balanced cash deployment and disciplined growth strategy to enhance shareholder value and position ourselves to take advantage of new business opportunities when they arise. Consistent with that strategy, we have invested in our business (e.g., capital expenditures, independent research and development), made selective acquisitions of businesses, repurchased shares, increased our dividends and opportunistically reduced and refinanced our debt. The following provides an overview of our execution of this strategy.

Net Cash Provided by Operating Activities
(In millions)



Operating Activities

Net cash provided by operating activities increased by \$458 million to \$4.2 billion in 2007 as compared to 2006. In 2007, the increase was primarily attributable to an increase in net earnings of \$504 million and lower postretirement benefit plan contributions of \$399 million as compared to 2006. This increase was offset partially by a \$309 million decrease in cash provided by operating working capital and higher net tax payments of \$272 million compared to 2006. Operating working capital accounts consist of Receivables, Inventories, Accounts payable, and Customer advances and amounts in excess of costs incurred.

Net cash provided by operating activities was \$3.8 billion in 2006, an increase of \$589 million compared to 2005. The increase was primarily attributable to an increase in Net earnings of \$704 million, and also to an increase in operating working capital improvements of \$150 million compared to 2005. The remaining change in cash between the periods was due to income tax payments, postretirement benefit plan contributions, and the timing of various other operating activities.

Investing Activities

Capital expenditures – Capital expenditures for Property, plant and equipment amounted to \$940 million in 2007, \$893 million in 2006 and \$865 million in 2005. We expect our capital expenditures over the next three years to exceed 2007 expenditures consistent with the expected growth in our business and to support specific program requirements.

Acquisitions, divestitures and other activities – We have a process to selectively identify businesses for acquisition that meet our strategic, operational and financial targets, help build a balanced portfolio and provide disciplined growth. As disclosed under the caption “Acquisition and Divestiture Activities,” we paid \$337 million, including amounts related to acquisitions completed in prior years, for the acquisition of businesses and joint venture activities in 2007, compared with \$1,122 million in 2006 and \$564 million in 2005.

In 2007, we received proceeds of \$26 million from the sale of our remaining interest in Comsat International. During 2006, we received proceeds of \$132 million from the sale of our remaining shares in Inmarsat, \$24 million from the sale of assets of Space Imaging, LLC, and \$24 million from the sale of Lockheed Martin Intersputnik. During 2005, we received proceeds of \$935 million from the divestiture of non-core equity investments, including \$752 million from the sale of our investment in Intelsat, Ltd., \$140 million from the sale of Inmarsat shares and the redemption of certain Inmarsat equity-related investments, and \$33 million from the sale of our NeuStar investment.

Financing Activities

Share issuances, repurchases and dividends – Cash received from the issuance of our common stock during the years ended December 31, 2007, 2006 and 2005 totaled \$350 million, \$627 million and \$406 million. Those activities resulted in the issuance of 7.1 million shares, 13.6 million shares and 9.7 million shares during the respective periods.

During 2007, 2006 and 2005, we used cash of \$2,127 million, \$2,115 million and \$1,310 million for common share repurchase activity (see Note 10). Our share repurchase program authorizes the repurchase of up to 128 million shares of our common stock from time-to-time at management's discretion, including 20 million of additional shares our Board authorized for repurchase in 2007. As of December 31, 2007, we had repurchased a total of 95.3 million shares under the program, and there remained approximately 32.7 million shares that may be repurchased in the future.

The payment of dividends on our common shares is one of the key components of our balanced cash deployment strategy. Shareholders were paid cash dividends of \$615 million in 2007, \$538 million in 2006 and \$462 million in 2005. We have increased our quarterly dividend rate in each of the last three years. We declared quarterly dividends: in 2007 of \$0.35 per share during each of the first three quarters and \$0.42 per share for the last quarter; in 2006 of \$0.30 per share during each of the first three quarters and \$0.35 per share for the last quarter; and in 2005 of \$0.25 per share during each of the first three quarters and \$0.30 per share for the last quarter.

Issuance and repayment of Long-term debt – Cash provided from operations has been our principal source of funds to reduce our Long-term debt. In 2007, we repaid \$32 million of Long-term debt based on scheduled maturities. During 2006, we paid \$353 million to complete an exchange of debt and \$210 million related to scheduled debt repayments. In 2005, we used \$145 million of cash for the early retirement and scheduled repayment of Long-term debt.

Capital Structure and Resources

At December 31, 2007, we held Cash and cash equivalents of approximately \$2.6 billion and Short-term investments of \$333 million. Our Long-term debt, net of unamortized discounts, amounted to \$4.4 billion. Our Long-term debt is mainly in the form of publicly issued notes and debentures. We have \$1.0 billion of convertible debentures that have a floating interest rate based on LIBOR; however, at December 31, 2007, we had an agreement in place to swap variable interest rates on the debentures for a fixed interest rate. With this swap agreement, our entire Long-term debt portfolio effectively bears interest at fixed rates.

In the fourth quarter of 2007, the price of our common stock exceeded 130% of the \$73.25 conversion price on our \$1.0 billion of convertible debentures for the specified period of time, and therefore holders of the debentures may elect to convert them during the quarter ending March 31, 2008 (see Note 7). The right to convert the debentures based on our stock price is re-evaluated each quarter. We have irrevocably agreed to pay only cash in lieu of common stock for the accreted principal amount of the debentures relative to our conversion obligations, but have retained the right to satisfy the conversion obligations in excess of the accreted principal amount in cash or common stock. The conversion obligation in excess of the accreted principal amount at December 31, 2007 totaled approximately \$437 million. If that amount had been settled in shares on that date, we would have been required to issue 4.2 million shares of our common stock. We have the right to redeem any or all of the debentures at any time after August 15, 2008.

We also have outstanding \$300 million of 40-year debentures issued in 1996 that bear interest of 7.20%, the registered holders of which may elect, between March 1 and April 1, 2008, to have their debentures repaid on May 1, 2008. We have continued to classify these debentures and the \$1.0 billion of convertible debentures discussed above as long-term based on our ability and intent to maintain the debt outstanding for at least one year. Our ability to do so is demonstrated by our \$1.5 billion revolving credit facility which expires in June 2012 (see discussion below). There were no borrowings outstanding under the credit facility on December 31, 2007.

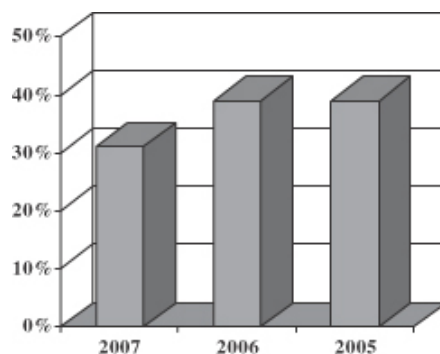
In August 2006, we issued \$1.1 billion of new 6.15% Notes due 2036 (the New Notes). The New Notes were issued in exchange for certain other of our then outstanding debt securities, and cash consideration of \$343 million. Holders also received a cash payment representing accrued and unpaid interest on the previous notes. The cash consideration of \$343 million, which is included in the Statement of Cash Flows in financing activities, is being amortized over the life of the New Notes as a discount using the effective interest method and recorded in interest expense. The New Notes are included on our Balance Sheet net of the unamortized discount under the caption Long-term debt, net. The expenses associated with the exchange, net of state income tax benefits, totaled \$16 million and were recorded in Other non-operating income (expense), net. They reduced Net earnings in 2006 by \$11 million (\$0.03 per share).

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Our Stockholders' equity amounted to \$9.8 billion at December 31, 2007, an increase of \$2.9 billion from December 31, 2006. The increase was due primarily to Net earnings of \$3.0 billion, the remeasurement and recognition of prior period amounts related to our postretirement benefit plans under FAS 158 (see Note 12), which increased Other comprehensive income by \$1.7 billion, and employee stock activity of \$889 million. These increases were partially offset by the repurchase of 21.6 million common shares for \$2.1 billion and payment of \$615 million of dividends during the year. As we repurchase our common shares, we reduce Common stock for the \$1 of par value of the shares repurchased, with the remainder of the purchase price over par value recorded as a reduction of Additional paid-in capital. Due to the volume of repurchases made under our share repurchase program, Additional paid-in capital was reduced to zero, with the remainder of the excess of purchase price over par value of \$471 million recorded as a reduction of Retained earnings.

Through our debt repayment activities, our Long-term debt balance has declined \$3.2 billion over the last five years from \$7.6 billion at December 31, 2002. Our debt-to-total capitalization ratio was 31% at December 31, 2007, down from 39% at December 31, 2006. The decrease from 2006 to 2007 was primarily attributable to the increase in Stockholders' equity discussed above.

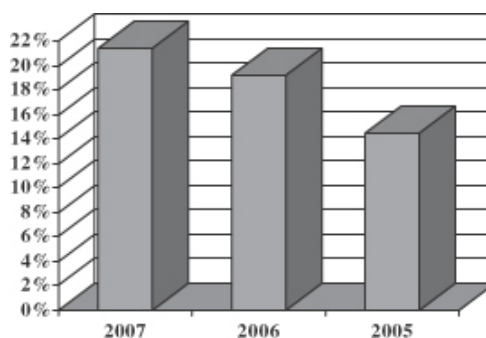
Debt-to-Total Capital Ratio



Return on invested capital (ROIC) improved by 220 basis points during 2007 to 21.4%. We define ROIC as Net earnings plus after-tax interest expense divided by average invested capital (Stockholders' equity plus debt), after adjusting Stockholders' equity by adding back amounts related to postretirement benefit plans, including unrecognized prior service costs, unrecognized actuarial gains and losses, the adjustment for the adoption of FAS 158 in 2006 and minimum pension liability adjustments recorded in prior years. We believe that reporting ROIC provides investors with greater visibility into how effectively we use the capital invested in our operations. We use ROIC to evaluate multi-year investment decisions and as a long-term performance measure. We also use ROIC as a factor in evaluating management performance under certain of our incentive compensation plans.

ROIC is not a measure of financial performance under U.S. generally accepted accounting principles, and may not be defined and calculated by other companies in the same manner. ROIC should not be considered in isolation or as an alternative to Net earnings as an indicator of performance. See Consolidated Financial Data – Five Year Summary on page 30 of this Form 10-K for additional information concerning how we calculate ROIC.

Return On Invested Capital Ratio



At December 31, 2007, we had in place a \$1.5 billion revolving credit facility which expires in June 2012. There were no borrowings outstanding under the facility at December 31, 2007. Borrowings under the credit facility would be unsecured

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and bear interest at rates based, at our option, on the Eurodollar rate or a bank Base Rate (as defined). Each bank's obligation to make loans under the credit facility is subject to, among other things, our compliance with various representations, warranties and covenants, including covenants limiting our ability and the ability of certain of our subsidiaries to encumber our assets, and a covenant not to exceed a maximum leverage ratio.

We have agreements in place with banking institutions to provide for the issuance of commercial paper. There were no commercial paper borrowings outstanding at December 31, 2007. If we were to issue commercial paper, the borrowings would be supported by the \$1.5 billion credit facility.

We have an effective shelf registration statement on file with the Securities and Exchange Commission to provide for the issuance of up to \$1 billion in debt securities. If we were to issue debt under this shelf registration, we would expect to use the net proceeds for general corporate purposes. These purposes may include repayment of debt, working capital needs, capital expenditures, acquisitions and any other general corporate purpose.

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

Cash and cash equivalents, Short-term investments, cash flow from operations and other available financing resources are expected to be sufficient to meet anticipated operating, capital expenditure and debt service requirements, as well as acquisition and other discretionary investment needs, projected over the next three years.

Contractual Commitments and Off-Balance Sheet Arrangements

At December 31, 2007, we had contractual commitments to repay debt, make payments under operating leases, settle obligations related to agreements to purchase goods and services, and settle tax and other liabilities. Capital lease obligations were negligible. Payments due under these obligations and commitments are as follows:

<i>(In millions)</i>	<i>Payments Due By Period</i>				
	<i>Total</i>	<i>Less Than 1 Year</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>After 5 Years</i>
Long-term debt ^(a)	\$ 4,749	\$ 104	\$ 243	\$ 2	\$ 4,400
Interest payments ^(b)	4,945	308	512	492	3,633
Other liabilities	1,694	197	523	202	772
Operating lease obligations	1,104	295	419	268	122
Purchase obligations:					
Operating activities	26,051	15,309	9,432	1,017	293
Capital expenditures	256	242	11	1	2
Total contractual cash obligations	\$38,799	\$ 16,455	\$11,140	\$1,982	\$ 9,222

^(a) The total amount of Long-term debt excludes unamortized discounts of \$342 million (see Note 7).

^(b) Interest payments include amounts for debt outstanding through maturity except for our \$1 billion of convertible debentures, for which we have included payments through August 15, 2008. Subsequent to that date, interest is no longer payable to holders, but rather will be included in the accreted principal of the debentures (see Note 7).

Long-term debt includes scheduled principal payments only. Generally, our Long-term debt obligations are subject to, along with other things, compliance with certain covenants, including covenants limiting our ability and the ability of certain of our subsidiaries to encumber our assets.

Amounts related to Other liabilities represent the contractual obligations for certain long-term liabilities recorded as of December 31, 2007. Such amounts mainly include expected payments under deferred compensation plans, non-qualified pension plans, environmental liabilities and business acquisition agreements. Obligations related to environmental liabilities represent our estimate of remediation payment obligations under government consent decrees and agreements, excluding amounts reimbursed by the U.S. Government in its capacity as a potentially responsible party. The amounts also include liabilities related to tax positions we have taken for which we have recorded liabilities in accordance with the Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (see Notes 1 and 8). We estimated the timing of payments based on the expected completion of the related examinations by the applicable taxing authorities.

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Purchase obligations related to operating activities include agreements and requirements contracts that give the supplier recourse to us for cancellation or nonperformance under the contract or contain terms that would subject us to liquidated damages. Such agreements and contracts may, for example, be related to direct materials, obligations to subcontractors and outsourcing arrangements. Total purchase obligations in the preceding table include approximately \$25 billion related to contractual commitments entered into as a result of contracts we have with our U.S. Government customers. However, the U.S. Government would generally be required to pay us for any costs we incur relative to these commitments if they were to terminate the related contracts “for convenience” pursuant to the FAR. For example, if we had commitments to purchase goods and services that were entered into as a result of a specific contract we received from our U.S. Government customer and the customer terminated the contract for its convenience, any amounts we would be required to pay to settle the related commitments, as well as amounts previously incurred, would generally be reimbursed by the customer. This would also be true in cases where we perform subcontract work for a prime contractor under a U.S. Government contract. The termination for convenience language may also be included in contracts with foreign, state and local governments. We also have contracts with customers that do not include termination for convenience provisions, including contracts with commercial customers.

Purchase obligations in the preceding table for capital expenditures generally include amounts for facilities and equipment at several of our locations, related to customer contracts.

We also may enter into industrial participation agreements, sometimes referred to as offset agreements, as a condition to obtaining orders for our products and services from certain customers in foreign countries. These agreements are designed to enhance the social and economic environment of the foreign country by requiring the contractor to promote investment in the country. Offset agreements may be satisfied through activities that do not require us to use cash, including transferring technology, providing manufacturing and other consulting support to in-country projects, and the purchase by third parties (*e.g.*, our vendors) of supplies from in-country vendors. These agreements may also be satisfied through our use of cash for such activities as purchasing supplies from in-country vendors, providing financial support for in-country projects, and building or leasing facilities for in-country operations. We do not commit to offset agreements until orders for our products or services are definitive. Offset programs generally extend over several years and may provide for penalties in the event we fail to perform in accordance with offset requirements. We have not been required to pay any such penalties. The amounts ultimately applied against our offset agreements are based on negotiations with the customer and generally require cash outlays that represent only a fraction of the original amount in the offset agreement. At December 31, 2007, we had outstanding offset agreements totaling \$8.9 billion, primarily related to our Aeronautics segment, that extend through 2020. To the extent we have entered into purchase obligations at December 31, 2007 that also satisfy offset agreements, those amounts are included in the preceding table.

In connection with the formation of ULA, we and Boeing each committed to provide up to \$25 million in additional capital contributions and \$200 million in other financial support to ULA, as required. The non-capital financial support was required to be made in the form of a revolving credit facility between us and ULA or guarantees of ULA financing with third parties, in either case, to the extent necessary for ULA to meet its working capital needs. We agreed to provide this support for at least five years from December 1, 2006, the closing date of the transaction, and would expect to fund our requirements with cash on hand. To satisfy our non-capital financial support commitment, we and Boeing have put into place a revolving credit agreement with ULA. At December 31, 2007, we had made \$3 million in payments under our capital contribution commitment, and no amounts have been drawn on the revolving credit agreement. In addition, both we and Boeing have cross-indemnified each other related to certain financial support arrangements (*e.g.*, letters of credit, surety bonds or foreign exchange contracts provided by either party) and guarantees by us and Boeing of the performance and financial obligations of ULA under certain of its launch service contracts. We believe ULA will be able to fully perform its obligations, as it has done through December 31, 2007, and that it will not be necessary to make payments under the cross-indemnities.

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We have entered into standby letter of credit agreements and other arrangements with financial institutions and customers mainly relating to advances received from customers and/or the guarantee of future performance on some of our contracts. In some cases, we may also guarantee the contractual performance of third parties. At December 31, 2007, we had outstanding letters of credit, surety bonds and guarantees, as follows:

<i>(In millions)</i>	<i>Commitment Expiration By Period</i>				
	<i>Total Commitment</i>	<i>Less Than 1 Year^(a)</i>	<i>1-3 Years^(a)</i>	<i>3-5 Years</i>	<i>After 5 Years</i>
Standby letters of credit	\$ 2,873	\$ 2,651	\$ 169	\$ 45	\$ 8
Surety bonds	423	378	45	—	—
Guarantees	32	1	30	1	—
Total commitments	\$ 3,328	\$ 3,030	\$ 244	\$ 46	\$ 8

^(a) Approximately \$2,299 million, \$36 million and \$23 million of standby letters of credit in the “Less Than 1 Year,” “1-3 Year,” and “3-5 Year” periods, and approximately \$44 million and \$3 million of surety bonds in the “Less Than 1 Year” and “1-3 Year” periods, are expected to renew for additional periods until completion of the contractual obligation.

Included in the table above is approximately \$375 million representing letter of credit and surety bond amounts for which related obligations or liabilities are also recorded on the Balance Sheet, either as reductions of Inventories, as Customer advances and amounts in excess of costs incurred, or as Other liabilities. Approximately \$2.0 billion of the standby letters of credit in the table above were issued to secure advance payments received under an F-16 contract from an international customer. These letters of credit are available for draw down in the event of our nonperformance, and the amount available will be reduced as certain events occur throughout the period of performance in accordance with the contract terms. Similar to the letters of credit for the F-16 contract, other letters of credit and surety bonds are available for draw down in the event of our nonperformance.

Under the agreement to sell our ownership interests in LKEI and ILS (see Note 2), we will continue to be responsible to refund customer advances to certain customers if launch services are not provided and ILS does not refund the advance. We expect to recognize the \$67 million deferred net gain on the transaction when our responsibility to refund the advances expires, which we currently believe will be in 2008 based on the expected Proton launch schedule, which is subject to change. The amount we could be required to pay is expected to increase over time due to the payment of additional advances by the customers to ILS related to the specific launches we have guaranteed, and will be reduced by the occurrence of those launches. At December 31, 2007, the total amount that could be payable under the guarantees, approximating the total contract value of the guaranteed launches, was \$174 million. That amount may be partially mitigated by approximately \$57 million of cash we retained that, absent any requirements to make payments under the guarantees, will be paid to the buyer over time as the launches occur. Through December 31, 2007, Proton launch services provided through ILS were provided according to contract terms.

Quantitative and Qualitative Disclosure of Market Risk

Our main exposure to market risk relates to interest rates and foreign currency exchange rates. Our financial instruments that are subject to interest rate risk principally include fixed-rate and floating-rate long-term debt. At December 31, 2007, we had an agreement in place to swap variable interest rates on our \$1.0 billion of convertible debentures based on LIBOR for a fixed interest rate through August 15, 2008. With this swap agreement, our Long-term debt portfolio effectively bears interest at fixed rates. We have designated the agreement as a cash flow hedge of the forecasted LIBOR-based variable interest payments. Based on our evaluation at the inception of the hedging agreement and in subsequent periods, we expect the hedging relationship to be highly effective in achieving the offsetting cash flows attributable to the hedged variable interest payments, resulting in a fixed net interest expense reported on the Statement of Earnings. We determined that the hedging relationship remained highly effective at December 31, 2007. The fair value of the interest rate swap agreement is adjusted at each Balance Sheet date, with a corresponding adjustment to Other comprehensive income (loss). At December 31, 2007, the fair value of the interest rate swap agreement was not material.

We use forward foreign exchange contracts to manage our exposure to fluctuations in foreign currency exchange rates, and generally do so in ways that qualify for hedge accounting treatment. These exchange contracts hedge the fluctuations in cash flows associated with firm commitments or specific anticipated transactions contracted in foreign currencies, or hedge the exposure to rate changes affecting foreign currency denominated assets or liabilities. Related gains and losses on these contracts, to the extent they are effective hedges, are recognized in income at the same time the hedged transaction is recognized or when the hedged asset or liability is adjusted. To the extent the hedges are ineffective, gains and losses on the

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contracts are recognized in the current period. At December 31, 2007, the fair value of forward exchange contracts outstanding and the amounts of gains and losses recorded during the year then ended were not material.

We evaluate the credit quality of potential counterparties to derivative transactions and only enter into agreements with those deemed to have minimal credit risk. We periodically monitor changes to counterparty credit quality as well as our concentration of credit exposure to individual counterparties. We do not hold or issue derivative financial instruments for trading or speculative purposes.

New Accounting Pronouncements

In December 2007, the FASB issued Statement of Financial Accounting Standards (FAS) 141(R), *Business Combinations*, which will become effective January 1, 2009. The new standard will replace existing guidance and significantly change accounting and reporting relative to business combinations in consolidated financial statements, including requirements to recognize acquisition-related transaction and post acquisition restructuring costs in our results of operations as incurred. FAS 141(R) will be effective for businesses acquired after the effective date.

In September 2006, the FASB issued FAS 157, *Fair Value Measurements*, which is effective January 1, 2008, with the exception of leases and certain nonfinancial assets and liabilities. FAS 157 defines fair value, establishes a market-based framework or hierarchy for measuring fair value and expands disclosures about fair value measurements. The new standard generally is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value. We currently do not expect that the adoption of FAS 157 will have a material impact on our results of operations, financial position or cash flows.

In February 2007, the FASB issued FAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*, which also becomes effective January 1, 2008. Under FAS 159, a company may choose to measure certain financial instruments (e.g., assets and liabilities) and certain other items not currently subject to fair value measurement at fair value. If so elected, any unrealized gains and losses from marking those items to market will be included in earnings in each subsequent reporting period. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. We do not plan to elect the fair value option.

In September 2007, the FASB issued a proposed rule that would change the accounting for our \$1 billion of floating rate convertible debentures. The effect of the rule, if enacted as proposed, requires the proceeds from the debt issuance to be bifurcated between a debt and equity component as of the August 2003 issuance date. The equity component reflects the value of the conversion feature. The FASB currently plans to re-deliberate the proposal in the first quarter of 2008 and has not indicated when it may become effective. If approved as currently drafted, we would expect the proposed rule to result in immaterial changes to our previously reported Balance Sheets and Statements of Earnings to reflect the amortization of additional interest expense over the period from August 2003 to August 2008.

Controls and Procedures

We maintain disclosure controls and procedures, including internal control over financial reporting, which are designed to ensure that information required to be disclosed in our periodic filings with the SEC is reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that assets are safeguarded and transactions are properly executed and recorded. Our disclosure controls and procedures are also designed to ensure that information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating such controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to use its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, we have investments in certain unconsolidated entities. As we do not control or manage these entities, our controls and procedures with respect to those entities are necessarily substantially more limited (in some cases, only that of a passive equity holder) than those we maintain with respect to our consolidated subsidiaries.

We routinely review our system of internal control over financial reporting and make changes to our processes and systems to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating the activities of two or more business units, and migrating certain processes to our Shared Services centers. In addition, when we acquire new businesses, we review the controls and procedures of the acquired business as part of our integration activities.

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We performed an evaluation of the effectiveness of our disclosure controls and procedures, including internal control over financial reporting, as of December 31, 2007. The evaluation was performed with the participation of senior management of each business segment and key Corporate functions, and under the supervision of the CEO and CFO. Based on our evaluation, we concluded that our disclosure controls and procedures were effective as of December 31, 2007.

During 2007, we also performed a separate evaluation of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act, including performing self-assessment and monitoring procedures. Based on those activities and other evaluation procedures, our management, including the CEO and CFO, concluded that internal control over financial reporting was effective as of December 31, 2007. Management's report on our financial statements and internal control over financial reporting appears on page 59. In addition, the effectiveness of our internal control over financial reporting was audited by our independent registered public accounting firm. Their report appears on page 60.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Quantitative and Qualitative Disclosure of Market Risk" beginning on page 56, and under the caption "Derivative financial instruments" in Note 1 – Significant Accounting Policies on page 69 of this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

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

Management conducted an evaluation of the effectiveness of the Corporation's system of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Corporation's system of internal control over financial reporting was effective as of December 31, 2007. Ernst & Young LLP also assessed the effectiveness of the Corporation's internal control over financial reporting for the year ended December 31, 2007, as stated in their report included herein.

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

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

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

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

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

Board of Directors and Stockholders
Lockheed Martin Corporation

We have audited Lockheed Martin Corporation's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Lockheed Martin Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on the Financial Statements and Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Lockheed Martin Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Lockheed Martin Corporation as of December 31, 2007 and 2006, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007 of Lockheed Martin Corporation and our report dated February 26, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Baltimore, Maryland
February 26, 2008

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

Board of Directors and Stockholders
Lockheed Martin Corporation

We have audited the accompanying consolidated balance sheets of Lockheed Martin Corporation as of December 31, 2007 and 2006, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lockheed Martin Corporation at December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 of the Notes to Consolidated Financial Statements, in 2006 the Corporation adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, and Statement of Financial Accounting Standards No. 123(R), *Share-Based Payments*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Lockheed Martin Corporation's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Baltimore, Maryland
February 26, 2008

Lockheed Martin Corporation
Consolidated Statement of Earnings

<i>(In millions, except per share data)</i>	<i>Year ended December 31,</i>		
	<i>2007</i>	<i>2006</i>	<i>2005</i>
Net sales			
Products	\$35,267	\$33,863	\$31,518
Services	6,595	5,757	5,695
	41,862	39,620	37,213
Cost of sales			
Products	31,479	30,572	28,800
Services	5,874	5,118	5,073
Unallocated Corporate costs	275	496	803
	37,628	36,186	34,676
	4,234	3,434	2,537
Other income (expense), net	293	336	316
Operating profit	4,527	3,770	2,853
Interest expense	352	361	370
Other non-operating income (expense), net	193	183	133
Earnings before income taxes	4,368	3,592	2,616
Income tax expense	1,335	1,063	791
Net earnings	\$ 3,033	\$ 2,529	\$ 1,825
Earnings per common share			
Basic	\$ 7.29	\$ 5.91	\$ 4.15
Diluted	\$ 7.10	\$ 5.80	\$ 4.10

See accompanying Notes to Consolidated Financial Statements.

Lockheed Martin Corporation
Consolidated Balance Sheet

<i>(In millions)</i>	<i>December 31,</i>	
	<i>2007</i>	<i>2006</i>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,648	\$ 1,912
Short-term investments	333	381
Receivables	4,925	4,595
Inventories	1,718	1,657
Deferred income taxes	756	900
Other current assets	560	719
Total current assets	10,940	10,164
Property, plant and equipment, net	4,320	4,056
Goodwill	9,387	9,250
Purchased intangibles, net	463	605
Prepaid pension asset	313	235
Deferred income taxes	760	1,487
Other assets	2,743	2,434
	\$28,926	\$28,231
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 2,163	\$ 2,221
Customer advances and amounts in excess of costs incurred	4,254	3,856
Salaries, benefits and payroll taxes	1,544	1,584
Current maturities of long-term debt	104	34
Other current liabilities	1,806	1,858
Total current liabilities	9,871	9,553
Long-term debt, net	4,303	4,405
Accrued pension liabilities	1,192	3,025
Other postretirement benefit liabilities	928	1,496
Other liabilities	2,827	2,868
Stockholders' equity		
Common stock, \$1 par value per share	409	421
Additional paid-in capital	—	755
Retained earnings	11,247	9,269
Accumulated other comprehensive loss	(1,851)	(3,561)
Total stockholders' equity	9,805	6,884
	\$28,926	\$28,231

See accompanying Notes to Consolidated Financial Statements.

Lockheed Martin Corporation
Consolidated Statement of Cash Flows

<i>(In millions)</i>	<i>Year ended December 31,</i>		
	<i>2007</i>	<i>2006</i>	<i>2005</i>
Operating Activities			
Net earnings	\$ 3,033	\$ 2,529	\$ 1,825
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization of property, plant and equipment	666	600	555
Amortization of purchased intangibles	153	164	150
Stock-based compensation	149	111	—
Excess tax benefits on stock-based compensation	(124)	(129)	—
Deferred income taxes	110	75	24
Changes in operating assets and liabilities:			
Receivables	(324)	94	(390)
Inventories	(57)	(530)	(39)
Accounts payable	(66)	217	239
Customer advances and amounts in excess of costs incurred	394	475	296
Other	307	177	534
Net cash provided by operating activities	4,241	3,783	3,194
Investing Activities			
Expenditures for property, plant and equipment	(940)	(893)	(865)
Acquisitions of businesses / investments in affiliates	(337)	(1,122)	(564)
Divestitures of businesses / investments in affiliates	26	180	935
Sale (purchase) of short-term investments, net	48	48	(33)
Other	(2)	132	28
Net cash used for investing activities	(1,205)	(1,655)	(499)
Financing Activities			
Issuances of common stock	350	627	406
Excess tax benefits on stock-based compensation	124	129	—
Repurchases of common stock	(2,127)	(2,115)	(1,310)
Common stock dividends	(615)	(538)	(462)
Repayments of long-term debt	(32)	(210)	(145)
Premium and transaction costs for debt exchange	—	(353)	—
Net cash used for financing activities	(2,300)	(2,460)	(1,511)
Net increase (decrease) in cash and cash equivalents	736	(332)	1,184
Cash and cash equivalents at beginning of year	1,912	2,244	1,060
Cash and cash equivalents at end of year	\$ 2,648	\$ 1,912	\$ 2,244

See accompanying Notes to Consolidated Financial Statements.

Lockheed Martin Corporation
Consolidated Statement of Stockholders' Equity

<i>(In millions, except per share data)</i>	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Other	Total Stockholders' Equity	Compre- hensive Income (Loss)
Balance at December 31, 2004	\$ 438	\$ 2,223	\$ 5,915	\$ (1,532)	\$ (23)	\$ 7,021	
Net earnings	—	—	1,825	—	—	1,825	\$ 1,825
Common stock dividends declared (\$1.05 per share)	—	—	(462)	—	—	(462)	—
Repurchases of common stock	(20)	(1,202)	—	—	—	(1,222)	—
Stock-based awards and ESOP activity	14	703	—	—	9	726	—
Other comprehensive income (loss):							
Minimum pension liability	—	—	—	(105)	—	(105)	(105)
Net unrealized gain from available-for-sale investments	—	—	—	97	—	97	97
Other	—	—	—	(13)	—	(13)	(13)
Balance at December 31, 2005	432	1,724	7,278	(1,553)	(14)	7,867	\$ 1,804
Net earnings	—	—	2,529	—	—	2,529	\$ 2,529
Common stock dividends declared (\$1.25 per share)	—	—	(538)	—	—	(538)	—
Repurchases of common stock	(28)	(2,076)	—	—	—	(2,104)	—
Stock-based awards and ESOP activity	17	1,107	—	—	14	1,138	—
Other comprehensive income (loss):							
Minimum pension liability	—	—	—	1,186	—	1,186	1,186
Reclassification adjustment related to available- for-sale investments	—	—	—	(92)	—	(92)	(92)
Other	—	—	—	(33)	—	(33)	(33)
Adjustment for adoption of FAS 158	—	—	—	(3,069)	—	(3,069)	—
Balance at December 31, 2006	421	755	9,269	(3,561)	—	6,884	\$ 3,590
Net earnings	—	—	3,033	—	—	3,033	\$ 3,033
Common stock dividends declared (\$1.47 per share)	—	—	(615)	—	—	(615)	—
Repurchases of common stock	(22)	(1,634)	(471)	—	—	(2,127)	—
Stock-based awards and ESOP activity	10	879	—	—	—	889	—
Adoption of FIN 48	—	—	31	—	—	31	—
Other comprehensive income:							
Postretirement benefit plans:							
Unrecognized amounts in 2007	—	—	—	1,527	—	1,527	1,527
Reclassification adjustment for recognition of prior period amounts	—	—	—	179	—	179	179
Other	—	—	—	4	—	4	4
Balance at December 31, 2007	\$ 409	\$ —	\$ 11,247	\$ (1,851)	\$ —	\$ 9,805	\$ 4,743

See accompanying Notes to Consolidated Financial Statements.

Lockheed Martin Corporation
Notes to Consolidated Financial Statements
December 31, 2007

Note 1 – Significant Accounting Policies

Organization – Lockheed Martin Corporation is engaged in the research, design, development, manufacture, integration, operation and sustainment of advanced technology systems and products, and provides a broad range of management, engineering, technical, scientific, logistic and information services. As a leading systems integrator, our products and services range from electronics and information systems, including integrated net-centric solutions, to missiles, aircraft and spacecraft. We serve both domestic and international customers with products and services that have defense, civil and commercial applications, with our principal customers being agencies of the U.S. Government.

Basis of consolidation and classifications – Our consolidated financial statements include the accounts of wholly-owned subsidiaries and other entities we control. We eliminate intercompany balances and transactions in consolidation. Our Receivables, Inventories and Customer advances are primarily attributable to long-term contracts or programs in progress for which the related operating cycles are longer than one year. In accordance with industry practice, we include these items in current assets.

We have reclassified certain amounts for prior years to conform with the 2007 presentation, primarily to reflect the realignment of our segments (see Note 15) and to reclassify interest income from Other income (expense), net to Other non-operating income (expense), net (see Note 9).

Use of estimates – We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP). In doing so, we are required to make estimates and assumptions, including estimates of anticipated contract costs and revenues utilized in the earnings recognition process, that affect the reported amounts in the financial statements and accompanying notes. Due to the size and nature of many of our programs, the estimation of total revenues and cost at completion is subject to a wide range of variables, including assumptions for schedule and technical issues. Our actual results may differ from those estimates.

Cash and cash equivalents – Cash equivalents include highly liquid instruments with original maturities of 90 days or less. Due to the short maturity of these instruments, the carrying value on our consolidated Balance Sheet approximates fair value.

Short-term investments – Our Short-term investments include marketable securities that are categorized as available-for-sale securities as defined by Statement of Financial Accounting Standards (FAS) 115, *Accounting for Certain Investments in Debt and Equity Securities*. We record realized gains and losses in Other non-operating income and expenses, net. For purposes of computing realized gains and losses, we determine cost on a specific identification basis. The fair values of our marketable securities are estimated based on quoted market prices for the respective securities.

We record Short-term investments at fair value. At year end, our investment portfolio included the following:

<i>(In millions)</i>	<i>December 31,</i>			
	<i>2007</i>	<i>Fair</i>	<i>2006</i>	<i>Fair</i>
	<i>Amortized</i>	<i>Value</i>	<i>Amortized</i>	<i>Value</i>
	<i>Cost</i>		<i>Cost</i>	<i>Value</i>
Government-sponsored enterprise securities	\$ 116	\$ 116	\$ 96	\$ 95
Commercial paper	115	114	55	55
Corporate debt securities	91	90	139	139
U.S. Treasury and other securities	13	13	92	92
	\$ 335	\$ 333	\$ 382	\$ 381

Approximately 71% of the securities in our portfolio had contractual maturities of one year or less at December 31, 2007. An additional 27% of the securities had contractual maturities of one to five years, with the remainder greater than five years. Proceeds from sales of marketable securities totaled \$53 million in 2007 and \$167 million in 2006. Gross gains and losses related to sales of marketable securities for both years, as well as net unrealized gains and losses at each year end, were not material.

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

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

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

Goodwill – We evaluate Goodwill for potential impairment on an annual basis by comparing the fair value of a reporting unit, using a discounted cash flow methodology, to its carrying value including Goodwill recorded by the reporting unit. We generally define reporting units at the business segment level or one level below the business segment. If the carrying value exceeds the fair value, we measure impairment by comparing the derived fair value of Goodwill to its carrying value, and any impairment determined is recorded in the current period.

Purchased intangibles, net – We amortize intangible assets acquired as part of business combinations over their estimated useful lives unless their useful lives are determined to be indefinite. For certain business combinations, the amounts we record related to Purchased intangibles are determined from independent valuations. Our Purchased intangibles primarily relate to contracts and programs acquired and customer relationships which are amortized over periods of 15 years or less, and trade names which have indefinite lives. We included Purchased intangibles on our consolidated Balance Sheet net of accumulated amortization of \$2,105 million and \$1,952 million at December 31, 2007 and 2006. Less than 10% of the unamortized balance of Purchased intangibles at December 31, 2007 is composed of intangibles with indefinite lives. Amortization expense related to these intangible assets was \$153 million, \$164 million, and \$150 million for the years ended December 31, 2007, 2006 and 2005, and we estimate amortization expense will be \$116 million in 2008, \$95 million in 2009, \$90 million in 2010, \$80 million in 2011 and \$25 million in 2012.

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

Environmental matters – We record a liability for environmental matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. The amount of liability recorded is generally based on our best estimate of the costs to be incurred for remediation at a particular site within a range of estimates for that site. We do not discount liabilities unless the amount and timing of future cash payments are fixed or reliably determinable. We expect to include a substantial portion of environmental costs in Net sales and Cost of sales pursuant to U.S. Government agreement or regulation. At the time a liability is recorded for future environmental costs, we record an asset for estimated future recovery considered probable through the pricing of products and services to agencies of the U.S. Government. We include the portion of those costs expected to be allocated to commercial business or that is determined to be unallowable for pricing under U.S. Government contracts in Cost of sales at the time the liability is established.

Sales and earnings – We record sales and anticipated profits under long-term fixed-price design, development and production contracts on a percentage of completion basis, generally using units-of-delivery as the basis to measure progress toward completing the contract and recognizing revenue. We include estimated contract profits in earnings in proportion to recorded sales. We record sales under certain long-term fixed-price development and production contracts which, among other factors, provide for the delivery of minimal quantities or require a substantial level of development effort in relation to total contract value, upon achievement of performance milestones or using the cost-to-cost method of accounting where sales

and profits are recorded based on the ratio of costs we incur to our estimate of total costs at completion. We record sales and an estimated profit under development and production cost-reimbursement-type contracts as costs are incurred. We include applicable estimated profits in earnings in the proportion that incurred costs bear to total estimated costs. When adjustments in estimated contract revenues or estimated costs at completion are required, any changes from prior estimates are recognized by recording adjustments in the current period for the inception-to-date effect of the changes on current and prior periods. We record sales of products and services provided under essentially commercial terms and conditions upon delivery and passage of title.

We consider incentives or penalties related to performance on design, development and production contracts in estimating sales and profit rates, and record them when there is sufficient information to assess anticipated contract performance. We also consider estimates of award fees in estimating sales and profit rates based on actual awards and anticipated performance. We generally do not recognize incentive provisions which increase or decrease earnings based solely on a single significant event until the event occurs. We only include amounts representing contract change orders, claims or other items in sales when they can be reliably estimated and realization is probable.

We record revenue under contracts for services other than those associated with design, development or production activities either as services are performed or when a contractually required event has occurred, depending on the contract. This methodology is primarily used by our Information Systems & Global Services (IS&GS) segment. We generally record revenue under such services contracts on a straight-line basis over the period of contract performance, unless evidence suggests that the revenue is earned or the obligations are fulfilled in a different pattern. Costs we incur under these services contracts are expensed as incurred, except that we capitalize and recognize initial "set-up" costs over the life of the agreement. Incentives and award fees related to our performance on services contracts are recognized when they are fixed and determinable, generally at the date of award.

Research and development and similar costs – Costs for research and development we sponsor primarily include independent research and development and bid and proposal efforts related to government products and services. Except for certain arrangements described below, we generally include these costs as part of the general and administrative costs that are allocated among all of our contracts and programs in progress under U.S. Government contractual arrangements. Costs for product development initiatives we sponsor that are not otherwise allocable are charged to expense when incurred. Under some arrangements in which a customer shares in product development costs, our portion of unreimbursed costs is generally expensed as incurred. Total independent research and development costs charged to Cost of sales in 2007, 2006 and 2005, including costs related to bid and proposal efforts, totaled \$1,206 million in 2007, \$1,051 million in 2006 and \$1,042 million in 2005. Of those amounts, \$528 million, \$427 million and \$416 million represented bid and proposal costs. Costs we incur under customer-sponsored research and development programs pursuant to contracts are accounted for as Net sales and Cost of sales under the contract.

Restructuring activities – Under existing U.S. Government regulations, certain costs we incur for consolidation or restructuring activities that we can demonstrate will result in savings in excess of the cost to implement those actions can be deferred and amortized for government contracting purposes and included as allowable costs in future pricing of our products and services to agencies of the U.S. Government. Assets recorded at December 31, 2007 and 2006 for deferred costs related to various consolidation actions were not material.

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

Investments in equity securities – Investments in equity securities include our ownership interests in companies that we do not control, including those where our investment represents less than a 20% ownership. We include these investments in Other assets on the Balance Sheet. When we have investments that represent a 20% to 50% ownership interest, we generally account for them under the equity method of accounting. Under this method of accounting, our share of the net earnings or losses of the companies is included in Operating profit in Other income (expense), net since the activities of the investees are closely aligned with the operations of the business segments holding the investments. We recognize gains or losses arising from issuances of stock by wholly-owned or majority-owned subsidiaries, or by equity method investees, in the current period in Other income (expense), net.

For those investments that represent less than a 20% ownership interest, if classified as available-for-sale under FAS 115, the investments are accounted for at fair value, with unrealized gains and losses reflected as a net after-tax amount in

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Accumulated other comprehensive income (loss) in the Statement of Stockholders' Equity. If declines in the value of investments accounted for under either the equity method or FAS 115 are determined to be other than temporary, a loss is recorded in earnings in the current period. We make such determinations by considering, among other factors, the length of time the fair value of the investment has been less than the carrying value, future business prospects for the investee, and information regarding market and industry trends for the investee's business, if available. Investments not accounted for under one of these methods are generally accounted for under the cost method of accounting.

Derivative financial instruments – We sometimes use derivative financial instruments to manage our exposure to fluctuations in interest rates and foreign exchange rates. We do not hold or issue derivative financial instruments for trading or speculative purposes. We record derivatives at their fair value as either Other current assets or liabilities on the consolidated Balance Sheet. The classification of gains and losses resulting from changes in the fair values of derivatives is dependent on our intended use of the derivative and its resulting designation. We include adjustments to reflect changes in fair values of derivatives that are not considered highly effective hedges in earnings. Adjustments to reflect changes in fair values of derivatives that we consider highly effective hedges are either reflected in earnings and largely offset by corresponding adjustments related to the fair values of the hedged items, or reflected net of income taxes in Accumulated other comprehensive income (loss) until the hedged transaction occurs and the entire transaction is recognized in earnings, to the extent these derivatives are effective hedges. Changes in the fair value of these derivatives attributable to the ineffective portion of the hedges, if any, are immediately recognized in earnings.

We designate interest rate swap agreements as hedges of the fair value of debt instruments to which they relate in cases where we swap fixed rates for variable rates, and as hedges of the cash flows of forecasted variable interest payments in cases where we swap variable rates for fixed rates. Our forward currency exchange contracts generally qualify as hedges of the fluctuations in cash flows associated with firm commitments or specific anticipated transactions contracted in foreign currencies, or as hedges of the exposure to rate changes affecting foreign currency denominated assets or liabilities. At December 31, 2007, the fair value of our outstanding interest rate swap agreement and forward currency exchange contracts, as well as the amounts of gains and losses recorded during the year, were not material.

Stock-based compensation – Effective January 1, 2006, we adopted FAS 123(R), *Share-Based Payments*, and the related SEC rules included in Staff Accounting Bulletin No. 107, on a modified prospective basis (see Note 11). Under this method, we recognize compensation cost related to 1) all share-based payments (stock options and restricted stock awards) granted before but not yet vested as of January 1, 2006 based on the grant-date fair value estimated under the original provisions of FAS 123, *Accounting for Stock-Based Compensation*, and 2) all share-based payments (stock options and restricted stock units) granted after December 31, 2005 based on the grant-date fair value estimated under the provisions of FAS 123(R).

To account for the tax effects of stock-based compensation, FAS 123(R) requires a calculation to establish the beginning pool of excess tax benefits, or the additional paid-in capital (APIC) pool, available to absorb any tax deficiencies recognized after its adoption. Tax deficiencies arise when the actual tax benefit for the tax deduction for stock-based compensation at the statutory tax rate is less than the related deferred tax asset recognized in the financial statements. We have elected the alternative transition method for calculating the APIC pool as described in the Financial Accounting Standards Board (FASB) Staff Position 123(R)-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*.

Prior to January 1, 2006, we measured compensation cost for stock-based compensation plans using the intrinsic value method of accounting as prescribed under Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, but disclosed the pro forma effects on Net earnings and Earnings per share as if compensation cost had been recognized based on the fair value-based method at the date of grant for stock options awarded consistent with the provisions of FAS 123. Reported and pro forma earnings per share information for the year ended December 31, 2005 is included in Note 11.

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

Comprehensive income – Comprehensive income consists primarily of Net earnings and the after-tax impact of the adjustments for postretirement benefit plans, including minimum pension liabilities for years prior to 2007. The adjustments

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for postretirement benefit plans included on the Statement of Stockholders' Equity totaled \$1,706 million (net of \$938 million in income taxes) in 2007, \$1,186 million (net of \$712 million in income taxes) in 2006 and \$(105) million (net of \$60 million in tax benefits) in 2005. In 2006, Comprehensive income also included a reclassification adjustment of \$(92) million (net of \$54 million in tax benefits) related to available-for-sale investments. The remaining components included amounts for activities related to hedging and foreign currency translation.

The Accumulated other comprehensive loss of \$1,851 million at December 31, 2007 included \$1,806 million related to our postretirement benefit plans that were recorded in accordance with FAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (see Note 12). The Accumulated other comprehensive loss of \$3,561 million at December 31, 2006 included \$3,512 million pertaining to our postretirement benefit plans, primarily from the adoption of FAS 158 which resulted in an adjustment to the ending balance of Accumulated other comprehensive loss of \$(3,069) million (net of \$1,696 million in tax benefits). The remaining accumulated balance in both years primarily was composed of accumulated balances related to hedging and foreign currency translation activities.

Recent accounting pronouncements – We adopted Financial Accounting Standards Board (FASB) Interpretation Number (FIN) 48, *Accounting for Uncertainty in Income Taxes*, effective January 1, 2007 (see Note 8). FIN 48 clarifies and sets forth consistent rules for accounting for uncertain income tax positions in accordance with FAS 109, *Accounting for Income Taxes*. The cumulative effect of applying the provisions of this interpretation was a \$31 million noncash increase to our opening balance of Retained earnings in 2007.

Effective December 31, 2006, we adopted FAS 158, which requires plan sponsors of defined benefit pension and other postretirement benefit plans to recognize the funded status of their postretirement benefit plans on the Balance Sheet, measure the fair value of plan assets and benefit obligations as of the Balance Sheet date, and provide additional disclosures (see Note 12). The effect of adopting the statement on our financial condition at December 31, 2006 has been reflected in these financial statements. FAS 158 did not have an effect on prior years. The statement's provisions regarding the change in the measurement date of postretirement benefit plans are not applicable to us since we already use a measurement date of December 31 for our plans.

In December 2007, the FASB issued FAS 141(R), *Business Combinations*, which will become effective January 1, 2009. The new standard will replace existing guidance and significantly change accounting and reporting relative to business combinations in consolidated financial statements, including requirements to recognize acquisition-related transaction and post acquisition restructuring costs in our results of operations as incurred. FAS 141(R) will be effective for businesses acquired after the effective date.

In September 2006, the FASB issued FAS 157, *Fair Value Measurements*, which is effective January 1, 2008 with the exception of leases and certain nonfinancial assets and liabilities. FAS 157 defines fair value, establishes a market-based framework or hierarchy for measuring fair value and expands disclosures about fair value measurements. The new standard generally is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value. We currently do not expect that the adoption of FAS 157 will have a material impact on our results of operations, financial position or cash flows.

In February 2007, the FASB issued FAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*, which also becomes effective January 1, 2008. Under FAS 159, a company may choose to measure certain financial instruments (e.g., assets and liabilities) and certain other items not currently subject to fair value measurement at fair value. If so elected, any unrealized gains and losses from marking those items to market will be included in earnings in each subsequent reporting period. The fair value option may be elected on an instrument-by-instrument basis, with few exceptions. We do not plan to elect the fair value option.

Note 2 – Acquisitions and Divestitures

Acquisitions

We used a total of approximately \$160 million in 2007 for acquisition activities including the acquisition of, among others, Management Systems Designers Inc., a provider of information technology (IT) and scientific solutions supporting government life science, national security, and other civil agency missions. The amount also includes certain payments related to acquisitions completed in prior years. We account for the acquisition of businesses under the purchase method of accounting by allocating the purchase price to the assets acquired and liabilities assumed based on their estimated fair values. Purchase accounting adjustments recorded related to business acquisitions completed in 2007 included recording Goodwill

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aggregating \$120 million, none of which will be amortized for tax purposes, and \$12 million of other intangible assets, primarily relating to the value of contracts we acquired. The acquisitions were not material to our consolidated results of operations for the year ended December 31, 2007.

In 2006 and 2005, we completed acquisitions of the following businesses.

Year ended December 31, 2006 –

- Pacific Architects and Engineers, Inc. (PAE), a provider of services to support military readiness, peacekeeping missions, nation-building activities, and disaster relief services;
- Savi Technology, Inc., a developer of active radio frequency identification solutions;
- Aspen Systems Corporation, an information management company that delivers a range of business process and technology solutions;
- ISX Corporation, a provider of military decision systems and other information technology solutions; and
- HMT Vehicles, a military vehicle design company.

The aggregate cash paid for the 2006 acquisitions was \$1.0 billion. The total amount paid for acquisitions, including amounts paid in 2006 related to acquisitions completed in 2005, was \$1.1 billion. Purchase accounting adjustments in 2006 included recording combined Goodwill of \$867 million, of which approximately \$80 million will be amortized for tax purposes, and \$209 million of other intangible assets, primarily relating to the value of contracts we acquired. The other intangible assets are expected to be amortized over a period of seven years. These acquisitions were not material to our consolidated results of operations for the year ended December 31, 2006.

Year ended December 31, 2005 –

- The SYTEX Group, Inc., a provider of information technology solutions and technical support services;
- STASYS Limited, a U.K.-based technology and consulting firm specializing in network communications and defense interoperability;
- INSYS Group Limited, a U.K.-based diversified supplier of military communications systems, weapons systems and advanced analysis services; and
- Coherent Technologies, Inc., a supplier of high-performance, laser-based remote sensing systems.

The aggregate cash paid for the 2005 acquisitions, as well as for amounts paid in 2005 related to acquisitions completed in prior periods, was \$564 million. Purchase accounting adjustments included recording Goodwill aggregating \$559 million, of which \$360 million is being amortized for tax purposes. These acquisitions were not material to our consolidated results of operations for the year ended December 31, 2005.

Divestitures

Businesses

In the second quarter of 2007, we sold our remaining 20% interest in Comsat International for \$26 million in cash. The transaction resulted in a gain, net of state income taxes, of \$25 million which we recorded in Other income (expenses), net, and an increase in Net earnings of \$16 million (\$0.04 per share).

In October 2006, we sold our ownership interests in Lockheed Khrunichev Energia International, Inc. (LKEI) and International Launch Services, Inc. (ILS). LKEI was a joint venture with Russian government-owned space firms which has exclusive rights to market launches of commercial, non-Russian-origin space payloads on the Proton family of rockets. One of the joint venture partners, Khrunichev State Research and Production Space Center (Khrunichev), is the manufacturer of the Proton launch vehicle and provider of the related launch services. ILS was a joint venture between LKEI and us to market Atlas and Proton launch services. In periods prior to the sale of these interests, we consolidated the results of operations of LKEI and ILS into our financial statements based on our controlling financial interest.

Contracts for Proton launch services usually required substantial advances from the customer prior to launch which were included as a liability on our Balance Sheet in Customer advances and amounts in excess of costs incurred. Under the sale agreement, we will continue to be responsible to refund advances to certain customers if launch services are not provided and ILS does not refund the advance. Due to this continuing involvement with those customers of ILS, many of the risks related to this business have not been transferred and we did not recognize this transaction as a divestiture for financial reporting purposes.

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We deferred recognition of a net gain of \$67 million that otherwise would have been recognized on the sale of our interests in LKEI and ILS, and have continued to include the related assets and liabilities on our Balance Sheet. We expect to recognize the deferred net gain upon the expiration of our responsibility to refund the advances, which we currently believe will be in 2008 based on the expected Proton launch schedule. Our ability to realize the deferred net gain is dependent upon Khrunichev providing the contracted launch services or, in the event the launch services are not provided, ILS' ability to refund the advance. Through December 31, 2007, Proton launch services provided through ILS were provided according to contract terms. Our Balance Sheet at December 31, 2007 included current assets related to LKEI and ILS totaling \$132 million and current liabilities totaling \$189 million, both of which will be reduced as the launch services are provided. The assets relate primarily to advances we have made to Khrunichev for future launches, and the liabilities relate primarily to advances we have received from customers for future launches.

Land

In the first quarter of 2007, we sold certain land in California for \$36 million in cash. The transaction resulted in a gain, net of state income taxes, of \$25 million which we recorded in Other income (expense), net, and an increase in Net earnings of \$16 million (\$0.04 per share).

In the second and third quarters of 2006, we sold certain land in California and Florida for combined proceeds of \$76 million in cash. The transactions resulted in an aggregate gain, net of state income taxes, of \$51 million which we recorded in Other income (expense), net, and an increase in Net earnings of \$33 million (\$0.08 per share).

Investments

In the first quarter of 2006, we sold 21 million of our Inmarsat plc (Inmarsat) shares for \$132 million, reducing our ownership from 5.3% to less than 1%. As a result of this transaction, we recorded a gain, net of state income taxes, of \$127 million in Other income (expense), net, which increased our Net earnings by \$83 million (\$0.19 per share). Also in the first quarter of 2006, we received proceeds from the sale of the assets of Space Imaging, LLC. The transaction resulted in a gain, net of state income taxes, of \$23 million in Other income (expense), net, and increased Net earnings by \$15 million (\$0.03 per share).

In the fourth quarter of 2005, we completed the sale of our interest in NeuStar, Inc. The transaction resulted in a gain, net of state income taxes, of \$30 million in Other income (expense), net, and an increase in Net earnings of \$19 million (\$0.04 per share).

In the second quarter of 2005, Inmarsat completed an initial public offering (IPO) of 150 million of its shares on the London Stock Exchange. The IPO had the effect of diluting our ownership from 14% to 8.9%. Inmarsat used a portion of the proceeds to redeem certain remaining equity-related instruments held by shareholders, including us. As a result, we recognized the \$42 million deferred gain that was recorded in 2003 related to this investment. In October 2005, we sold 16 million of our Inmarsat shares for \$89 million, further reducing our ownership percentage to 5.3%. These 2005 transactions resulted in gains, net of state income taxes, totaling \$126 million in Other income (expense), net, and an increase in Net earnings of \$82 million (\$0.18 per share).

In the first quarter of 2005, we completed the sale of our 25% interest in Intelsat, Ltd. to a private equity firm for \$18.75 per share, or \$752 million in total proceeds. The transaction resulted in a gain, net of state income taxes, of \$47 million in Other income (expense), net, and an increase in Net earnings of \$31 million (\$0.07 per share).

Other

In 2000, we sold our Aerospace Electronics Systems business. In connection with that sale, we established a transaction-related reserve to address an indemnity provision included in the sale agreement. The risks associated with that indemnity provision expired in 2006 and we reversed into earnings, net of state income taxes, \$29 million in Other income (expense), net. This resulted in an increase in Net earnings of \$19 million (\$0.04 per share).

United Launch Alliance

On December 1, 2006, we completed a transaction with The Boeing Company (Boeing) that resulted in the formation of United Launch Alliance, LLC (ULA), a joint venture which combines the engineering, production, test and launch operations associated with U.S. Government launches of our Atlas launch vehicles and Boeing's Delta launch vehicles. Under the terms of the joint venture master agreement, Atlas and Delta expendable launch vehicles will continue to be available as

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alternatives on individual launch missions. The joint venture is a limited liability company in which we and Boeing each owns 50%. We are accounting for our investment in ULA under the equity method of accounting. The net book value of the assets we contributed and the liabilities that ULA assumed from us was initially determined to be \$190 million as of the date of closing. This amount was subject to adjustment pending final review of the amounts we and Boeing contributed and the liabilities assumed by ULA. We accounted for the transfer at net book value, with no gain or loss recognized.

In July 2007, we reached agreement with Boeing with respect to resolution of the final working capital and the value of the launch vehicle support contracts that we each contributed to form ULA. After receiving all regulatory approvals required under the original agreements, we made additional contributions totaling \$177 million to ULA in August 2007 in respect of the working capital adjustment, which was recorded as an increase in our investment in ULA. ULA also conformed the accounting policies of the contributed businesses. The adoption of conformed accounting policies affected the book value of the assets and liabilities that each of us contributed and resulted in adjustments to ULA's balance sheet as of December 1, 2006. After the agreement was implemented and the adjustments were recorded, our 50% ownership share of ULA's net assets exceeded the book value of our investment by approximately \$395 million, which we are recognizing ratably over 10 years. This amount and our share of ULA's net earnings are reported as Equity in net earnings (losses) of equity investees in Other income (expense), net on the Statement of Earnings and in the Operating profit of the Space Systems business segment for segment reporting purposes (see Note 15) since its activities are closely aligned with the operations of Space Systems. Our investment in ULA totaled \$402 million and \$197 million at December 31, 2007 and 2006. ULA did not have a material impact on our results of operations, financial position or cash flows during the year ended December 31, 2007.

In connection with the formation of ULA, we and Boeing each committed to provide up to \$25 million in additional capital contributions and \$200 million in other financial support to ULA, as required. As of December 31, 2006, we had provided a total of \$3 million of additional funding to ULA (see Note 14). We did not provide further funding to ULA during 2007.

Note 3 – Earnings Per Share

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

We have \$1.0 billion of floating rate convertible debentures issued and outstanding that also can potentially have a dilutive effect on our earnings per share calculations. The debentures are convertible by holders into shares of our common stock on a contingent basis per the terms of the indenture agreement. The debentures are not convertible unless the price of our common stock is greater than or equal to 130% of the applicable conversion price for a specified period during the previous quarter, or unless certain other events occur. The conversion price was \$73.25 per share at December 31, 2007, and is expected to change over time as described in the indenture agreement. The price of our common stock exceeded 130% of the conversion price for the specified period of time during the fourth quarter of 2007, and therefore holders of the debentures may elect to convert them during the first quarter of 2008.

We have irrevocably agreed to pay only cash in lieu of common stock for the accreted principal amount of the debentures relative to our conversion obligations, but have retained the right to satisfy the conversion obligations in excess of the accreted principal amount in cash or common stock. Though we have retained that right, FAS 128, *Earnings Per Share*, requires an assumption that shares will be used to pay the conversion obligations in excess of the accreted principal amount, and requires that those shares be included in our calculation of weighted average common shares outstanding for the diluted earnings per share computation without regard to the convertibility by the bondholders. The number of shares included in the computation at December 31, 2007 and 2006 did not have a material impact on earnings per share. No such shares were included in the computation in 2005, as the conversion obligations were not in excess of the accreted principal amount.

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

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

<i>(In millions, except per share data)</i>	2007	2006	2005
Net earnings for basic and diluted computations	\$3,033	\$2,529	\$1,825
Weighted average common shares outstanding			
Average number of common shares outstanding for basic computations	416.0	428.1	440.3
Dilutive stock options, restricted stock and convertible securities	11.1	8.3	5.4
Average number of common shares outstanding for diluted computations	427.1	436.4	445.7
Earnings per common share			
Basic	\$ 7.29	\$ 5.91	\$ 4.15
Diluted	\$ 7.10	\$ 5.80	\$ 4.10

Note 4 – Receivables

<i>(In millions)</i>	2007	2006
U.S. Government		
Amounts billed	\$1,718	\$1,671
Unbilled costs and accrued profits	2,329	2,284
Less customer advances and progress payments	(428)	(579)
	3,619	3,376
Foreign governments and commercial		
Amounts billed	333	410
Unbilled costs and accrued profits	1,144	862
Less customer advances	(171)	(53)
	1,306	1,219
	\$4,925	\$4,595

We expect to bill substantially all of the December 31, 2007 unbilled costs and accrued profits during 2008.

Note 5 – Inventories

<i>(In millions)</i>	2007	2006
Work in process, primarily related to long-term contracts and programs in progress	\$ 4,039	\$ 3,857
Less customer advances and progress payments	(2,839)	(2,704)
	1,200	1,153
Other inventories	518	504
	\$ 1,718	\$ 1,657

Work in process Inventories at December 31, 2007 and 2006 included general and administrative costs of \$303 million and \$329 million. For the years ended December 31, 2007, 2006 and 2005, general and administrative costs incurred and recorded in Inventories totaled \$2,077 million, \$1,894 million and \$1,865 million, and general and administrative costs charged to Cost of sales from Inventories totaled \$2,103 million, \$1,863 million and \$1,888 million.

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Note 6 – Property, Plant and Equipment

<i>(In millions)</i>	2007	2006
Land	\$ 112	\$ 121
Buildings	4,574	4,258
Machinery and equipment	5,619	5,250
	10,305	9,629
Less accumulated depreciation and amortization	(5,985)	(5,573)
	\$ 4,320	\$ 4,056

During the year ended December 31, 2007, we wrote off \$232 million of cost and accumulated depreciation related to certain plant and equipment that had been fully depreciated or amortized.

Note 7 – Debt

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

<i>(In millions)</i>	<i>Interest Rate</i>	2007	2006
Medium Term Notes due 2006-2007	7.70 – 8.66	\$ —	32
Notes due 06/15/2008	7.70	103	103
Notes due 12/01/2009	8.20	241	241
Debentures due 04/15/2013	7.375	150	150
Debentures due 05/01/2016	7.65	600	600
Debentures due 09/15/2023	7.0	200	200
Notes due 06/15/2024	8.375	167	167
Debentures due 06/15/2025	7.625	150	150
Debentures due 05/01/2026	7.75	423	423
Debentures due 12/01/2029	8.5	317	317
Convertible Debentures due 08/15/2033	LIBOR –0.25	1,000	1,000
Debentures due 05/01/2036	7.20	300	300
Notes due 09/01/2036	6.15	1,079	1,079
Discount on Notes due 09/01/2036	N/A	(342)	(345)
Other	Various	19	22
		4,407	4,439
Less: Current maturities of long-term debt		104	34
		\$4,303	\$4,405

In August 2006, we issued \$1,079 million of new 6.15% Notes due 2036 (the Notes) in exchange for a portion of our then outstanding debt securities and cash consideration of \$343 million. Holders also received a cash payment representing accrued and unpaid interest on the previous notes. We accounted for the transaction as an exchange of debt under Emerging Issues Task Force (EITF) Issue 96-19, *Debtor's Accounting for a Modification or Exchange of Debt Instruments*. The cash consideration of \$343 million, which is included in the Statement of Cash Flows in financing activities, will be amortized over the life of the Notes as a discount using the effective interest method and recorded in interest expense. The Notes are included on our Balance Sheet net of the unamortized discount under the caption Long-term debt, net. The expenses associated with the exchange, net of state income tax benefits, totaled \$16 million and were recorded in Other non-operating income (expense), net. They reduced Net earnings by \$11 million (\$0.03 per share) in 2006.

We have outstanding \$1.0 billion in floating rate convertible debentures due in 2033. The debentures bear interest at a rate equal to three-month LIBOR less 25 basis points, reset quarterly. The interest rate in effect at December 31, 2007 was 4.62%. Interest on the debentures is payable quarterly through August 15, 2008, after which the interest will accrue as part of the value of the debenture and will be payable, along with the principal amount of the debenture, at maturity. The debentures are convertible by holders into shares of our common stock on a contingent basis under the circumstances discussed below and as described in the indenture. The debentures are not convertible unless the price of our common stock is greater than or equal to 130% of the applicable conversion price for a specified period during the previous quarter, or unless certain events occur including, among others: we call the debentures for redemption; we distribute to all holders of our common stock certain rights to purchase shares of common stock at less than market value on the trading day immediately preceding the

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declaration date of the distribution; and the credit rating assigned to the debentures by either Moody's or Standard & Poor's is lower than Ba1 or BB+.

The conversion price was \$73.25 per share at December 31, 2007, and is expected to change over time as provided for in the indenture agreement. We adjust the conversion price when certain events occur including, but not limited to, the following: the payment of dividends and other distributions on our common stock, payable exclusively in shares of our stock; the issuance to all holders of our common stock of rights that allow them to purchase shares of common stock at less than market price during a specified period; distributions we make consisting exclusively of cash to all holders of our common stock, excluding any quarterly cash dividend that does not exceed \$0.12 per share.

We have irrevocably elected and agreed to pay only cash in lieu of common stock for the accreted principal amount of the debentures relative to the conversion obligations described above. We have retained the right, however, to elect to satisfy the conversion obligations in excess of the accreted principal amount of the debentures in cash or common stock or a combination of cash and common stock. There is no amount exceeding the accreted principal until the market price of our stock exceeds the conversion price. This occurred for the first time in 2007; accordingly, the debentures had no impact on the calculation of diluted earnings per share prior to 2007 (see Note 3). We also have the right to redeem any or all of the debentures at any time after August 15, 2008.

In the fourth quarter of 2007, the price of our common stock exceeded 130% of the \$73.25 conversion price for the specified period of time, and therefore holders of the debentures may elect to convert them during the quarter ending March 31, 2008 (see Note 3). The right to convert the debentures based on our stock price is re-evaluated each quarter. In addition, the registered holders of \$300 million of 40-year debentures issued in 1996 that bear interest of 7.20% may elect, between March 1 and April 1, 2008, to have their debentures repaid on May 1, 2008. We have continued to classify these debentures and the \$1.0 billion of convertible debentures discussed above as long-term based on our ability and intent to maintain the debt outstanding for at least one year. Our ability to do so is demonstrated by our \$1.5 billion revolving credit facility discussed below.

At December 31, 2007, we had in place a \$1.5 billion revolving credit facility which expires in June 2012. There were no borrowings outstanding under the facility at December 31, 2007. Borrowings under the credit facility would be unsecured and bear interest at rates based, at our option, on the Eurodollar rate or a bank defined Base Rate. Each bank's obligation to make loans under the credit facility is subject to, among other things, our compliance with various representations, warranties and covenants, including covenants limiting our ability and certain of our subsidiaries to encumber assets and a covenant not to exceed a maximum leverage ratio.

In 2006, we entered into an agreement to swap variable interest rates on our \$1.0 billion of convertible debentures with floating rates based on LIBOR for a fixed interest rate through August 15, 2008. We designated the agreement as a cash flow hedge of the forecasted LIBOR-based variable interest payments. Based on our evaluation at the inception of the hedging agreement and thereafter, we expect the hedging relationship to be highly effective in achieving the offsetting cash flows attributable to the hedged variable interest payments, resulting in a fixed net interest expense reported on the Statement of Earnings. We determined that the hedging relationship remained effective at December 31, 2007. We adjust the fair value of the interest rate swap agreement at each Balance Sheet date, with a corresponding adjustment to Other comprehensive income (loss). At December 31, 2007, the fair value of the interest rate swap agreement was not material.

Our scheduled Long-term debt maturities following December 31, 2007 are: \$104 million in 2008; \$242 million in 2009; \$1 million in 2010; \$1 million in 2011; \$1 million in 2012; and \$4,400 million thereafter. These amounts do not include the \$342 million unamortized discount recorded in connection with the debt exchange in 2006.

The estimated fair values of our Long-term debt instruments at December 31, 2007, aggregated approximately \$5.7 billion, compared with a carrying amount of approximately \$4.7 billion, excluding the \$342 million unamortized discount. The fair values were estimated based on quoted market prices. Unless otherwise indicated elsewhere in the notes to the financial statements, the carrying values of our other financial instruments approximate their fair values.

Interest payments were \$327 million in 2007, \$337 million in 2006, and \$356 million in 2005.

Note 8 – Income Taxes

Our provision for federal and foreign income taxes consisted of the following components:

<i>(In millions)</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Federal income taxes			
Current	\$1,199	\$ 979	\$742
Deferred	107	73	24
Total federal income taxes	1,306	1,052	766
Foreign income taxes			
Current	26	9	25
Deferred	3	2	—
Total foreign income taxes	29	11	25
Total income taxes provided	\$1,335	\$1,063	\$791

State income taxes are included in our operations as general and administrative costs and, under U.S. Government regulations, are allowable in establishing prices for the products and services we sell to the U.S. Government. Therefore, a substantial portion of state income taxes is included in our Net sales and Cost of sales. As a result, the impact of certain transactions on our Operating profit and other matters disclosed in these financial statements is disclosed net of state income taxes. Our total net state income tax expense was \$199 million for 2007, \$113 million for 2006, and \$92 million for 2005.

Our reconciliation of Income tax expense computed using the U.S. federal statutory income tax rate of 35% to actual income tax expense is as follows:

<i>(In millions)</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Income tax expense at the U.S. federal statutory tax rate	\$1,528	\$1,257	\$916
Reduction in tax expense			
Closure of IRS examination	(59)	—	—
U.S. production activity benefit	(55)	(21)	(19)
Research tax credit	(30)	(9)	(10)
Tax deductible dividends	(32)	(29)	(26)
Extraterritorial income exclusion (ETI) benefit	—	(63)	(66)
Refund claims for additional ETI benefits	—	(62)	—
Other, net	(17)	(10)	(4)
Actual income tax expense	\$1,335	\$1,063	\$791

In 2007, we closed Internal Revenue Service (IRS) examinations which included resolution of uncertain tax positions associated with the 2003 and 2004 audit years and claims we filed for additional extraterritorial income tax benefits for years prior to 2005. As a result, we recognized additional tax benefits and reduced our Income tax expense in the first quarter of 2007 by \$59 million (\$0.14 per share), including related interest, which reduced our effective tax rate for 2007 by 1.4%. In 2006, we recorded a tax benefit related to claims filed with the Internal Revenue Service for additional ETI benefits for sales in previous years. Recognition of this benefit decreased Income tax expense by \$62 million (\$0.14 per share), and reduced our effective tax rate for 2006 by 1.7%.

Current income taxes payable of \$41 million and \$243 million at December 31, 2007 and 2006, are included in Other current liabilities on the consolidated Balance Sheet.

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

<i>(In millions)</i>	2007	2006
Deferred tax assets related to:		
Contract accounting methods	\$ 465	\$ 643
Accrued compensation and benefits	683	580
Accumulated postretirement benefit obligations	400	417
Pensions ^(a)	563	1,362
Foreign company operating losses and credits	34	42
Gross deferred tax assets	2,145	3,044
Less: valuation allowance ^(b)	30	34
Net deferred tax assets	2,115	3,010
Deferred tax liabilities related to:		
Purchased intangibles	365	358
Property, plant and equipment	180	199
Other	54	66
Deferred tax liabilities	599	623
Net deferred tax assets	\$ 1,516	\$ 2,387

^(a) The decrease in the deferred tax balance resulted from a reduction in Accrued pension liabilities calculated in accordance with FAS 158.

^(b) A valuation allowance has been provided against certain foreign company deferred tax assets arising from carryforwards of unused tax benefits.

We adopted FIN 48 effective January 1, 2007. FIN 48 clarifies and sets forth consistent rules for accounting for uncertain income tax positions in accordance with FAS 109. The cumulative effect of applying the provisions of this interpretation was a \$31 million noncash increase to our opening balance of Retained earnings in 2007. We have recorded liabilities for unrecognized tax benefits related to permanent and temporary tax adjustments which, exclusive of interest, totaled \$195 million at December 31, 2007 and \$266 million at January 1, 2007, after the adjustment to the beginning balance of Retained earnings. The net decrease in the liability of \$71 million primarily resulted from the following:

<i>(In millions)</i>	
Balance at January 1, 2007	\$266
Increase (decrease) related to tax positions in prior years	
Recognition of benefits from resolution of issues with IRS	(98)
Unrecognized tax benefits arising from acquisition activity	28
Tax positions related to the current year	81
Decreases related to settlements with taxing authorities	(82)
Balance at December 31, 2007	\$195

Approximately \$150 million of the \$195 million of liabilities at the end of 2007 are recorded in Other liabilities on the Balance Sheet, with the remainder recorded in Other current liabilities. At December 31, 2007, the amount of unrecognized tax benefits from permanent tax adjustments that, if recognized, would affect the effective tax rate, was \$180 million. Over the next year, we do not expect a significant increase or decrease in the unrecognized tax benefits recorded as of December 31, 2007. In the ordinary course of business, we may take new tax positions that could increase or decrease unrecognized tax benefits in future periods. The amount of net interest and penalties recognized as a component of income tax expense during the years ended December 31, 2007 and 2006, as well as the amount of interest and penalties accrued at December 31, 2007, was not material.

We and our subsidiaries file income tax returns in the U.S. federal jurisdiction and various foreign jurisdictions. With few exceptions, the statute of limitations is no longer open for U.S. federal or non-U.S. income tax examinations for the years before 2003. In 2007, the IRS closed its examinations of our U.S. federal income tax returns through December 31, 2004 and all of our claims associated with additional ETI benefits for years prior to 2005. Examinations of our 2005 and 2006 tax returns commenced in 2007 and, upon filing our tax return for 2007, the 2007 tax year will be added to those examinations. These examinations are expected to be completed in 2009.

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U.S. income taxes and foreign withholding taxes have not been provided on earnings of \$136 million that have not been distributed by our non-U.S. companies at December 31, 2007. Our intention is to permanently reinvest these earnings, thereby indefinitely postponing their remittance. If these earnings were remitted, we estimate that the additional income taxes after foreign tax credits would be about \$11 million.

Our federal and foreign income tax payments, net of refunds received, were \$1,131 million in 2007, \$859 million in 2006, and \$599 million in 2005. Included in these amounts are tax payments and refunds related to our divestiture activities.

Note 9 – Other Income (Expense), Net

<i>(In millions)</i>	2007	2006	2005
Included in Operating profit			
Equity in net earnings (losses) of equity investees	\$203	\$130	\$108
Gain on sale of Comsat International	25	—	—
Gain on sales of land	25	51	—
Earnings from reversal of legal reserves due to settlement	21	—	—
Gains on sales of various investment interests	—	127	203
Earnings from expiration of AES transaction indemnification	—	29	—
Gain on sale of Space Imaging's assets	—	23	—
Other activities, net	19	(24)	5
	\$293	\$336	\$316
Included in Non-operating income (expense), net			
Interest income	\$193	\$199	\$143
Debt-related expenses and charges	—	(16)	(10)
	\$193	\$183	\$133

See Notes 2 and 7 for a discussion of certain of the transactions included in the table above.

Note 10 – Stockholders' Equity

At December 31, 2007, our authorized capital was composed of 1.5 billion shares of Common stock and 50 million shares of series preferred stock. Of the 412 million shares of Common stock issued and outstanding, 409 million shares were considered outstanding for Balance Sheet presentation purposes; the remaining shares were held in trusts we established to pay future benefits to eligible retirees and dependents under certain benefit plans. No preferred stock shares were issued and outstanding at December 31, 2007.

In October 2002, we announced a share repurchase program for the repurchase of our common stock from time-to-time. Under the program, we have discretion to determine the number and price of the shares to be repurchased, and the timing of any repurchases in compliance with applicable law and regulation. As of December 31, 2007, our board of directors has authorized a total of 128 million shares for repurchase under the program, including 20 million additional shares that were authorized in September 2007. As of December 31, 2007, we had repurchased a total of 95.3 million shares under the program, and there remained approximately 32.7 million shares that may be repurchased in the future.

During the years ended December 31, 2007, 2006 and 2005, we repurchased common shares under the program as follows:

- In 2007, we repurchased 21.6 million common shares for \$2,127 million in transactions that were executed and settled during the year;
- In 2006, we repurchased 27.6 million common shares for \$2,104 million in transactions that were executed and settled during the year, and paid \$11 million for the settlement of 0.2 million shares purchased in 2005; and
- In 2005, we repurchased 19.5 million common shares for \$1,211 million in transactions that were executed and settled during the year, and paid \$99 million for the settlement of 1.8 million common shares purchased in 2004.

As we repurchase our common shares, we reduce common stock for the \$1 of par value of the shares repurchased, with the remainder of the purchase price over par value recorded as a reduction of Additional paid-in capital. Due to the volume of repurchases made under our share repurchase program, Additional paid-in capital was reduced to zero in 2007, with the remainder of the excess of purchase price over par value of \$471 million recorded as a reduction of Retained earnings at December 31, 2007.

Note 11 – Stock-Based Compensation

Effective January 1, 2006, we adopted FAS 123(R) and the related SEC rules included in Staff Accounting Bulletin No. 107, on a modified prospective basis. During the years ended December 31, 2007 and 2006, we recorded non-cash compensation cost related to stock options and restricted stock totaling \$149 million and \$111 million, which is included in our Statement of Earnings in Cost of sales. The net impact to earnings for the respective years was \$96 million (\$0.22 per share) and \$70 million (\$0.16 per share). Compensation cost related to restricted stock in periods prior to the adoption of FAS 123(R) was not material.

Stock-Based Compensation Plans

We had two stock-based compensation plans in place at December 31, 2007: the Lockheed Martin Amended and Restated 2003 Incentive Performance Award Plan (the Award Plan) and the Lockheed Martin Directors Equity Plan (the Directors Plan). Under the Award Plan, we have the right to grant key employees stock-based incentive awards, including options to purchase common stock, stock appreciation rights, restricted stock or stock units. Employees also may receive cash-based incentive awards. We evaluate the types and mix of stock-based incentive awards on an ongoing basis and may vary the mix based on our overall strategy regarding compensation.

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

We generally recognize compensation cost for stock options ratably over the three-year vesting period for active, non-retirement eligible employees. For active, retirement eligible employees (*i.e.*, those who have attained age 55 with five years of service), we generally recognize expense over the initial one-year vesting period. When an option holder becomes retirement eligible, we accelerate the recognition of any expense not previously recognized for options held for at least one year. We have continued to use the Black-Scholes option pricing model to estimate the fair value of stock options granted after the date of adoption of FAS 123(R). We record restricted stock awards (RSAs) and restricted stock units (RSUs) issued under the Award Plan based on the market value of our common stock on the date of the award. We recognize the related compensation expense over the vesting period. Employees who earn RSAs receive the restricted shares and the related cash dividends. They may vote their shares, but may not sell or transfer shares prior to vesting. The RSAs generally vest over three to five years from the grant date. Employees who are granted RSUs also receive dividend-equivalent cash payments; however, the shares are not issued until the RSUs vest, generally three years from the date of the award. Otherwise, the accounting treatment for RSUs is similar to the accounting for RSAs.

Under the Directors Plan, directors receive approximately 50% of their annual compensation in the form of equity-based compensation. Each director may elect to receive his or her compensation in the form of stock units which track investment returns to changes in value of our common stock with dividends reinvested, options to purchase common stock or a combination of the two. Under the Directors Plan, options to purchase common stock have an exercise price of not less than 100% of the market value of the underlying stock on the date of grant. Stock options and stock units issued under the Directors Plan vest on the first anniversary of the grant, except in certain circumstances. The maximum term of a stock option is 10 years.

Our stockholders have approved the Award Plan and the Directors Plan, as well as the number of shares of our common stock authorized for issuance under these plans. At December 31, 2007, inclusive of the shares reserved for outstanding stock options and RSUs, we had 34.9 million shares reserved for issuance under our stock option and award plans, of which 12.4 million remained available for grant under the plans. We issue new shares upon the exercise of stock options or when restrictions on RSUs have been satisfied.

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2007 Activity

Stock Options

The following table summarizes stock option activity during the year ended December 31, 2007:

	Number of Stock Options <i>(In thousands)</i>	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life <i>(In years)</i>	Aggregate Intrinsic Value <i>(In millions)</i>
Outstanding at December 31, 2006	24,190	\$ 51.65		
Granted	3,523	96.08		
Exercised	(7,092)	49.32		
Terminated	(256)	63.38		
Outstanding at December 31, 2007	20,365	59.99	6.3	\$ 922.0
Vested and unvested expected to vest at December 31, 2007	20,225	59.80	6.3	919.5
Exercisable at December 31, 2007	12,424	48.75	5.1	702.0

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

<i>(In millions, except for grant date fair value of stock options)</i>	2007	2006
Weighted-average grant-date fair value of stock options granted	\$23.99	\$17.64
Aggregate fair value of all the stock options that vested	86	103
Aggregate intrinsic value of all of the stock options exercised	361	389

We estimate the fair value for stock options at the date of grant using the Black-Scholes option pricing model, which requires us to make certain assumptions. We estimate volatility based on the historical volatility of our daily stock price over the past five years, which is commensurate with the expected life of the options. We base the average expected life on the contractual term of the stock option, historical trends in employee exercise activity and post-vesting employment termination trends. We base the risk-free interest rate on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. We estimate forfeitures at the date of grant based on historical experience. Prior to adopting FAS 123(R), we recorded forfeitures as they occurred for purposes of estimating pro forma compensation expense under FAS 123. The impact of forfeitures is not material.

We used the following weighted average assumptions in the Black-Scholes option pricing model to determine the fair values of stock-based compensation awards during the years ended December 31, 2007, 2006 and 2005:

	2007	2006	2005
Risk-free interest rate	4.83%	4.50%	3.70%
Dividend yield	1.70%	1.80%	1.73%
Volatility factors	0.234	0.260	0.259
Expected option life	5 years	5 years	5 years

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RSU and RSA Activity

The following table summarizes activity related to nonvested RSUs and RSAs during the year ended December 31, 2007:

	Number of RSUs / RSAs (In thousands)	Weighted Average Grant-Date Fair Value Per Share
Nonvested at December 31, 2006	1,787	\$ 62.27
Granted	923	96.13
Vested	(336)	56.25
Terminated	(94)	70.33
Nonvested at December 31, 2007	2,280	76.60

Summary of 2007 Activity

As of December 31, 2007, we had \$136 million of unrecognized compensation cost related to nonvested stock options, RSUs and RSAs. We expect that cost to be recognized over a weighted-average period of 1.6 years. We received cash from the exercise of stock options totaling \$350 million, \$627 million and \$406 million for the years ended December 31, 2007, 2006 and 2005. In addition, we realized tax benefits of \$133 million and \$137 million from stock-based compensation activities during 2007 and 2006. Consistent with FAS 123(R), we classified \$124 million and \$129 million of those benefits as a financing cash inflow with a corresponding operating cash outflow in the Statement of Cash Flows. The remainder is classified as cash from operations. We realized \$69 million of tax benefits from stock-based compensation during the year ended December 31, 2005 and included those tax benefits in cash from operations in their entirety.

2005 Reported and Pro Forma Results

Reported and pro forma earnings per share information for the year ended December 31, 2005 are as follows. The disclosures for 2005 include \$33 million (\$0.08 per share) as an inception-to-date adjustment of fair value-based, pro forma compensation expense related to retirement eligible employees with outstanding and unvested stock option awards. This adjustment reflects the service period as one year rather than the original vesting period, since our stock option award agreements allow employees to retain all stock option awards held through the initial one year vesting date prior to retirement and to continue vesting in the award as if their employment had continued.

The weighted average common shares outstanding for both the basic and fully diluted calculations are the same as those used to compute earnings per share (see Note 3).

<i>(In millions, except per share data)</i>	2005
Net earnings	
As reported	\$ 1,825
Fair value-based compensation cost, net of taxes	
Fair value-based, pro forma compensation expense	(56)
Inception-to-date adjustment	(33)
Pro forma net earnings	\$ 1,736
Earnings per basic share	
As reported	\$ 4.15
Fair value-based, pro forma compensation expense	(0.12)
Inception-to-date adjustment	(0.08)
Pro forma	\$ 3.95
Earnings per diluted share	
As reported	\$ 4.10
Fair value-based, pro forma compensation expense	(0.12)
Inception-to-date adjustment	(0.08)
Pro forma	\$ 3.90

Note 12 – Postretirement Benefit Plans

Defined contribution plans – We maintain a number of defined contribution plans with 401(k) features that cover substantially all of our employees. Under the provisions of our 401(k) plans, our employees' eligible contributions are matched by our established rates. Our matching obligations were \$327 million in 2007, \$303 million in 2006 and \$273 million in 2005, the majority of which were funded in our common stock.

Our Salaried Savings Plan is a defined contribution plan with a 401(k) feature that includes an ESOP. Our matching contributions to the Salaried Savings Plan have been fulfilled through purchases of common stock from participant account balance reallocations or through newly issued shares. At December 31, 2007, the Salaried Savings Plan held 59.9 million issued and outstanding shares of our common stock, all of which were allocated to participant accounts.

Certain plans for hourly employees include a non-leveraged ESOP. In one such plan, the match is made, generally at the election of the participant, in either our common stock or cash which is invested at the participant's direction in one of the plan's other investment options. Contributions to these plans were made through small amounts of newly issued shares by us or cash contributed to the ESOP trust which was used by the trustee, if so elected, to purchase common stock from participant account balance reallocations or in the open market for allocation to participant accounts. This ESOP trust held 2.2 million issued and outstanding shares of our common stock at December 31, 2007, all of which were allocated to participant accounts.

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

In December 2006, we adopted the recognition and disclosure provisions of FAS 158, which required us to recognize assets for all of our overfunded postretirement benefit plans and liabilities for our underfunded plans at December 31, 2006, with a corresponding noncash adjustment to Accumulated other comprehensive loss, net of tax, in Stockholders' equity. The funded status is measured as the difference between the fair value of the plan's assets and the projected benefit obligation (PBO) of the plan. The adjustment to Stockholders' equity represented the net unrecognized actuarial losses and prior service costs which were previously netted against the plan's funded status on our Balance Sheet in accordance with FAS 87, and included the elimination of the minimum pension liability and intangible asset related to our defined benefit pension plans that had been recorded prior to its adoption.

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The following provides a reconciliation of benefit obligations, plan assets and funded status related to our qualified defined benefit pension plans and retiree medical and life insurance plans:

<i>(In millions)</i>	<i>Defined Benefit Pension Plans</i>		<i>Retiree Medical and Life Insurance Plans</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Change in benefit obligations				
Benefit obligations at beginning of year	\$28,525	\$28,421	\$ 3,344	\$ 3,516
Service cost	862	896	51	57
Interest cost	1,631	1,557	189	191
Benefits paid	(1,418)	(1,372)	(385)	(371)
Actuarial gains	(1,482)	(1,034)	(370)	(166)
Amendments	18	127	(11)	8
Divestitures	2	(70)	—	(4)
Participants' contributions	—	—	127	113
Benefit obligations at end of year	\$28,138	\$28,525	\$ 2,945	\$ 3,344
Change in plan assets				
Fair value of plan assets at beginning of year	\$25,735	\$23,432	\$ 1,848	\$ 1,521
Actual return on plan assets	2,607	3,043	102	226
Benefits paid	(1,418)	(1,372)	(385)	(371)
Our contributions	335	693	323	364
Participants' contributions	—	—	127	113
Divestitures and other	—	(61)	2	(5)
Fair value of plan assets at end of year	\$27,259	\$25,735	\$ 2,017	\$ 1,848
Unfunded status of the plans	\$ (879)	\$ (2,790)	\$ (928)	\$ (1,496)
Amounts recognized in the balance sheet				
Prepaid pension asset	\$ 313	\$ 235	\$ —	\$ —
Accrued postretirement benefit liabilities	(1,192)	(3,025)	(928)	(1,496)
Accumulated other comprehensive loss (pre-tax) related to:				
Unrecognized net actuarial losses	1,934	4,129	224	572
Unrecognized prior service cost (credit)	458	529	(120)	(133)

We also sponsor nonqualified defined benefit plans to provide benefits in excess of qualified plan limits. The aggregate liabilities for these plans at December 31, 2007 and 2006 were \$610 million and \$641 million. The unrecognized net actuarial losses at those respective dates were \$287 million and \$330 million, and the unrecognized prior service costs were not material. The expense associated with these plans totaled \$73 million in 2007, \$59 million in 2006 and \$58 million in 2005. We sponsor a small number of foreign benefit plans for which the liabilities and expenses are not material to our results of operations, financial position or cash flows.

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

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The following postretirement benefit plan amounts were included in Other comprehensive income, net of tax, during the year ended December 31, 2007, in accordance with FAS 158.

<i>(In millions)</i>	<i>Incurred but Not Recognized</i>	<i>Reclassification Adjustment for Prior Period Amounts Recognized</i>
Actuarial gains (losses)		
Defined benefit pension plans	\$ 1,304	\$ 108
Retiree medical and life insurance plans	211	14
Nonqualified defined benefit pension plans	12	15
Foreign benefit and other plans	5	—
	1,532	137
Prior service (cost) credit		
Defined benefit pension plans	(12)	57
Retiree medical and life insurance plans	7	(15)
	(5)	42
	\$ 1,527	\$ 179

The prior service cost (credit) included in Accumulated other comprehensive loss at the end of 2007 and expected to be recognized in net pension cost during 2008 is \$80 million (\$52 million net of tax) for our defined benefit pension plans and \$(25) million (\$(16) million net of tax benefit) for our retiree medical and life insurance plans. The amounts of prior service cost for the nonqualified, foreign and other plans is not expected to be material. In addition, the amount of unrecognized actuarial losses expected to be recognized in net pension cost in 2008 is not expected to be material for any of the plans. No plan assets are expected to be returned to us during the year ended December 31, 2008.

The net pension cost as determined by FAS 87, *Employers' Accounting for Pensions*, and the net postretirement benefit cost as determined by FAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, related to our plans include the following components:

<i>(In millions)</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
Defined benefit pension plans			
Service cost	\$ 862	\$ 896	\$ 852
Interest cost	1,631	1,557	1,535
Expected return on plan assets	(2,063)	(1,930)	(1,740)
Recognized net actuarial losses	168	335	392
Amortization of prior service cost	89	80	85
Total net pension expense	\$ 687	\$ 938	\$ 1,124
Retiree medical and life insurance plans			
Service cost	\$ 51	\$ 57	\$ 59
Interest cost	189	191	208
Expected return on plan assets	(144)	(121)	(112)
Recognized net actuarial losses	21	46	49
Amortization of prior service (credit) cost	(24)	(23)	14
Total net postretirement expense	\$ 93	\$ 150	\$ 218

The actuarial assumptions used to determine the benefit obligations at December 31, 2007 and 2006 related to our defined benefit pension and postretirement benefit plans, as appropriate, are as follows:

	<i>Benefit Obligation Assumptions</i>	
	<i>2007</i>	<i>2006</i>
Discount rates	6.375%	5.875%
Rates of increase in future compensation levels	5.000	5.000

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The increase in the discount rate from December 31, 2006 to December 31, 2007 resulted in a decrease in the projected benefit obligations of our defined benefit pension plans at December 31, 2007 of approximately \$1,792 million.

The actuarial assumptions used to determine the net expense related to our defined benefit pension and postretirement benefit plans for the years ended December 31, 2007, 2006 and 2005, as appropriate, are as follows:

	<i>Pension and Postretirement Cost Assumptions</i>		
	2007	2006	2005
Discount rates	5.875%	5.625%	5.75%
Expected long-term rates of return on assets	8.50	8.50	8.50
Rates of increase in future compensation levels	5.00	5.00	5.50

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

The medical trend rates used in measuring the postretirement benefit obligation were 10.0% in 2007 and 11.0% in 2006, and were assumed to ultimately decrease to 5.0% by the year 2013. An increase or decrease of one percentage point in the assumed medical trend rates would result in a change in the postretirement benefit obligation of 4% and (4)% at December 31, 2007, and a change in the 2007 postretirement service cost plus interest cost of 5% and (4)%. The medical trend rate for 2008 is 10.0%.

For defined benefit pension plans in which the accumulated benefit obligation (ABO) was in excess of the fair value of the plans' assets, the PBO, ABO and fair value of the plans' assets were as follows:

<i>(In millions)</i>	2007	2006
Projected benefit obligation	\$3,045	\$3,983
Accumulated benefit obligation	3,045	3,912
Fair value of plan assets	3,041	3,639

The asset allocations of our plans at December 31, 2007 and 2006, by asset category, were as follows:

Asset category:	<i>Defined Benefit Pension Plans</i>		<i>Retiree Medical and Life Insurance Plans</i>	
	2007	2006	2007	2006
Equity securities	61%	63%	59%	63%
Debt securities	30	31	38	35
Other	9	6	3	2
	100%	100%	100%	100%

Lockheed Martin Investment Management Company (LMIMCO), our wholly-owned subsidiary, has the fiduciary responsibility for making investment decisions related to the assets of our defined benefit pension plans and retiree medical and life insurance plans. LMIMCO's investment objectives for the assets of the defined benefit pension plans are to minimize the net present value of expected funding contributions and to meet or exceed the rate of return assumed for plan funding purposes over the long term. The investment objective for the assets of the retiree medical and life insurance plans is to meet or exceed the rate of return assumed for the plans for funding purposes over the long term. The nature and duration of benefit obligations, along with assumptions concerning asset class returns and return correlations, are considered when determining an appropriate asset allocation to achieve the investment objectives.

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

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LMIMCO's investment policies require that asset allocations of defined benefit pension plans be maintained within the following ranges:

<i>Investment Groups</i>	<i>Asset Allocation Ranges</i>
U.S. equity securities	20 – 60%
Non-U.S. equity securities	10 – 40%
Debt securities	20 – 40%
Cash	0 – 15%
Other	0 – 40%

At December 31, 2007, policies for the plans target an asset mix of 61% in total equity securities and 39% in debt and other securities.

Investment policies for all plans limit the use of alternative investments and derivatives. Investment in each alternative asset class or structure (e.g., real estate, private equity, hedge funds and commodities) is limited to 10% of plan assets. Investments in derivatives are subject to additional limitations and constraints.

Equity securities purchased by external investment managers and included in the assets of the defined benefit pension plans included our issued and outstanding common stock in the amounts of \$14 million (less than 0.06% of total plan assets) and \$7 million (less than 0.03% of total plan assets) at December 31, 2007 and 2006. Equity securities included in the assets of the retiree medical and life insurance plans included less than \$1 million (less than 0.03% of total plan assets) of our issued and outstanding common stock at both December 31, 2007 and 2006.

We generally refer to U.S. Government Cost Accounting Standards (CAS) and Internal Revenue Code rules in determining funding requirements for our pension plans. In 2007, we made a discretionary prepayment of \$335 million to the defined benefit pension plans' trust and \$156 million to our retiree medical plans which will reduce our cash funding requirements for 2008 and 2009. In 2008, we expect to make no contributions to the defined benefit pension plans trust or the medical and life insurance plans trust, after giving consideration to the 2007 prepayments.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<i>(In millions)</i>	<i>Pension Benefits</i>	<i>Other Benefits</i>
2008	\$ 1,560	\$ 240
2009	1,560	250
2010	1,610	250
2011	1,680	260
2012	1,750	260
Years 2013 – 2017	10,030	1,180

Note 13 – Leases

Our total rental expense under operating leases was \$338 million, \$310 million and \$324 million for 2007, 2006 and 2005.

Future minimum lease commitments at December 31, 2007 for all operating leases that have a remaining term of more than one year were \$1.1 billion (\$295 million in 2008, \$234 million in 2009, \$185 million in 2010, \$148 million in 2011, \$120 million in 2012 and \$122 million in later years). Certain major plant facilities and equipment are furnished by the U.S. Government under short-term or cancelable arrangements.

Note 14 – Legal Proceedings, Commitments and Contingencies

We are a party to or have property subject to litigation and other proceedings, including matters arising under provisions relating to the protection of the environment. We believe the probability is remote that the outcome of these matters will have a material adverse effect on our consolidated results of operations, financial position or cash flows. We cannot predict the outcome of legal proceedings with certainty. These matters include the following items, which have been previously reported.

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Legal Proceedings

On November 30, 2007, the Department of Justice filed a complaint in partial intervention in a lawsuit filed under the qui tam provisions of the Civil False Claims Act in the U.S. District Court for the Northern District of Texas, *United States ex rel. Becker and Spencer v. Lockheed Martin Corporation et al.*, alleging that we should have known that a subcontractor falsified and inflated invoices submitted to us that were passed through to the government. We dispute the allegations and are defending against them.

On February 22, 2007, we received a subpoena issued by a grand jury in the United States District Court for the District of Columbia. The subpoena requests documents related to our participation in a competition conducted in 2004-2005 by the National Archives and Records Administration for a \$3 million contract to provide Electronic Document System (eDOCS) Support Services. We are cooperating with the investigation.

On March 27, 2006, we received a subpoena issued by a grand jury in the United States District Court for the Northern District of Ohio. The subpoena requested documents related to our application for patents issued in the United States and the United Kingdom relating to a missile detection and warning technology. In August 2007, the investigation was closed, with no charges to be filed.

On February 6, 2004, we submitted a certified contract claim to the United States requesting contractual indemnity for remediation and litigation costs (past and future) related to our former facility in Redlands, California. We submitted the claim consistent with a claim sponsorship agreement with The Boeing Company (Boeing), executed in 2001, in Boeing's role as the prime contractor on the Short Range Attack Missile (SRAM) program. The contract for the SRAM program, which formed a significant portion of our work at the Redlands facility, had special contractual indemnities from the U.S. Air Force, as authorized by Public Law 85-804. On August 31, 2004, the United States denied the claim. Our appeal of that decision is pending with the Armed Services Board of Contract Appeals.

On August 28, 2003, the Department of Justice (the DoJ) filed complaints in partial intervention in two lawsuits filed under the qui tam provisions of the Civil False Claims Act in the United States District Court for the Western District of Kentucky, *United States ex rel. Natural Resources Defense Council, et al v. Lockheed Martin Corporation, et al.*, and *United States ex rel. John D. Tillson v. Lockheed Martin Energy Systems, Inc., et al.* The DoJ alleges that we committed violations of the Resource Conservation and Recovery Act at the Paducah Gaseous Diffusion Plant by not properly handling, storing, and transporting hazardous waste and that we violated the False Claims Act by misleading Department of Energy officials and state regulators about the nature and extent of environmental noncompliance at the plant. We dispute the allegations and are defending against them.

Nine lawsuits were filed against us as a result of an incident in July 2003 at our aircraft parts manufacturing facility in Meridian, Mississippi, which resulted in the deaths of seven employees and the wounding of eight others. Claims were brought against us by the estates of deceased employees, wounded employees, and employees and their relatives who claimed, among other things, tort and race discrimination causes of action. All claims have been settled or dismissed by the U.S. District Court for the Southern District of Mississippi. The U.S. Court of Appeals for the Fifth Circuit has affirmed all but two of those dismissals, both of which remain pending before that Court.

On October 19, 2005, Space Exploration Technologies Corporation (SpaceX) filed a complaint in the United States District Court for the Central District of California in Los Angeles alleging that we and Boeing violated Federal and California antitrust and other statutes by attempting and conspiring to eliminate competition in, and by monopolizing and attempting to monopolize, the government Evolved Expendable Launch Vehicle (EELV) launch vehicle market, including through the proposed formation of the ULA joint venture. SpaceX sought monetary damages and to enjoin creation of the ULA joint venture. We and Boeing moved to dismiss. On February 17, 2006, the District Court dismissed the first amended complaint. SpaceX then filed a second amended complaint. On May 12, 2006, the District Court dismissed with prejudice SpaceX's second amended complaint for lack of jurisdiction, finding that SpaceX failed to allege a case or controversy because its inability to compete in the EELV market arises from SpaceX's inability to offer a qualified launch vehicle and not from any actions by the defendants. SpaceX has appealed the dismissal to the United States Court of Appeals for the Ninth Circuit.

As described in the "Environmental Matters" discussion below, we are subject to federal and state requirements for protection of the environment, including those for discharge of hazardous materials and remediation of contaminated sites. As a result, we are a party to or have property subject to various other lawsuits or proceedings involving environmental matters and remediation obligations.

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We have been in litigation with certain residents of Redlands, California since 1997 before the California Superior Court for San Bernardino County regarding allegations of personal injury, property damage, and other tort claims on behalf of individuals arising from our alleged contribution to regional groundwater contamination. On July 11, 2006, the California Court of Appeal dismissed the plaintiffs' punitive damages claim. Proceedings in the trial court have resumed, but a trial date has not been set.

Environmental Matters

We are involved in environmental proceedings and potential proceedings relating to soil and groundwater contamination, disposal of hazardous waste and other environmental matters at several of our current or former facilities. Environmental cleanup activities usually span several years, which makes estimating liabilities a matter of judgment because of such factors as changing remediation technologies, assessments of the extent of contamination and continually evolving regulatory environmental standards. We consider these and other factors in estimates of the timing and amount of any future costs that may be required for remediation actions, which generally results in the calculation of a range of estimates for a particular environmental site. We record a liability for the amount within the range which we determine to be our best estimate of the cost of remediation or, in cases where no amount within the range is better than another, we record an amount at the low end of the range. We do not discount the recorded liabilities, as the timing of cash payments is not fixed or cannot be reliably determined. At December 31, 2007 and 2006, the aggregate amount of liabilities recorded relative to environmental matters was \$572 million and \$475 million. We have recorded assets totaling \$480 million and \$386 million at December 31, 2007 and 2006 for the portion of environmental costs that are probable of future recovery in the pricing of our products and services on U.S. Government contracts.

We cannot reasonably determine the extent of our financial exposure in all cases at this time. We also are pursuing claims for contribution to site cleanup costs against other potentially responsible parties (PRPs), including the U.S. Government.

At Redlands, California, in response to administrative orders issued by the California Regional Water Quality Control Board, we are investigating the impact and potential remediation of regional groundwater contamination by perchlorates and chlorinated solvents. With respect to perchlorates, the state of California adopted a new drinking water standard of six parts per billion in the fourth quarter of 2007. The new drinking water standard is consistent with the interim standard that has been in place for several years, and we have been implementing remediation plans to achieve the six parts per billion level. Therefore, the liabilities recorded at December 31, 2007 included estimated costs associated with this regulatory limit. With respect to solvents, we have implemented a plan of well-head treatment on new and existing wells which has served both to remediate the plume of contamination and to assure the public water supplies of the affected communities.

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

Letters of Credit

We have entered into standby letter of credit agreements, surety bonds and other arrangements with financial institutions and other third parties primarily relating to advances received from customers and/or the guarantee of future performance on certain contracts. We have total outstanding letters of credit, surety bonds and other arrangements aggregating \$3.3 billion and \$3.4 billion at December 31, 2007 and 2006. Letters of credit and surety bonds are generally available for draw down in the event we do not perform.

Sale of International Launch Services

Under the agreement to sell LKEI and ILS (see Note 2), we will continue to be responsible to refund customer advances to certain customers if launch services are not provided and ILS does not refund the advance. The amount we could be required to pay is expected to increase over time due to the payment of additional advances by the customers to ILS related to the specific launches we have guaranteed, and will be reduced by the occurrence of those launches. At December 31, 2007, the total amount that could be payable under the guarantees, approximating the total contract value of the guaranteed launches, was \$174 million. That amount may be partially mitigated by approximately \$57 million of cash we retained that, absent any requirements to make payments under the guarantees, will be paid to the buyer over time as the launches occur. Our Balance Sheet at December 31, 2007 included current assets relating to LKEI and ILS totaling \$132 million and current

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liabilities totaling \$189 million, both of which will be reduced as the launch services are provided. The assets relate primarily to advances we have made to Khrunichev for future launches, and the liabilities relate primarily to advances we have received from customers for future launches. Any potential earnings impact resulting from our inability to realize the assets we have recorded related to LKEI and ILS would be partially mitigated by our not recognizing the \$67 million deferred net gain on the transaction.

Investment in ULA

In connection with the formation of ULA (see Note 2), both we and Boeing have each committed to providing up to \$25 million in additional capital contributions and \$200 million in other financial support to ULA, as required. The non-capital financial support will be made in the form of a revolving credit facility between us and ULA or guarantees of ULA financing with third parties, in either case, to the extent necessary for ULA to meet its working capital needs. We have agreed to provide this support for at least five years from December 1, 2006, the closing date of the transaction, and would expect to fund our requirements with cash on hand. To satisfy our non-capital financial support commitment, we and Boeing put into place at closing a revolving credit agreement with ULA. As of December 31, 2006, we had provided a total of \$3 million of additional funding to ULA (see Note 2). We did not provide further funding to ULA during 2007. In addition, both we and Boeing have cross-indemnified ULA related to certain financial support arrangements (e.g., letters of credit, surety bonds or foreign exchange contracts provided by either party) and guarantees by us and Boeing of the performance and financial obligations of ULA under certain launch service contracts. We believe ULA will be able to fully perform its obligations, as it has done through December 31, 2007, and that it will not be necessary to make payments under the cross-indemnities.

Note 15 – Information on Business Segments

In February 2007, we announced a realignment of our operations to enhance support for critical customer missions and increase our integration of resources. The realignment included the combination of our Information Technology & Global Services (IT&GS) and Integrated Systems & Solutions (IS&S) business segments into a new business segment named Information Systems & Global Services (IS&GS). In addition, the following changes were made as part of this realignment:

- Transportation and Security Solutions, which was previously reported in Electronic Systems, is now part of IS&GS;
- Our contract to manage the Sandia National Laboratories and our ownership in the joint venture that manages the Atomic Weapons Establishment in the United Kingdom, which had been part of IT&GS, are now reported in Electronic Systems; and
- The Aircraft & Logistics Centers, which had been part of IT&GS, are now part of Aeronautics.

The realignment had no impact on our consolidated results of operations, financial position or cash flows. All prior year segment amounts in this Form 10-K have been reclassified to reflect the segment organization. In addition, for all years presented, interest income has been reclassified from segment Operating profit and Unallocated Corporate income (expense), net to Other non-operating income (expense), net to conform to the 2007 consolidated Statement of Earnings presentation. In 2006, we reclassified \$199 million, including \$182 million from Unallocated Corporate expense, net and \$17 million from across the business segments. In 2005, we reclassified \$143 million, including \$132 million from Unallocated Corporate expense, net and \$11 million from across the business segments. The amounts from Unallocated Corporate expense, net were primarily attributable to U.S. bank accounts and amounts from the business segments were attributable to interest from foreign bank accounts. The impact on the individual segments' operating results was not material. In addition, we reclassified \$16 million in expenses associated with the debt exchange in 2006 and \$10 million related to a charge for the early repayment of debt in 2005, from Unallocated Corporate expense, net to Other non-operating income (expense), net in the respective years.

We now operate in four principal business segments: Aeronautics, Electronic Systems, IS&GS and Space Systems. We organize our business segments based on the nature of the products and services offered. In the following tables of financial data, the total of the operating results of these business segments is reconciled, as appropriate, to the corresponding consolidated amount. With respect to the caption "Operating profit," the reconciling item Unallocated Corporate expense, net includes the FAS/CAS pension adjustment (see discussion below), costs for certain stock-based compensation programs (including stock-based compensation costs for stock options and restricted stock as discussed in Note 11), the effects of items not considered part of management's evaluation of segment operating performance, Corporate costs not allocated to the operating segments and other miscellaneous Corporate activities. Since the activities of the investees in which certain business segments hold equity interests are closely aligned with the operations of those segments, the equity earnings (losses) from those investees are included in the Operating profit of the respective segments. For financial data other than Operating

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profit where amounts are reconciled to consolidated totals, all activities other than those pertaining to the principal business segments are included in “Corporate activities.”

The FAS/CAS pension adjustment represents the difference between pension expense or income calculated for financial reporting purposes under GAAP in accordance with FAS 87, and pension costs calculated and funded in accordance with U.S. Government Cost Accounting Standards (CAS), which are reflected in our business segment results. CAS is a major factor in determining our pension funding requirements, and governs the extent of allocability and recoverability of pension costs on government contracts. The CAS expense is recovered through the pricing of our products and services on U.S. Government contracts, and therefore recognized in segment Net sales. The results of operations of our segments only include pension expense as determined and funded in accordance with CAS rules.

Transactions between segments are generally negotiated and accounted for under terms and conditions similar to other government and commercial contracts; however, these intercompany transactions are eliminated in consolidation and for purposes of the presentation of Net sales in the related table that follows. Other accounting policies of the business segments are the same as those described in Note 1.

Following is a brief description of the activities of the principal business segments:

- **Aeronautics** – Engaged in the design, research and development, systems integration, production, sustainment, support and upgrade of advanced military aircraft, air vehicles and related technologies. Customers include various government agencies and the military services of the United States and allied countries around the world. Major products and programs include design, development, production and sustainment of the F-35 stealth multi-role international coalition fighter; the F-22 air dominance and multi-mission stealth fighter; the F-16 international multi-role fighter; the C-130J tactical transport aircraft; the C-5 strategic airlifter modernization; and support for the F-117 stealth fighter, P-3 maritime patrol aircraft, S-3 multi-mission aircraft and U-2 high-altitude reconnaissance aircraft. We also produce major components for Japan’s F-2 fighter and are a co-developer of the T-50 advanced jet trainer. The Skunk Works® advanced development organization provides next generation innovative system solutions using rapid prototyping and advanced technologies.
- **Electronic Systems** – Engaged in the design, research, development, integration, production and sustainment of high performance systems and subsystems for undersea, shipboard, land and airborne applications. Major product lines include: tactical missiles and weapon fire control systems; air and sea-based missile defense systems; surface ship and submarine combat systems; anti-submarine and undersea warfare systems; ground combat vehicle integration; avionics, systems integration and program management for fixed and rotary-wing aircraft systems; radars; surveillance and reconnaissance systems; and simulation and training systems.
- **Information Systems & Global Services** – Engaged in providing federal services, Information Technology (IT) solutions and advanced technology expertise across a broad spectrum of applications and customers. Provides full life cycle support and highly specialized talent in the areas of software and systems engineering, including capabilities in space, air and ground systems, and also provides logistics, mission operations support, peacekeeping and nation-building services for a wide variety of U.S. defense and civil government agencies in the U.S. and abroad.
- **Space Systems** – Engaged in the design, research, development, engineering and production of satellites, strategic and defensive missile systems and space transportation systems. Satellite product line includes both government and commercial satellites. Strategic & Defensive Missile Systems includes missile defense technologies and systems and fleet ballistic missiles. Space Transportation Systems includes the next generation human space flight system known as the Orion crew exploration vehicle, as well as the Space Shuttle’s external tank and commercial launch services using the Atlas V launch vehicle. Through ownership interests in two joint ventures, Space Transportation Systems also includes Space Shuttle processing activities and expendable launch services for the U.S. Government.

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Selected Financial Data by Business Segment

<i>(In millions)</i>	2007	2006	2005
Net sales			
Aeronautics	\$12,303	\$12,188	\$12,349
Electronic Systems	11,143	10,519	9,811
Information Systems & Global Services	10,213	8,990	8,233
Space Systems	8,203	7,923	6,820
Total	\$41,862	\$39,620	\$37,213
Operating profit ^(a)			
Aeronautics	\$ 1,476	\$ 1,221	\$ 1,018
Electronic Systems	1,410	1,264	1,078
Information Systems & Global Services	949	804	720
Space Systems	856	742	605
Total business segments	4,691	4,031	3,421
Unallocated Corporate expense, net ^(b)	(164)	(261)	(568)
Operating profit	\$ 4,527	\$ 3,770	\$ 2,853
Intersegment revenue			
Aeronautics	\$ 147	\$ 164	\$ 134
Electronic Systems	595	579	588
Information Systems & Global Services	1,054	1,118	1,142
Space Systems	150	140	179
Total	\$ 1,946	\$ 2,001	\$ 2,043
Depreciation and amortization of plant and equipment			
Aeronautics	\$ 181	\$ 154	\$ 137
Electronic Systems	227	190	178
Information Systems & Global Services	68	65	55
Space Systems	136	132	134
Total business segments	612	541	504
Corporate activities	54	59	51
Total	\$ 666	\$ 600	\$ 555
Amortization of purchased intangibles			
Aeronautics	\$ 50	\$ 50	\$ 50
Electronic Systems	27	47	42
Information Systems & Global Services	55	46	39
Space Systems	9	9	8
Total business segments	141	152	139
Corporate activities	12	12	11
Total	\$ 153	\$ 164	\$ 150
Expenditures for property, plant and equipment			
Aeronautics	\$ 235	\$ 221	\$ 214
Electronic Systems	327	334	326
Information Systems & Global Services	75	74	88
Space Systems	228	226	192
Total business segments	865	855	820
Corporate activities	75	38	45
Total	\$ 940	\$ 893	\$ 865

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Selected Financial Data by Business Segment (continued)

<i>(In millions)</i>	2007	2006	2005
Assets^(c)			
Aeronautics	\$ 3,014	\$ 3,140	\$ 3,018
Electronic Systems	8,500	8,217	8,397
Information Systems & Global Services	7,477	7,054	5,465
Space Systems	2,977	2,913	3,110
Total business segments	21,968	21,324	19,990
Corporate activities ^(d)	6,958	6,907	7,754
Total	\$28,926	\$28,231	\$27,744
Goodwill			
Aeronautics	\$ 148	\$ 148	\$ 148
Electronic Systems	4,518	4,505	4,499
Information Systems & Global Services	4,265	4,141	3,291
Space Systems	456	456	509
Total	\$ 9,387	\$ 9,250	\$ 8,447
Customer advances and amounts in excess of costs incurred			
Aeronautics	\$ 1,833	\$ 1,816	\$ 1,523
Electronic Systems	1,842	1,374	1,457
Information Systems & Global Services	203	272	223
Space Systems	376	394	1,128
Total	\$ 4,254	\$ 3,856	\$ 4,331

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

<i>(In millions)</i>	2007	2006	2005
Aeronautics	\$ 25	\$ 17	\$ 10
Electronic Systems	58	29	25
Information Systems & Global Services	6	6	4
Space Systems	134	78	72
Total business segments	223	130	111
Corporate activities	(20)	—	(3)
Total	\$203	\$130	\$108

(b) Net Unallocated Corporate expense, net includes the following:

<i>(In millions)</i>	2007	2006	2005
FAS/CAS pension adjustment	\$ (58)	\$ (275)	\$ (626)
Items not considered in segment operating performance	71	230	173
Stock-based compensation	(149)	(111)	—
Other	(28)	(105)	(115)
Total	\$ (164)	\$ (261)	\$ (568)

For information regarding the items not considered in management's evaluation of segment operating performance, see Notes 2, 7, 8 and 9 to the consolidated financial statements.

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

(d) Assets primarily include Cash and cash equivalents, Short-term investments, Deferred income taxes and the Prepaid pension asset.

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Net Sales by Customer Category

<i>(In millions)</i>	2007	2006	2005
U.S. Government			
Aeronautics	\$ 9,597	\$ 9,578	\$ 9,460
Electronic Systems	8,196	8,006	7,839
Information Systems & Global Services	9,591	8,484	7,920
Space Systems	7,681	7,185	6,409
Total	\$35,065	\$33,253	\$31,628
Foreign governments ^{(a) (b)}			
Aeronautics	\$ 2,531	\$ 2,581	\$ 2,857
Electronic Systems	2,672	2,362	1,835
Information Systems & Global Services	284	91	145
Space Systems	13	11	—
Total	\$ 5,500	\$ 5,045	\$ 4,837
Commercial and Other ^(b)			
Aeronautics	\$ 175	\$ 29	\$ 32
Electronic Systems	275	151	137
Information Systems & Global Services	338	415	168
Space Systems	509	727	411
Total	\$ 1,297	\$ 1,322	\$ 748
	\$41,862	\$39,620	\$37,213

- (a) Sales made to foreign governments through the U.S. Government, or “foreign military sales,” are included in the foreign governments category.
(b) International sales, including export sales reflected in the foreign governments and commercial categories, were \$6.3 billion, \$5.6 billion and \$5.1 billion in 2007, 2006 and 2005.

Note 16 – Summary of Quarterly Information (Unaudited)

<i>(In millions, except per share data)</i>	2007 Quarters			
	First ^(c)	Second ^(d)	Third	Fourth
Net sales	\$ 9,275	\$ 10,651	\$ 11,095	\$ 10,841
Operating profit ^(a)	985	1,164	1,163	1,215
Net earnings	690	778	766	799
Basic earnings per share	1.64	1.87	1.85	1.94
Diluted earnings per share ^(b)	1.60	1.82	1.80	1.89

<i>(In millions, except per share data)</i>	2006 Quarters			
	First ^(e)	Second ^(f)	Third ^(g)	Fourth ^(h)
Net sales	\$ 9,214	\$ 9,961	\$ 9,605	\$ 10,840
Operating profit ^(a)	930	903	867	1,070
Net earnings	591	580	629	729
Basic earnings per share	1.36	1.35	1.48	1.72
Diluted earnings per share ^(a)	1.34	1.34	1.46	1.68

- (a) Operating profit amounts for the first two quarters of 2007 and each of the quarters in 2006 reflect the reclassification of interest income and certain debt-related items from Other income (expense), net to Other non-operating income (expense), net (see Notes 1 and 9). Operating profit for those periods as disclosed in the respective Forms 10-Q was \$1,022 million and \$1,231 million for 2007, and \$971 million, \$943 million and \$851 million for 2006. Operating profit for the fourth quarter of 2006 as disclosed in the 2006 Form 10-K was \$1,134 million.
(b) The sum of the quarterly earnings per share amounts for 2007 and 2006 do not equal the diluted earnings per share amount included on Statement of Earnings, primarily due to the dilutive effects of our convertible debentures (see Note 3) and the timing of share repurchases during those years.

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- (c) Net earnings for the first quarter of 2007 included a gain related to the sale of certain land which increased Net earnings by \$16 million (\$0.04 per share), earnings from the reversal of legal reserves following the settlement of certain litigation related to a waste remediation contract which increased Net earnings by \$14 million (\$0.03 per share), and a reduction in Income tax expense of \$59 million (\$0.14 per share) resulting from the closure of certain IRS examinations.
- (d) Net earnings for the second quarter of 2007 included a gain from the sale of our remaining interest in Comsat International which increased Net earnings by \$16 million (\$0.04 per share).
- (e) Net earnings for the first quarter of 2006 included a gain related to the sale of 21 million of our Inmarsat shares which increased Net earnings by \$83 million (\$0.19 per share) and a gain related to the sale of our interest in Space Imaging which increased Net earnings by \$15 million (\$0.03 per share).
- (f) Net earnings for the second quarter of 2006 included a gain related to the sale of certain land which increased Net earnings by \$13 million (\$0.03 per share).
- (g) Net earnings for the third quarter of 2006 included a gain related to the sale of certain land which increased Net earnings by \$20 million (\$0.05 per share), expenses associated with the debt exchange which decreased Net earnings by \$11 million (\$0.03 per share), and a tax benefit related to claims filed for additional ETI tax benefits for sales in previous years which increased Net earnings by \$62 million (\$0.14 per share).
- (h) Net earnings for the fourth quarter of 2006 included earnings from the reversal of transaction-related reserves recorded in connection with our sale of the Aerospace Electronics Systems business which increased Net earnings by \$19 million (\$0.04 per share).

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

See Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Controls and Procedures" beginning on page 57 of this Form 10-K.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information concerning directors required by Item 401 of Regulation S-K is included under the caption “Election of Directors” in our definitive Proxy Statement to be filed pursuant to Regulation 14A (the 2008 Proxy Statement), and that information is incorporated by reference in this Form 10-K. Information concerning executive officers required by Item 401 of Regulation S-K is located under Part I, Item 4(a) of this Form 10-K. The information required by Item 405 of Regulation S-K concerning compliance with Section 16(a) of the Exchange Act is included under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in our 2008 Proxy Statement, and that information is incorporated by reference in this Form 10-K. The information required by Items 407(c)(3), (d) (4) and (d)(5) of Regulation S-K is included under the captions “Corporate Governance – Stockholder Nominees” and “Committees of the Board of Directors – Audit Committee” in our 2008 Proxy Statement, and that information is incorporated by reference in this Form 10-K.

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

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 402 of Regulation S-K is included in the text and tables under the caption “Executive Compensation” and “Director’s Compensation” in the 2008 Proxy Statement and that information is incorporated by reference in this Form 10-K. The information required by Items 407(e)(4) and (e)(5) of Regulation S-K is included under the captions “Compensation Committee Interlocks and Insider Participation” and “Executive Compensation – Compensation Committee Report” in our 2008 Proxy Statement, and that information is furnished by incorporation by reference in this Form 10-K.

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

The information required by this Item 12 is included under the heading “Securities Owned by Directors, Nominees and Named Executive Officers,” “Security Ownership of Certain Beneficial Owners,” and “Equity Compensation Plan Information” in the 2008 Proxy Statement, and that information is incorporated by reference in this Form 10-K.

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

The information required by Item 404 and 407(a) of Regulation S-K concerning certain relationships and related transactions is included under the caption “Corporate Governance – Related Person Transaction Policy,” “Corporate Governance – Certain Relationships and Related Transactions of Directors, Executive Officers and 5 Percent Stockholders,” and “Corporate Governance – Director Independence” in our 2008 Proxy Statement, and that information is incorporated by reference in this Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is included under the caption “Ratification of Appointment of Independent Auditors – Fees Paid to Independent Auditors” in the 2008 Proxy Statement, and that information is incorporated by reference in this Form 10-K.

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

(a)(1) List of Financial Statements filed as part of the Form 10-K.

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

	<u>Page</u>
Consolidated Statement of Earnings – Years ended December 31, 2007, 2006, and 2005	62
Consolidated Balance Sheet – At December 31, 2007 and 2006	63
Consolidated Statement of Cash Flows – Years ended December 31, 2007, 2006, and 2005	64
Consolidated Statement of Stockholders' Equity – Years ended December 31, 2007, 2006, and 2005	65
Notes to Consolidated Financial Statements – December 31, 2007	66

The report of our independent registered public accounting firm with respect to internal control over financial reporting and their report on the above-referenced financial statements appear on pages 60 and 61 of this Form 10-K. Their consent appears as Exhibit 23 of this Form 10-K.

(2) List of Financial Statement Schedules filed as part of this Form 10-K.

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

(3) Exhibits

- 3.1 Charter of Lockheed Martin Corporation (incorporated by reference to Exhibit 3.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on April 27, 2006).
- 3.2 Bylaws of Lockheed Martin Corporation as amended and restated effective February 22, 2007 (incorporated by reference to Exhibit 3.2 of Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2006 filed with the SEC February 26, 2007).
- 4.1 Indenture dated May 16, 1996, between the Corporation, Lockheed Martin Tactical Systems, Inc., and First Trust of Illinois, National Association as Trustee (incorporated by reference to Exhibit 4 to Lockheed Martin Corporation's Form 8-K filed with the SEC on May 20, 1996).
- 4.2 Indenture dated as of August 13, 2003, between Lockheed Martin Corporation and The Bank of New York, as Trustee, for the \$1,000,000,000 aggregate principal amount outstanding of Floating Rate Convertible Senior Debentures due August 13, 2033 (incorporated by reference to Exhibit 4.4 to Lockheed Martin Corporation's Registration Statement on Form S-3 (No. 333-108333) filed with the SEC on August 28, 2003).
- 4.3 First Supplemental Indenture between Lockheed Martin Corporation and The Bank of New York, as Trustee, dated December 6, 2004, for the \$1,000,000,000 aggregate principal amount outstanding of Floating Rate Convertible Senior Debentures due August 13, 2033 (incorporated by reference to Exhibit 99 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on December 8, 2004).
- 4.4 Indenture dated as of August 30, 2006 for 6.15% Notes due 2036 (incorporated by reference to Exhibit 10.1 to the Corporation's Quarterly Report on Form 10-Q filed with the SEC on October 27, 2006).
- See also Exhibits 3.1 and 3.2.
- No other instruments defining the rights of holders of long-term debt are filed since the total amount of securities authorized under any such instrument does not exceed 10% of the total assets of the Corporation on a consolidated basis. The Corporation agrees to furnish a copy of such instruments to the SEC upon request.
- 10.1 Lockheed Martin Corporation Directors Deferred Stock Plan, as amended (incorporated by reference to Exhibit 10.4 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).

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- 10.2 Lockheed Martin Corporation Directors Deferred Compensation Plan as amended and restated effective October 27, 2006 (incorporated by reference to Exhibit 10.2 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on November 2, 2006).
- 10.3 Resolutions relating to Lockheed Martin Corporation Financial Counseling Program and personal liability and accidental death and dismemberment benefits for officers and company presidents, (incorporated by reference to Exhibit 10(g) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).
- 10.4 Martin Marietta Corporation Postretirement Death Benefit Plan for Senior Executives, as amended January 1, 1995 (incorporated by reference to Exhibit 10.9 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the SEC on February 9, 1995), and as further amended September 26, 1996 (incorporated by reference to Exhibit 10(ooo) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1996).
- 10.5 Martin Marietta Corporation Amended Omnibus Securities Award Plan, as amended March 25, 1993 (incorporated by reference to Exhibit 10.13 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the SEC on February 9, 1995).
- 10.6 Martin Marietta Corporation Directors' Life Insurance Program (incorporated by reference to Exhibit 10.17 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the SEC on February 9, 1995).
- 10.7 Lockheed Martin Supplementary Pension Plan for Employees of Transferred GE Operations, effective January 1, 2005 (incorporated by reference to Exhibit 10.5 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005).
- 10.8 Martin Marietta Corporation Deferred Compensation Plan for Selected Officers, as amended (incorporated by reference to Exhibit 10(v) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).
- 10.9 Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation, as amended and restated effective January 1, 2005 (incorporated by reference to Exhibit 10.4 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005).
- 10.10 Lockheed Martin Corporation Supplemental Savings Plan, as amended and restated effective January 1, 2005 (incorporated by reference to Exhibit 10.2 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005).
- 10.11 Deferred Compensation Plan for Directors of Lockheed Martin Corporation, as amended and restated effective January 1, 2005 (incorporated by reference to Exhibit 10.2 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on November 3, 2005).
- 10.12 Lockheed Corporation Directors' Deferred Compensation Plan Trust Agreement, as amended (incorporated by reference to Exhibit 10.34 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the SEC on February 9, 1995).
- 10.13 Trust Agreement, dated December 22, 1994, between Lockheed Corporation and J.P. Morgan California with respect to certain employee benefit plans of Lockheed Corporation (incorporated by reference to Exhibit 10.35 to Lockheed Martin Corporation's Registration Statement on Form S-4 (No. 33-57645) filed with the SEC on February 9, 1995).
- 10.14 Lockheed Martin Corporation Directors Charitable Award Plan (incorporated by reference to Exhibit 10.19 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on December 8, 2006).
- 10.15 Amendment to Terms of Outstanding Stock Option Relating to Exercise Period for Employees of Divested Business (incorporated by reference to Exhibit 10(dd) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1999).
- 10.16 Lockheed Martin Corporation Postretirement Death Benefit Plan for Elected Officers, as amended June 28, 2007 (incorporated by reference to Exhibit 99.1 to Lockheed Martin Corporation's Current Report on Form 8-K dated June 28, 2007).
- 10.17 Deferred Performance Payment Plan of Lockheed Martin Corporation Space & Strategic Missiles Sector (incorporated by reference to Exhibit 10(ooo) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).

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- 10.18 Resolutions of Board of Directors of Lockheed Martin Corporation dated June 27, 1997 amending Lockheed Martin Non-Qualified Pension Plans (incorporated by reference to Exhibit 10 (ppp) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).
- 10.19 Lockheed Martin Corporation Directors Equity Plan, as amended and restated effective January 1, 2007 (incorporated by reference to Exhibit 10.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on November 2, 2006).
- 10.20 Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, as amended (incorporated by reference to Exhibit 99.2 to Lockheed Martin Corporation's Current Report on Form 8-K dated June 28, 2007).
- 10.21 Lockheed Martin Corporation 2006 Management Incentive Compensation Plan, as amended.
- 10.22 COMSAT Corporation Directors and Officers Deferred Compensation Plan (incorporated by reference to Exhibit 10.24 to the Form 10-K of COMSAT Corporation, SEC File No. 1-4929, for the fiscal year ended December 31, 1996).
- 10.23 Amendment to Lockheed Martin Corporation Nonqualified Retirement Plans (incorporated by reference to Exhibit 10.1 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002).
- 10.24 Deferred Management Incentive Compensation Plan of Lockheed Corporation and its subsidiaries (incorporated by reference to Exhibit 10.3 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001).
- 10.25 Lockheed Martin Corporation 2003 Incentive Performance Award Plan, as amended (incorporated by reference to the Corporation's 2005 Annual Proxy Statement filed with the SEC on Schedule 14A on March 18, 2005).
- 10.26 Five-Year Credit Agreement, dated as of July 15, 2004, among Lockheed Martin Corporation and the Banks listed therein (incorporated by reference to Exhibit 10.1 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
- 10.27 Form of Stock Option Award Agreement under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.3 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
- 10.28 Form of Restricted Stock Award Agreement under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.4 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
- 10.29 Lockheed Martin Supplemental Retirement Plan, effective January 1, 2005 (incorporated by reference to Exhibit 10.1 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005).
- 10.30 Form of the Lockheed Martin Corporation Long-Term Incentive Performance Award Agreement (2007-2009 Performance Period) under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.30 of Lockheed Martin Corporation's annual report on Form 10-K for the year ended December 31, 2006 filed with the SEC on February 26, 2007).
- 10.31 Executive Retention Agreement, between Lockheed Martin Corporation Aeronautics Company and Ralph D. Heath, dated June 23, 2003 (incorporated by reference to Exhibit 99 of Lockheed Martin Corporation's Current Report on Form 8-K dated January 17, 2005).
- 10.32 Joint Venture Master Agreement, dated as of May 2, 2005, by and among Lockheed Martin Corporation, The Boeing Company and United Launch Alliance, LLC (incorporated by reference to Exhibit 10.2 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005).
- 10.33 Professional Services Agreement, between Lockheed Martin Corporation and Michael F. Camardo, dated February 23, 2007 (incorporated by reference to Exhibit 10.33 of Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2006 filed with the SEC February 26, 2007).
- 10.34 Lockheed Martin Corporation Nonqualified Capital Accumulation Plan, effective January 1, 2007 (incorporated by reference to Exhibit 10.34 of Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2006 filed with the SEC February 26, 2007).
- 10.35 Long-Term Performance Award Amendment effective January 1, 2005 (applicable to the 2002-2004, 2004-2006 and 2005-2007 performance periods) (incorporated by reference to Exhibit 10.6 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005).

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10.36	Form of the Lockheed Martin Corporation Long-Term Incentive Performance Award Agreement (2004-2006 performance period) under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.2 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
10.37	Form of Lockheed Martin Corporation Long-Term Incentive Performance Award Agreement (2006-2008 performance period) under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 99.4 of Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on February 2, 2006).
10.38	Retirement Transition Agreement, dated August 10, 2007 between Lockheed Martin Corporation and Robert B. Coutts (incorporated by reference to Exhibit 99.2 of Lockheed Martin Corporation's Current Report on Form 8-K dated August 10, 2007).
10.39	Forms of Long-Term Incentive Performance Award Agreements (2008-2010 performance period), Forms of Stock Option Award Agreements and Forms of Restricted Stock Unit Award Agreements under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan as approved by the Management Development and Compensation Committee on January 24, 2008.
10.40	The Lockheed Martin Severance Benefit Plan For Certain Management Employees.
12	Computation of ratio of earnings to fixed charges for the year ended December 31, 2007.
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
24	Powers of Attorney.
31.1	Rule 13a-14(a) Certification of Robert J. Stevens.
31.2	Rule 13a-14(a) Certification of Bruce L. Tanner.
32.1	Certification Pursuant to 18 U.S.C. Section 1350 of Robert J. Stevens.
32.2	Certification Pursuant to 18 U.S.C. Section 1350 of Bruce L. Tanner.
*	Exhibits 10.1 through 10.25, 10.27 through 10.31 and 10.33 through 10.40 constitute management contracts or compensatory plans or arrangements required to be filed as an Exhibit to this Form pursuant to Item 14(c) of this Form 10-K.

SIGNATURES

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

LOCKHEED MARTIN CORPORATION

/s/ Martin T. Stanislav
MARTIN T. STANISLAV
Vice President and Controller
(Chief Accounting Officer)

Date: February 28, 2008

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

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Robert J. Stevens*</u> ROBERT J. STEVENS	Chairman, President, Chief Executive Officer and Director	February 28, 2008
<u>/s/ Bruce L. Tanner</u> BRUCE L. TANNER	Executive Vice President and Chief Financial Officer	February 28, 2008
<u>/s/ E.C. "Pete" Aldridge, Jr.*</u> E.C. "PETE" ALDRIDGE, JR.	Director	February 28, 2008
<u>/s/ Nolan D. Archibald*</u> NOLAN D. ARCHIBALD	Director	February 28, 2008
<u>/s/ Marcus C. Bennett*</u> MARCUS C. BENNETT	Director	February 28, 2008
<u>/s/ James O. Ellis, Jr.*</u> JAMES O. ELLIS, JR.	Director	February 28, 2008
<u>/s/ Gwendolyn S. King*</u> GWENDOLYN S. KING	Director	February 28, 2008
<u>/s/ James M. Loy*</u> JAMES M. LOY	Director	February 28, 2008
<u>/s/ Douglas H. McCorkindale*</u> DOUGLAS H. MCCORKINDALE	Director	February 28, 2008
<u>/s/ Eugene F. Murphy*</u> EUGENE F. MURPHY	Director	February 28, 2008
<u>/s/ Joseph W. Ralston*</u> JOSEPH W. RALSTON	Director	February 28, 2008
<u>/s/ Frank Savage*</u> FRANK SAVAGE	Director	February 28, 2008
<u>/s/ James M. Schneider*</u> JAMES M. SCHNEIDER	Director	February 28, 2008
<u>/s/ Anne Stevens*</u> ANNE STEVENS	Director	February 28, 2008
<u>/s/ James R. Ukropina*</u> JAMES R. UKROPINA	Director	February 28, 2008

*By: /s/ James B. Comey February 28, 2008
(JAMES B. COMEY, Attorney-in-fact**)

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

LOCKHEED MARTIN CORPORATION2006 MANAGEMENT INCENTIVE COMPENSATION PLAN(Performance-Based)As Amended January 23, 2008ARTICLE IPURPOSE OF THE PLAN

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

1. Improve cost effectiveness.
2. Stimulate employees to work individually and as teams to meet objectives and goals consistent with enhancing shareholder values.
3. Facilitate the Company's ability to retain qualified employees and to attract top executive talent.
4. Establish performance goals within the meaning of Section 162(m) of the Internal Revenue Code.

ARTICLE IISTANDARD OF CONDUCT AND PERFORMANCE EXPECTATION

1. It is expected that the business and individual goals and objectives established for this Plan will be accomplished in accordance with the Company's policy on ethical conduct in business with the U.S. Government and all other customers. It is a prerequisite before any award can be considered that a Participant will have acted in accordance with the Lockheed Martin Corporation Code of Ethics and Business Conduct and fostered an atmosphere to encourage all employees acting under the Participants' supervision to perform their duties in accordance with the highest ethical standards. Ethical behavior is imperative. Thus, in achieving one's goals, the Participant's individual commitment and adherence to the Company's ethical standards will be considered paramount in determining awards under this Plan.
2. Plan Participants whose individual performance is determined to be less than acceptable are not eligible to receive Incentive Compensation awards.

ARTICLE III

DEFINITIONS

1. ANNUAL SALARY – The regular base salary of a Participant during a fiscal year of the Company, determined by multiplying by 52 the Participant’s weekly base salary rate effective during the first full pay period in December preceding the year of payment, but excluding any Incentive Compensation, commissions, over-time payments, payments under work-week plan, indirect payments, retroactive payments not affecting the base salary or applicable to the current year, and any other payments of compensation of any kind.
2. BOARD OF DIRECTORS – The Board of Directors of the Company.
3. CODE – The Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.
4. COMMITTEE – The Management Development & Compensation Committee of the Board of Directors as from time to time appointed or constituted by the Board of Directors.
5. COMPANY – Lockheed Martin Corporation and those subsidiaries of which it owns directly or indirectly 50% or more of the voting stock or other equity.
6. ELECTED OFFICER – An Employee who has been elected as an officer by the Board of Directors.
7. EMPLOYEE – Any person who is employed by the Company and who is paid a salary as distinguished from an hourly wage. The term “Employee” includes only those individuals that the Company classifies on its payroll records as Employees and does not include consultants, independent contractors, leased employees, co-op students, interns, temporary or casual employees, individuals paid by a third party or other individuals not classified as an Employee by the Company. Notwithstanding the foregoing, the term “Employee” shall not include any employee who, during any part of such year, was represented by a collective bargaining agent.
8. INCENTIVE COMPENSATION – A payment made pursuant to this Plan.
9. PARTICIPANT – Any Employee selected to participate in the Plan in accordance with its terms.
10. PLAN – This 2006 Lockheed Martin Corporation Management Incentive Compensation Plan (Performance Based).
11. PLAN YEAR – A calendar year.
12. RESTRICTED EMPLOYEE – An Employee who either (i) is an Elected Officer, or (ii) at the time of a payment under this Plan, is the recipient of a Long Term Incentive Performance Award under the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan with a performance period yet to be completed.

13. SUBCOMMITTEE – The Stock Option Subcommittee of the Committee, or such subcommittee composed solely of two or more outside directors of the Company (within the meaning of Code section 162(m)(4)(C)) or the entire subcommittee is all members of that subcommittee are outside directors.
14. TARGET LEVEL – The target levels specified in Section B of Exhibit A.

ARTICLE IV

ELIGIBILITY FOR PARTICIPATION

Those Employees who through their efforts are able to contribute significantly to the success of the Company in any given Plan Year will be considered eligible for selection for participation in the Plan with respect to that Plan Year. Participants are selected each Plan Year based on recommendations by the Business Area Executive Vice Presidents or corporate function heads, subject to the approval of the Executive Office. Those eligible shall include all Employees considered by the Committee to be key Employees of the Company. No member of the Committee shall be eligible for participation in the Plan.

ARTICLE V

INCENTIVE COMPENSATION PAYMENTS

1. CALCULATION OF PAYMENTS – Incentive Compensation payments to Participants shall be calculated in accordance with the formula and procedures set forth in Exhibits A and B hereto. All such payments shall be in cash.
2. TARGETS – At the beginning of each Plan Year or in connection with an internal promotion or an employment offer made later in a Plan Year, the Executive Office shall identify the Employees eligible for participation in the Plan for that Plan Year and designate a Target Level for each Employee so designated.
3. INDIVIDUAL PERFORMANCE FACTORS – Each Employee designated as eligible for participation for a particular Plan Year shall identify individual performance goals for that Plan Year on or before March 30 of that Plan Year (or within 30 days of designation as a Participant by the Executive Office, whichever is later). As soon as practicable following the end of the Plan Year, the Business Area Executive Vice President or corporate function head, as the case may be, shall evaluate the performance of each Participant in the respective Business Area or corporate functional area in light of the individual's performance goals and assign an Individual Performance Factor as provided for in Exhibit A, subject to approval by the Executive Office. The Individual Performance Factors for elected corporate officers, other than the Chief Executive Officer and President, shall be determined by the Executive Office as provided in Exhibit A, subject to approval by the Committee. The Individual Performance Factor(s) of the Chief Executive Officer and President of Lockheed Martin Corporation shall be determined by the Committee. The Committee may, at the request of any member of the Committee, review the Individual Performance Factors of any other Participant or groups of Participants. The Committee may make adjustments to any such performance factors as it considers appropriate.

4. ORGANIZATIONAL PERFORMANCE FACTORS – The Executive Office and each Business Area Executive Vice President shall identify organizational performance goals for the Company, each Business Area and each business unit for that Plan Year on or before March 30 of that Plan Year. The Executive Office shall review the Company and Business Area organizational performance goals with the Committee. As soon as practicable following the end of the Plan Year, the Executive Office shall evaluate the performance of the Company and each Business Area in light of their respective organizational performance goals and determine the Company’s and the Business Area Organizational Performance Factors, as provided for in Exhibit A, subject to the approval of the Committee. Each Business Area Executive Vice President shall evaluate the performance of each business unit within his or her business area in light of the business unit’s organizational performance goals and establish Organizational Performance Factors for the business units within the respective business area as provided for in Exhibit A, subject to the approval of the Executive Office. The Committee may make adjustments to any Organizational Performance Factor as it considers appropriate.
5. APPROPRIATIONS TO THE PLAN.
 - A. To the extent that the aggregate of all proposed payments of Incentive Compensation to all Participants as determined by the application of the formula set forth in Exhibit A (subject to any adjustments made by the Committee under Paragraph 2 or 3 above or pursuant to Exhibit B) exceeds the amount determined by the Committee to be available for payment, all proposed payments of Incentive Compensation to Participants shall be reduced on a pro rata basis.
 - B. The Committee will recommend to the Board of Directors the authorization of the amount to be appropriated to the Plan by the Company for distribution to Participants and as computed pursuant to the provisions of this Paragraph 5. The Board of Directors may, notwithstanding any provision of the Plan, make adjustments to any proposed Incentive Compensation payment under the Plan, and subject to any such adjustments, the Board of Directors will appropriate to the Plan the amount as recommended by the Committee for distribution to the Participants; provided that, the Board of Directors may appropriate an amount which is less than the amount recommended by the Committee in which event all proposed payments of Incentive Compensation to Participants shall be reduced on a pro rata basis. Prior to the determination of the amount to be appropriated under the Plan for any Plan Year, the Board of Directors may authorize the Corporation to earmark funds or allocate funds to a separate account or trust, in either case for the purpose of making payments under the Plan.
7. METHOD OF PAYMENT – The amount determined for each Participant with respect to each Plan Year shall be paid to such Participant in cash not later than March 15 following the Plan Year or deferred at the direction of the Committee, but only to the extent permitted under Code section 409A, until the Participant’s termination of employment. Notwithstanding the foregoing, Participants may also elect to defer payments to the extent provided in the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan.

8. RIGHTS OF PARTICIPANTS – All payments are subject to the discretion of the Board of Directors. No Participant shall have any right to require the Board of Directors to make any appropriation to the Plan for any Plan Year, nor shall any Participant have any vested interest or property right in any share in any amounts which may be appropriated to the Plan.
9. AUTHORITY TO RECOVER PAYMENTS. The Board of Directors retains the authority to make retroactive adjustments to a payment made under the Plan on or after January 1, 2008 under the following circumstances:
 - a. If the Board of Directors determines, after consideration of all the facts and circumstances that the Board of Directors in its sole discretion considers relevant, that either (i) the intentional misconduct or gross negligence of a Restricted Employee, or (ii) the failure of a Restricted Employee to report another person's intentional misconduct or gross negligence of which the Restricted Employee had knowledge, contributed to the Corporation having to restate all or a portion of its financial statements filed with the Securities and Exchange Commission, then the Board of Directors may require the Restricted Employee repay to the Corporation the difference between the amount by which the payments or awards exceeded what the payment or award would have been based on the restated financial results, as determined by the Board of Directors;
 - b. If the Board of Directors, after consideration of all the facts and circumstances that the Board of Directors in its sole discretion considers relevant, determines that a Restricted Employee either (i) engaged in fraud, bribery or other illegal act, or (ii) the Restricted Employee's intentional misconduct or gross negligence (including the failure by the Restricted Employee to report the acts of another person of which the Restricted Employee had knowledge) contributed to another person's fraud, bribery or other illegal act, which in either case adversely impacted the Corporation's financial position or reputation, the Board of Directors may require the Restricted Employee to repay to the Corporation the value of any payment under this Plan as determined by the Board of Directors.

The Board of Directors may delegate its authority to make determinations under this Section to the Committee.

ARTICLE VI

ADMINISTRATION

The Plan shall be administered under the direction of the Committee. The Committee shall have the right to construe the Plan, to interpret any provision thereof, to make rules and regulations relating to the Plan, and to determine any factual question arising in connection with the Plan's operation after such investigation or hearing as the Committee may deem appropriate. Any decision made by the

Committee under the provisions of this Article shall be conclusive and binding on all parties concerned. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose. Notwithstanding the target levels noted on Exhibit A but subject to the limitations of Exhibit B, the Committee and the Board of Directors (as appropriate) may adopt a different target level for any elected officer, provided the target level is established prior to March 30 of the Plan Year to which it applies, or within 30 days after the Employee is designated to participate in the Plan, whichever is later. The rights and obligations of the Committee under this Article VI shall be assumed by the Subcommittee in the case of Participants subject to Exhibit B.

ARTICLE VII

AMENDMENT OR TERMINATION OF PLAN

The Board of Directors shall have the right to terminate or amend this Plan at any time and to discontinue further appropriations thereto, provided that such termination or amendment shall not be made in a manner that would cause a Participant to include Incentive Compensation in gross income pursuant to Code section 409A.

ARTICLE VIII

EFFECTIVE DATE

The Plan shall be effective with respect to the operations of the Company for the Plan Year beginning January 1, 2006, contingent upon approval of Exhibit B by the Company's stockholders at its 2006 annual meeting. In the event the stockholders do not approve Exhibit B at that meeting, the Plan shall not be effective and no payments will be made under the Plan. Any amendment to this Plan shall be effective as determined by the Board of Directors.

EXHIBIT A

CALCULATION OF MANAGEMENT INCENTIVE COMPENSATION PAYMENTS

A. AWARD FORMULA

1. Incentive Compensation payments will be calculated by multiplying the Participant's Annual Salary by the applicable Target Level of the Participant (determined in accordance with paragraph B below), and that result will then be multiplied by the Individual Performance Factor (as defined in C). The resulting award will be multiplied by the appropriate Organizational Performance Factor (as defined in D). Payments to Participants subject to Exhibit B shall be reduced to the extent required by Exhibit B.
2. Partial awards for Participants who terminate employment during a Plan Year may be recommended for consideration based on the following:

<u>Termination Method</u>	<u>Incentive Compensation Award</u>
Voluntary	May be considered for a pro-rated award if on active status December 1 of the Plan Year with a minimum of six (6) full months as an active Plan Participant during the Plan Year.
Lay Off	May be pro-rated based on the conditions of the case at the discretion of the Business Area Executive Vice President (or major corporate function head) with a minimum of six (6) full months as an active Plan Participant during the Plan Year.
Retirement	May be considered for a pro-rated award with a minimum of six (6) full months as an active Participant during the Plan Year if Participant goes directly into retirement status upon termination.

3. Pro-rated awards may be recommended for individuals who become Participants subsequent to the beginning of a Plan Year, and have a minimum of six (6) full months as active Participants during the Plan Year.
Any deviation from the six (6) month minimum requires Corporate Salary Board approval.
4. Recommended awards for Participants whose Target Levels change during the Plan Year may be pro-rated (based on number of months at old versus new Target level), if the new target level is in effect for less than nine (9) months during the Plan Year.
Any deviation requires Business Area Executive Vice President or Executive Office review and approval as appropriate.

5. Any calculation of Incentive Compensation under this Exhibit A shall be subject to the provisions of the Plan and Exhibit B. In the event of any conflict between the terms or application of this Exhibit A and the Plan, the Plan shall prevail. In the event of any conflict between the terms of Exhibit A and Exhibit B, Exhibit B shall prevail.

B. TARGET LEVELS

Target Levels are based on the level of importance and responsibility of the position in the organization as determined by the Business Area Executive Vice President and/or major corporate function head subject to approval by the Executive Office.

<u>Position</u>	<u>Target</u>
Chief Executive Officer	125%
President	TBD*
Exec. VP	75%
Senior VP	55% - 65%
Other Elected Officers	40% - 55%
Other Eligible Positions	15% - 50%

* To be determined by the Committee as needed. The offices of Chief Executive Officer and President have been held by the same person since August 2004.

C. INDIVIDUAL PERFORMANCE FACTORS

Individual performance factors are normally in increments of 0.05 and will have the following definitions:

<u>Factor</u>	<u>Definition</u>
1.20 - 1.30	Performance vastly superior to expectations and peers within the organization.
1.05 - 1.15	Consistently exceeds expected performance.
1.00	Consistently meets all requirements and expectations.
0.80 - 0.95	Performance meets most, but not all job requirements and expectations.
0.60 - 0.75	Performance meets some objectives, but overall performance below expected levels.
0.00	Performance fails to meet job requirements.

D. ORGANIZATIONAL PERFORMANCE FACTORS

1. The Organizational Performance Factor will depend on the assessment of the quality of performance by each business unit, or the Corporation (in the case of corporate staff) in accomplishing the organizational performance objectives based on the following schedule:

<u>Factor</u>	<u>Performance Standard</u>
1.50	Far exceeded organizational objectives in all categories.
1.30	On balance, exceeded high performance expectations in most categories.
1.00	Achieved all objectives or on balance met high performance expectations.
0.75	Met most objectives. Overall performance was good, but not as high as possible or expected.
0.50	Met few objectives, but overall performance not as good as possible or expected.
0.0	Did not achieve sufficient overall performance level.

2. Intermediate organizational ratings, as deemed appropriate by the Executive Office for results achieved, may be assigned normally in increments of 0.05.
3. Weighting of organizational performance between business unit and corporate factors may be applied, as deemed appropriate by the Executive Office.

EXHIBIT B

PERFORMANCE BASED AWARDS

A. INCENTIVE COMPENSATION FOR ELECTED OFFICERS.

Notwithstanding any provision of the Plan to the contrary, Incentive Compensation awards made to an Elected Officers shall be subject to the terms of this Exhibit B. The terms of Exhibit B are contingent upon approval by the stockholders of Lockheed Martin Corporation. In the event the stockholders do not approve Exhibit B, the 2006 Lockheed Martin Corporation Management Incentive Compensation Plan (Performance-Based Plan) will not become effective and no Incentive Compensation will be paid under the Plan.

B. IDENTIFICATION OF THE ELECTED OFFICERS.

The eligible class of Participants subject to Exhibit B is those Participants who are Elected Officers on the last day of the Plan Year.

C. LIMITATION OF INCENTIVE COMPENSATION.

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

D. SUBCOMMITTEE CERTIFICATION.

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

E. DEFINITIONS.

For purposes of this Exhibit B,

(i) "Cash Flow" means net cash flow from operations as determined by the Subcommittee at the end of the Plan Year in accordance with generally accepted accounting principles in the United States. Cash Flow shall be determined by the Subcommittee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined,

the Subcommittee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows. The Subcommittee shall have the right to specify any other adjustment that should be applied in determining Cash Flow that it deems necessary or appropriate to take into account any event recognized under any accounting policy or practice affecting the Corporation, provided the Subcommittee specifies the adjustment at or prior to the time the organizational performance goals for the Corporation are reviewed with the Subcommittee, but in no event later than March 30 of the Plan Year;

(ii) "Subcommittee" means the Stock Option Subcommittee of the Committee, or such other subcommittee composed solely of two or more outside directors of the Company (as defined in Code section 162(m)(4)(C)) or the entire subcommittee, if all members are outside directors.

F. ADMINISTRATION.

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

Stock Option

Grant Date: January 28, 2008

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

Dear Optionee:

The Management Development and Compensation Committee (the "Committee") of Lockheed Martin Corporation's Board of Directors has awarded to you options to purchase shares of Lockheed Martin Common Stock ("Stock") under the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan").

This letter is your Award Agreement and sets forth some of the terms and conditions of your award. Additional terms and conditions are contained in the Plan and in the Prospectus relating to the Plan of which the Plan document and this Award Agreement are a part. By accepting this Award Agreement electronically, you consent to electronic delivery of the Prospectus applicable to these Options. You should retain the Prospectus in your records.

The term "Options" as used in this Award Agreement refers only to the nonqualified stock options awarded to you under this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its subsidiaries.

Your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office, as instructed below as soon as possible.

EXERCISE PRICE

The exercise price of the Options granted hereunder is \$106.87 per Option. Under certain circumstances set forth in the Plan and this Award Agreement, this exercise price may be subject to adjustment.

The Committee presently allows the exercise price of an Option to be paid in cash, by the tender of Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment, nor will fractional shares be issued. The Committee retains the discretion to at any time limit the method of payment to cash. If you elect to pay with Stock, you must have owned the shares tendered for at least six months. If Stock is tendered, it will be valued at its Fair Market Value on the date of tender.

VESTING/EXPIRATION/FORFEITURE

General Rule - An Option may not be exercised until it has vested, nor may an Option be exercised after its expiration or forfeiture. Subject to certain special rules discussed below, if you remain in the employ of the Corporation until the applicable date of vesting, the vesting schedule for your Options is as follows:

First Vesting Date: January 28, 2009 – One-Third
Second Vesting Date: January 28, 2010 – One-Third
Third Vesting Date: January 28, 2011 – One-Third

If the number of Options granted cannot be evenly divided by three into whole shares, the fractional shares will vest on the Third Vesting Date. If you leave the employ of the Corporation before the date on which an Option vests, that Option is forfeited.

Vested Options, except as otherwise provided in this letter, or in the Plan, or as may be restricted by law, may be exercised for a period ending on January 26, 2018. Options not exercised by that date will be forfeited.

You should make every effort to keep the Vice President of Compensation and Benefits' office informed of your current address so that we may communicate with you about your options and their current status. The Corporation cannot exercise the options for you, and so you must pay close attention to their terms and any impending expiration.

SPECIAL RULES AS TO VESTING

Retirement - If you retire before the First Vesting Date, you will forfeit all of the Options in accordance with the general rule set forth above. If you retire on or after the First Vesting Date, you will vest in the remaining Options on the Second Vesting Date and the Third Vesting Date as though you had remained in the employ of the Corporation through those dates. For the purposes of this provision, the term "retirement" means retirement from service under the terms of the Corporation's 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.

Death or Disability - Your Options will immediately vest and no longer be subject to the continuing employment requirement if:

- (i) you die while still employed by the Corporation; 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).

SPECIAL RULES AS TO EXPIRATION AND FORFEITURE

Death or Disability - Options will expire at the end of their remaining term on January 26, 2018.

Resignation, Lay-Off or Termination for Cause - If you resign or otherwise terminate, whether voluntarily or by action of the Corporation, and in the latter case whether with or without "cause," unvested Options will be forfeited upon your termination. Vested Options will expire at the end of their remaining term or 30 calendar days following your resignation or termination, whichever is shorter. If you are laid off, your options will be unaffected, and will vest and be exercisable until the end of their remaining term, in accordance with the terms of the Plan.

Divestiture - 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 transfer of such employment to the other party to the divestiture, the special rules in this paragraph will apply. Following a divestiture, you will continue to vest in your unvested options as though you had remained in the employ of the Corporation. Your vested options will be exercisable until the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Divestiture Expiration Date"). If you die following divestiture but prior to the Divestiture Expiration Date, all unvested options will immediately vest as of the date of death and be exercisable by your beneficiary until the Divestiture Expiration Date. 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 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, one or more of the Corporation's subsidiaries or by a combination thereof.

LIMITATIONS ON EXERCISE

Notwithstanding any other provision herein, no Option may be exercised less than six months nor more than ten years after the date of grant. Further, from time to time, your ability to exercise Options which otherwise would be exercisable may be restricted, if in the opinion of counsel for the Corporation, this is necessary or advisable in order to ensure compliance with applicable Federal or state law, rules or regulations.

ASSIGNMENT/TRANSFERABILITY/BENEFICIARIES

Options may not be pledged, assigned or transferred except that Options may be transferred by will or by the laws of descent and distribution or you may provide that, upon your death, the Options are to be transferred to a beneficiary or beneficiaries that you designate. To designate a beneficiary or beneficiaries, please complete the Beneficiary Designation located at <http://www.etrade.com/stockplans> and return an originally executed copy to the Vice President of Compensation and Benefits' office (Mail Point 123).

During your lifetime, only you may exercise your Options. In the event of your death or disability, your Options may be exercised by a qualified representative of your estate, a properly designated beneficiary or beneficiaries or your guardian or authorized representative, as applicable.

TAX WITHHOLDING

When you exercise an Option, the Corporation will withhold applicable taxes as required by law. The Committee presently allows you to pay the withholding tax in cash, by tendering Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment. The Committee retains the discretion to, at any time, limit the method of payment to cash. Unlike payment of the exercise price of the Options, if you elect to pay withholding taxes with Stock, you need not have owned the shares tendered for at least six months. Payment must be made at the time of exercise. To the extent that cash is not tendered, the Corporation will retain from the shares of Stock that you would otherwise receive upon exercise of the Option that number of shares sufficient to satisfy the withholding obligation. If Stock is tendered or is deemed to have been tendered, it will be valued at its Fair Market Value.

Withholding will be at the minimum rate prescribed by law. Therefore, you may owe taxes relating to the exercise in addition to the amount withheld by the Corporation. If you desire, you may request that tax be withheld at greater than the minimum rate.

Special Note for Section 16 Insiders - The Corporation's Section 16 Insiders have been informed of this fact by the Board of Directors. If you are a Section 16 Insider, your ability to satisfy your withholding obligations through the tender of Stock may be limited by the Federal securities laws. In these situations, having such treatment deemed to occur may have adverse consequences. The Corporation recommends that you consult with the Office of the General Counsel or the Office of the Corporate Secretary before entering into any transactions involving your Options or Stock.

CHANGE IN CONTROL

In the event of a change in control of the Corporation, as defined in Section 7 of the Plan, the vesting date of all outstanding options shall be accelerated so as to cause all outstanding options to become exercisable.

AMENDMENT AND TERMINATION OF THE PLAN OR AWARDS

As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall affect this Award Agreement or the award made hereunder in any manner adverse to you without your written consent.

ACCEPTANCE OF AWARD

No award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. You must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Point 123, 6801 Rockledge Drive, Bethesda MD 20817

Assuming prompt and proper acceptance of this Award Agreement as described, this award will be effective as of the date of grant. If you do not acknowledge acceptance of your award, it will not be effective and you will not be able to exercise the options.

MISCELLANEOUS

For the purpose of calculating the expiration date of the Options, all Options will be deemed to expire on January 26, 2018 at the close of trading in Lockheed Martin Corporation common stock on the New York Stock Exchange (or, if the security is not so listed or if the principal market on which it is traded is not the New York Stock Exchange, such other reporting system as shall be selected by the Committee). If you are on leave of absence, for the purposes of the Plan, you will be considered to still be in the employ of the Corporation unless otherwise provided in an agreement between you and the Corporation.

Your participation in the Plan, anything contained in this Award Agreement, or the grant of Options does not confer upon you any right of continued employment or limit in any way the right of the Corporation to terminate your employment at any time.

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

Sincerely,

David Filomeo
(On behalf of the Management Development and Compensation
Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

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

Dear Awardee:

The Management Development and Compensation Committee of the Board of Directors ("Committee") 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 and the Plan, to receive from Lockheed Martin Corporation ("Corporation") (i) one (1) share of the Corporation's common stock, par value \$1.00 per share, ("Stock"); and (ii) quarterly cash payments equivalent to any cash dividends paid to stockholders of the Corporation, each in accordance with the terms of this letter, the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan ("Plan"), and any rules and procedures adopted by the Committee.

This letter constitutes the Award Agreement for your RSUs and sets forth some of the terms and conditions of your Award under the Plan, as determined by the Committee. Additional terms and conditions 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 an employee during the Restricted Period set forth below. If you do not continue to perform services for the Corporation as an employee during the entire Restricted Period, 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 Vice President of Compensation and Benefits' office as instructed below 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 delivery and acceptance of this Award Agreement. Assuming prompt and proper acknowledgment of your acceptance 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). If your acknowledgement is not received, your Award will not be effective.

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 (either in paper or book entry form) 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 right to vote on any matter put to stockholder vote, to receive dividends, and to encumber, sell or otherwise transfer the shares. You should note, however, that, while the shares would thus be free of the restrictions imposed during the Restricted Period, your ability to sell 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 at <http://www.etrade.com/stockplans> and returning it to the Vice President of Compensation and Benefits' office at the address below.

If, at your death, a completed beneficiary designation form is not on file at the Vice President of Compensation and Benefits' 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 your continued employment with the Corporation from the Award Date until January 28, 2011 (the "Restricted Period"). 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 an Employee of the Corporation until the expiration or termination of the Restricted Period, which will occur on January 28, 2011, 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 if:

- (i) you die while still employed by the Corporation; 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 January 28, 2009, you will forfeit all of your RSUs in accordance with the general rule requiring continued employment during the Restricted Period. If you are laid off on or after January 28, 2009, your RSUs will not be subject to the continued employment requirement, the Restricted Period will end for a portion of your RSUs, and you will vest in your RSUs as follows:

- (i) you will vest in one third (1/3) of your RSUs if your layoff is effective on or after the first anniversary of the Award Date (January 28, 2009) but before the second anniversary of the Award Date (January 28, 2010); and

- (ii) you will vest in two thirds (2/3) of your RSUs if your layoff is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2009, 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 January 28, 2009, you will not be subject to the continued employment requirement, 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 one third (1/3) of your RSUs if your retirement is effective on or after the first anniversary of the Award Date (January 28, 2009) but before the second anniversary of the Award Date (January 28, 2010); and
- (ii) you will vest in two thirds (2/3) of your RSUs if your retirement is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2011, other than on account of death, disability, layoff, or retirement, (or Divestiture or Change in Control as described below) 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

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.

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 Committee 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.

ACCEPTANCE OF AWARD

No Award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. If you desire to accept this Award, you must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Point 123, 6801 Rockledge Drive, Bethesda MD 20817

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

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from this internet site (<http://www.etrade.com/stockplans>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

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 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.

Sincerely,

David Filomeo
(On Behalf of the Management Development and Compensation
Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

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

Dear Optionee:

The Management Development and Compensation Committee (the "Committee") of Lockheed Martin Corporation's Board of Directors has awarded to you options to purchase shares of Lockheed Martin Common Stock ("Stock") under the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan").

This letter is your Award Agreement and sets forth some of the terms and conditions of your award. Additional terms and conditions are contained in the Plan and in the Prospectus relating to the Plan of which the Plan document and this Award Agreement are a part. By accepting this Award Agreement electronically, you consent to electronic delivery of the Prospectus applicable to these Options. You should retain the Prospectus in your records.

The term "Options" as used in this Award Agreement refers only to the nonqualified stock options awarded to you under this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its subsidiaries.

Your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt or returning an executed copy of this Award Agreement to the Office of the Vice President of Compensation and Benefits' office as instructed below as soon as possible.

EXERCISE PRICE

The exercise price of the Options granted hereunder is \$106.87 per Option. Under certain circumstances set forth in the Plan and this Award Agreement, this exercise price may be subject to adjustment.

The Committee presently allows the exercise price of an Option to be paid in cash, by the tender of Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment, nor will fractional shares be issued. The Committee retains the discretion to, at any time, limit the method of payment to cash. If you elect to pay with Stock, you must have owned the shares tendered for at least six months. If Stock is tendered, it will be valued at its Fair Market Value on the date of tender.

VESTING/EXPIRATION/FORFEITURE

General Rule - An Option may not be exercised until it has vested, nor may an Option be exercised after its expiration or forfeiture. Subject to certain special rules discussed below, if you remain in the employ of the Corporation until the applicable date of vesting, the vesting schedule for your Options is as follows:

First Vesting Date: January 28, 2009 – One-Third
Second Vesting Date: January 28, 2010 – One-Third
Third Vesting Date: January 28, 2011 – One-Third

If the number of Options granted cannot be evenly divided by three into whole shares, the fractional shares will vest on the Third Vesting Date. If you leave the employ of the Corporation before the date on which an Option vests, that Option is forfeited.

Vested Options, except as otherwise provided in this letter, or in the Plan, or as may be restricted by law, may be exercised for a period ending on January 26, 2018. Options not exercised by that date will be forfeited.

You should make every effort to keep the Vice President of Compensation and Benefits' office informed of your current address so that we may communicate with you about your options and their current status. The Corporation cannot exercise the options for you, and so you must pay close attention to their terms and any impending expiration.

SPECIAL RULES AS TO VESTING

Retirement - If you retire before the First Vesting Date, you will forfeit all of the Options in accordance with the general rule set forth above. If you retire on or after the First Vesting Date, you will vest in the remaining Options on the Second Vesting Date and the Third Vesting Date as though you had remained in the employ of the Corporation through those dates. For the purposes of this provision, the term "retirement" means retirement from service under the terms of the Corporation's 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.

Death or Disability - Your unvested Options will immediately vest and no longer be subject to the continuing employment requirement if:

- i. you die while still employed by the Corporation; 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).

SPECIAL RULES AS TO EXPIRATION AND FORFEITURE

Death or Disability - Options will expire at the end of their remaining term on January 26, 2018.

Resignation, Lay-Off or Termination for Cause - If you resign or otherwise terminate, whether voluntarily or by action of the Corporation and in the latter case whether with or without "cause," unvested Options will be forfeited upon your termination. Vested Options will expire at the end of their remaining term or 30 calendar days following your resignation or termination, whichever is shorter. If you are laid off, your options will be unaffected, and will vest and be exercisable until the end of their remaining term, in accordance with the terms of the Plan.

Divestiture - 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 transfer of such employment to the other party to the divestiture, the special rules in this paragraph will apply. Following a divestiture, you will continue to vest in your unvested options as though you had remained in the employ of the Corporation. Your vested options will be exercisable until the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Divestiture Expiration Date"). If you die following divestiture but prior to the Divestiture Expiration Date, all unvested options will immediately vest as of the date of death and be exercisable by your beneficiary until the Divestiture Expiration Date. 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 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, one or more of the Corporation's subsidiaries or by a combination thereof.

LIMITATIONS ON EXERCISE

Notwithstanding any other provision herein, no Option may be exercised less than six months nor more than ten years after the date of grant. Further, from time to time, your ability to exercise Options which otherwise would be exercisable may be restricted, if in the opinion of counsel for the Corporation, this is necessary or advisable in order to ensure compliance with applicable laws, rules or regulations.

ASSIGNMENT/TRANSFERABILITY/BENEFICIARIES

Options may not be pledged, assigned or transferred except that Options may be transferred by will or by the laws of descent and distribution or you may provide that, upon your death, the Options are to be transferred to a beneficiary or beneficiaries that you designate. To designate a beneficiary or beneficiaries, please complete the Beneficiary Designation located at <http://www.etrade.com/stockplans> and return an originally executed copy to the Vice President of Compensation and Benefits' office (Mail Point 123).

During your lifetime, only you may exercise your Options. In the event of your death or disability, your Options may be exercised by a qualified representative of your estate, a properly designated beneficiary or beneficiaries or your guardian or authorized representative, as applicable.

TAX WITHHOLDING

When you exercise an Option, the Corporation will withhold applicable taxes as required by law. The Committee presently allows you to pay the withholding tax in cash, by tendering Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment. The Committee retains the discretion to, at any time, limit the method of payment to cash. Unlike payment of the exercise price of the Options, if you elect to pay taxes with Stock, you need not have owned the shares tendered for at least six months. Payment must be made at the time of exercise. To the extent that cash is not tendered, the Corporation will retain from the shares of Stock that you would otherwise receive upon exercise of the Option that number of shares sufficient to satisfy the withholding obligation. If Stock is tendered or is deemed to have been tendered, it will be valued at its Fair Market Value.

You agree to make appropriate arrangements with the Corporation for the satisfaction of all income and employment tax withholding requirements as well as social insurance contributions applicable to the Option exercise or the disposition of any Stock acquired upon exercise ("Option Taxes"). In this regard, you authorize the Corporation to withhold all Option Taxes legally payable by you from your wages or other cash compensation paid to you by the Corporation or, if permissible under applicable legal requirements, from proceeds from the sale of Stock acquired upon exercise of the Option in an amount sufficient to cover the Option Taxes. You acknowledge and agree that the Corporation may refuse to honor the exercise and refuse to deliver Stock if such withholding amounts are not delivered at the time of exercise. To the extent that the amounts withheld by the Corporation are insufficient to satisfy the Option Taxes, you shall pay to the Corporation any additional amount of the Option Taxes that may be required to be withheld as a result of your participation in the Plan. You acknowledge and agree that withholding obligations may change from time to time as laws or their interpretations change, and regardless of the Corporation's actions with respect to the Option Taxes, the ultimate liability for any and all Option Taxes is and shall remain your responsibility, and that the Corporation (a) makes no representation or undertaking regarding the treatment of any Option Taxes in connection with any aspect of the grant of the Option, including the grant or exercise of the Option and the subsequent sale of Stock acquired under the Plan; and (b) does not commit to structure the terms of the grant or any aspect of the Option to reduce or eliminate your liability for Option Taxes. You acknowledge that you may not exercise this Option unless the tax withholding obligations of the Corporation are satisfied.

You understand that you may suffer adverse tax consequences as a result of your purchase or disposition of the Stock. You represent that you will consult with your own tax advisors in connection with the purchase or disposition of the Stock and that you are not relying on the Corporation for any tax advice.

Note for Section 16 Insiders

The Corporation's Section 16 Insiders have been informed of this fact by the Board of Directors. If you are a Section 16 Insider, your ability to satisfy tax withholding obligations through the tender of Stock may be limited by U.S. securities laws and may result in adverse consequences if such treatment is deemed to have occurred. The Corporation recommends that Section 16 Insiders consult with the Office of the General Counsel or the Office of the Corporate Secretary before entering into any transactions involving your Options or Stock.

CHANGE IN CONTROL

In the event of a change in control of the Corporation, as defined in Section 7 of the Plan, the vesting date of all outstanding options shall be accelerated so as to cause all outstanding options to become exercisable.

AMENDMENT AND TERMINATION OF THE PLAN OR AWARDS

As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall affect this Award Agreement or the award made hereunder in any manner adverse to you without your written consent.

DATA PRIVACY CONSENT

You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by and among the Corporation for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Corporation holds certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares or directorships held in the Corporation, details of all awards or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Data"). You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party

with whom the Corporation may elect to administer the settlement of any award. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

ACCEPTANCE OF AWARD

No award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Office of the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. You must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Point 123, 6801 Rockledge Drive, Bethesda MD 20817

Assuming prompt and proper acknowledgment of this Award Agreement as described, this award will be effective as of the date of grant. If you do not acknowledge acceptance of your award, it will not be effective and you will not be able to exercise the options.

EMPLOYEE ACKNOWLEDGMENT

You acknowledge and agree as follows:

- (a) the Plan is discretionary in nature and that the Committee may amend, suspend, or terminate it at any time;
- (b) the grant of Options is voluntary and occasional and does not create any contractual or other right to receive future grants of any Options, or benefits in lieu of any Options even if Options have been granted repeatedly in the past;
- (c) all determinations with respect to such future Options, if any, including but not limited to the times when Options shall be granted or when Options shall vest, will be at the sole discretion of the Committee;

(d) your participation in the Plan is voluntary;

(e) the value of Options is an extraordinary item of compensation, which is outside the scope of your employment contract (if any), except as may otherwise be explicitly provided in your employment contract;

(f) the Options are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating termination, severance, resignation, redundancy, end of service, or similar payments, or bonuses, long-service awards, pension or retirement benefits;

(g) the Options shall expire upon termination of your employment for any reason except as may otherwise be explicitly provided in the Plan and this Award Agreement;

(h) the future value of the shares is unknown and cannot be predicted with certainty; and

(i) no claim or entitlement to compensation or damages arises from the termination of the Options or diminution in value of the Options or Stock and you irrevocably release the Corporation and your employer from any such claim that may arise.

MISCELLANEOUS

For the purpose of calculating the expiration date of the Options, all Options will be deemed to expire on January 26, 2018 at the close of trading in Lockheed Martin Corporation common stock on the New York Stock Exchange (or, if the security is not so listed or if the principal market on which it is traded is not the New York Stock Exchange, such other reporting system as shall be selected by the Committee). If you are on leave of absence, for the purposes of the Plan, you will be considered to still be in the employ of the Corporation unless otherwise provided in an agreement between you and the Corporation.

Your participation in the Plan, anything contained in this Award Agreement, or the grant of Options does not confer upon you any right of continued employment or limit in any way the right of the Corporation to terminate your employment at any time subject to all applicable legal requirements in the country of your employment.

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

Sincerely,

David Filomeo
(On behalf of the Management Development and
Compensation Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

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

Dear Awardee:

The Management Development and Compensation Committee of the Board of Directors ("Committee") 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 and the Plan, to receive from Lockheed Martin Corporation ("Corporation") (i) one (1) share of the Corporation's common stock, par value \$1.00 per share, ("Stock"); and (ii) quarterly cash payments equivalent to any cash dividends paid to stockholders of the Corporation, each in accordance with the terms of this letter, the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan ("Plan"), and any rules and procedures adopted by the Committee.

This letter constitutes the Award Agreement for your RSUs and sets forth some of the terms and conditions of your Award under the Plan, as determined by the Committee. Additional terms and conditions 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 an employee during the Restricted Period set forth below. If you do not continue to perform services for the Corporation as an employee during the entire Restricted Period, unless otherwise prohibited by local law, 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 Vice President of Compensation and Benefits' office as instructed below 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 delivery and acceptance of this Award Agreement. Assuming prompt and proper acknowledgment of your acceptance 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). If your acknowledgement is not received, your Award will not be effective.

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 (either in paper or book entry form) 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 may be required to collect from you the appropriate amount of income taxes and social insurance contributions. 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 right to vote on any matter put to stockholder vote, to receive dividends, and to encumber, sell or otherwise transfer the shares. You should note, however, that, while the shares would thus be free of the restrictions imposed during the Restricted Period, your ability to sell 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 at <http://www.etrade.com/stockplans> and returning it to the Vice President of Compensation and Benefits' office at the address below.

If, at your death, a completed beneficiary designation form is not on file at the Vice President of Compensation and Benefits' 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 your continued employment with the Corporation from the Award Date until January 28, 2011 (the "Restricted Period"). 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 an Employee of the Corporation until the expiration or termination of the Restricted Period, which will occur on January 28, 2011, 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 if:

- (i) you die while still employed by the Corporation; 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 January 28, 2009, you will forfeit all of your RSUs in accordance with the general rule requiring continued employment during the Restricted Period. If you are laid off on or after January 28, 2009, your RSUs will not be subject to the continued employment requirement, the Restricted Period will end for a portion of your RSUs, and you will vest in your RSUs as follows:

- (i) you will vest in one third (1/3) of your RSUs if your layoff is effective on or after the first anniversary of the Award Date (January 28, 2009) but before the second anniversary of the Award Date (January 28, 2010); and

- (ii) you will vest in two thirds (2/3) of your RSUs if your layoff is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2009, 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 January 28, 2009, you will not be subject to the continued employment requirement, 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 one third (1/3) of your RSUs if your retirement is effective on or after the first anniversary of the Award Date (January 28, 2009) but before the second anniversary of the Award Date (January 28, 2010); and
- (ii) you will vest in two thirds (2/3) of your RSUs if your retirement is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2011, other than on account of death, disability, layoff, or retirement, (or Divestiture or Change in Control as described below) 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

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.

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 WITHOLDING

The Corporation will withhold applicable taxes as required by law. You agree to make appropriate arrangements with the Corporation for the satisfaction of all income and employment tax withholding requirements as well as social insurance contributions applicable to the RSUs, dividend equivalents, and associated Stock ("RSU Taxes"). In this regard, you authorize the Corporation to withhold all RSU Taxes legally payable by you from your wages or other cash compensation paid to you by the Corporation or, if permissible under applicable legal requirements, from dividend equivalents or proceeds from the vesting of the RSUs or the sale of the underlying Stock in an amount sufficient to cover the RSU Taxes. You acknowledge and agree that the Corporation may refuse to deliver Stock if such withholding amounts are not delivered at the time of vesting or payment. To the extent that the amounts withheld by the Corporation are insufficient to satisfy the RSU Taxes, you shall pay to the Corporation any additional amount of the RSU Taxes that may be required to be withheld as a result of your participation in the Plan. You acknowledge and agree that withholding obligations may change from time to time as laws or their interpretations change, and regardless of the Corporation's actions with respect to the RSU Taxes, the ultimate liability for any and all RSU Taxes is and shall remain your responsibility, and that the Corporation (a) makes no representation or undertaking regarding the treatment of any RSU Taxes in connection with any aspect of the grant of the RSUs, including the payment of dividend equivalents, the grant or vesting of the RSUs, and the subsequent sale of Stock acquired under the Plan; and (b) does not commit to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate your liability for RSU Taxes.

You understand that you may suffer adverse tax consequences as a result of your purchase or disposition of the Stock. You represent that you will consult with your own tax advisors in connection with the purchase or disposition of the Stock and that you are not relying on the Corporation for any tax advice.

AMENDMENT AND TERMINATION OF PLAN OR AWARDS

As provided in Section 9 of the Plan, subject to certain limitations contained within Section 9, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time alter or amend 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.

DATA PRIVACY CONSENT

You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by and among the Corporation for the exclusive purpose of implementing, administering and managing your participation in the Plan.

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

ACCEPTANCE OF AWARD

No Award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. If you desire to accept this Award, you must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Point 123, 6801 Rockledge Drive, Bethesda MD 20817

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

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from this internet site (<http://www.etrade.com/stockplans>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

EMPLOYEE ACKNOWLEDGMENT

You acknowledge and agree as follows:

- (a) the Plan is discretionary in nature and that the Committee may amend, suspend, or terminate it at any time;
- (b) the grant of the RSUs are voluntary and occasional and does not create any contractual or other right to receive future grants of any RSUs, or benefits in lieu of any RSUs even if RSUs have been granted repeatedly in the past;
- (c) all determinations with respect to such future RSUs, if any, including but not limited to the times when RSUs shall be granted or when RSUs shall vest, will be at the sole discretion of the Committee;
- (d) your participation in the Plan is voluntary;
- (e) the value of the RSUs are an extraordinary item of compensation, which is outside the scope of your employment contract (if any), except as may otherwise be explicitly provided in your employment contract;

(f) the RSUs are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating termination, severance, resignation, redundancy, end of service, or similar payments, or bonuses, long-service awards, pension or retirement benefits;

(g) the RSUs shall expire upon termination of your employment for any reason except as may otherwise be explicitly provided in the Plan and this Award Agreement;

(h) the future value of the shares is unknown and cannot be predicted with certainty; and

(i) no claim or entitlement to compensation or damages arises from the termination of the RSUs or diminution in value of the RSUs or Stock and you irrevocably release the Corporation and your employer from any such claim that may arise.

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 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.

Sincerely,

David Filomeo
(On Behalf of the Management Development and Compensation
Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

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

Dear Optionee:

The Management Development and Compensation Committee (the "Committee") of Lockheed Martin Corporation's Board of Directors has awarded to you options to purchase shares of Lockheed Martin Common Stock ("Stock") under the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan").

This letter is your Award Agreement and sets forth some of the terms and conditions of your award. Additional terms and conditions are contained in the Plan and in the Prospectus relating to the Plan of which the Plan document and this Award Agreement are a part. By accepting this Award Agreement electronically, you consent to electronic delivery of the Prospectus applicable to these Options. You should retain the Prospectus in your records.

The term "Options" as used in this Award Agreement refers only to the nonqualified stock options awarded to you under this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its subsidiaries.

Your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office as instructed below as soon as possible. **Please note that by accepting the award you agree to be bound by the restrictions contained under the heading below "Post-Employment Covenants" and in Exhibit A attached to this Agreement.**

EXERCISE PRICE

The exercise price of the Options granted hereunder is \$106.87 per Option. Under certain circumstances set forth in the Plan and this Award Agreement, this exercise price may be subject to adjustment.

The Committee presently allows the exercise price of an Option to be paid in cash, by the tender of Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment, nor will fractional shares be issued. The Committee retains the discretion to, at any time, limit the method of payment to cash. If you elect to pay with Stock, you must have owned the shares tendered for at least six months. If Stock is tendered, it will be valued at its Fair Market Value on the date of tender.

VESTING/EXPIRATION/FORFEITURE

General Rule - An Option may not be exercised until it has vested, nor may an Option be exercised after its expiration or forfeiture. Subject to certain special rules discussed below, if you remain in the employ of the Corporation until the applicable date of vesting, the vesting schedule for your Options is as follows:

First Vesting Date: January 28, 2009 – One-Third
Second Vesting Date: January 28, 2010 – One-Third
Third Vesting Date: January 28, 2011 – One-Third

If the number of Options granted cannot be evenly divided by three into whole shares, the fractional shares will vest on the Third Vesting Date. If you leave the employ of the Corporation before the date on which an Option vests, that Option is forfeited.

Vested Options, except as otherwise provided in this letter, or in the Plan, or as may be restricted by law, may be exercised for a period ending on January 26, 2018. Options not exercised by that date will be forfeited.

You should make every effort to keep the Vice President of Compensation and Benefits' office informed of your current address so that we may communicate with you about your options and their current status. The Corporation cannot exercise the options for you, and so you must pay close attention to their terms and any impending expiration.

SPECIAL RULES AS TO VESTING

Retirement - If you retire before the First Vesting Date, you will forfeit all of the Options in accordance with the general rule set forth above. If you retire on or after the First Vesting Date, you will vest in the remaining Options on the Second Vesting Date and the Third Vesting Date as though you had remained in the employ of the Corporation through those dates. For the purposes of this provision, the term "retirement" means retirement from service under the terms of the Corporation's 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.

Death or Disability - Your Options will immediately vest and no longer be subject to the continuing employment requirement if:

- (i) you die while still employed by the Corporation; 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).

SPECIAL RULES AS TO EXPIRATION AND FORFEITURE

Death or Disability - Options will expire at the end of their remaining term on January 26, 2018.

Resignation, Lay-Off or Termination for Cause - If you resign or otherwise terminate, whether voluntarily or by action of the Corporation and in the latter case whether with or without "cause," unvested Options will be forfeited upon your termination. Vested Options will expire at the end of their remaining term or 30 calendar days following your resignation or termination, whichever is shorter. If you are laid off, your options will be unaffected, and will vest and be exercisable until the end of their remaining term, in accordance with the terms of the Plan.

Divestiture - 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 transfer of such employment to the other party to the divestiture, the special rules in this paragraph will apply. Following a divestiture, you will continue to vest in your unvested options as though you had remained in the employ of the Corporation. Your vested options will be exercisable until the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Divestiture Expiration Date"). If you die following divestiture but prior to the Divestiture Expiration Date, all unvested options will immediately vest as of the date of death and be exercisable by your beneficiary until the Divestiture Expiration Date. 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 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, one or more of the Corporation's subsidiaries or by a combination thereof.

LIMITATIONS ON EXERCISE

Notwithstanding any other provision herein, no Option may be exercised less than six months nor more than ten years after the date of grant. Further, from time to time, your ability to exercise Options which otherwise would be exercisable may be restricted, if in the opinion of counsel for the Corporation, this is necessary or advisable in order to ensure compliance with applicable Federal or state law, rules or regulations.

ASSIGNMENT/TRANSFERABILITY/BENEFICIARIES

Options may not be pledged, assigned or transferred except that Options may be transferred by will or by the laws of descent and distribution or you may provide that, upon your death, the Options are to be transferred to a beneficiary or beneficiaries that you designate. To designate a beneficiary or beneficiaries, please complete the Beneficiary Designation located at <http://www.etrade.com/stockplans> and return an originally executed copy to the Vice President of Compensation and Benefits' office (Mail Point 123).

During your lifetime, only you may exercise your Options. In the event of your death or disability, your Options may be exercised by a qualified representative of your estate, a properly designated beneficiary or beneficiaries or your guardian or authorized representative, as applicable.

TAX WITHHOLDING

When you exercise an Option, the Corporation will withhold applicable taxes as required by law. The Committee presently allows you to pay the withholding tax in cash, by tendering Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment. The Committee retains the discretion to, at any time, limit the method of payment to cash. Unlike payment of the exercise price of the Options, if you elect to pay withholding taxes with Stock, you need not have owned the shares tendered for at least six months. Payment must be made at the time of exercise. To the extent that cash is not tendered, the Corporation will retain from the shares of Stock that you would otherwise receive upon exercise of the Option that number of shares sufficient to satisfy the withholding obligation. If Stock is tendered or is deemed to have been tendered, it will be valued at its Fair Market Value.

Withholding will be at the minimum rate prescribed by law. Therefore, you may owe taxes relating to the exercise in addition to the amount withheld by the Corporation. If you desire, you may request that tax be withheld at greater than the minimum rate.

Special Note for Section 16 Insiders - The Corporation's Section 16 Insiders have been informed of this fact by the Board of Directors. If you are a Section 16 Insider, your ability to satisfy your withholding obligations through the tender of Stock may be limited by the Federal securities laws. In these situations, having such treatment deemed to occur may have adverse consequences. The Corporation recommends that you consult with the Office of the General Counsel or the Office of the Corporate Secretary before entering into any transactions involving your Options or Stock.

CHANGE IN CONTROL

In the event of a change in control of the Corporation, as defined in Section 7 of the Plan, the vesting date of all outstanding options shall be accelerated so as to cause all outstanding options to become exercisable.

AMENDMENT AND TERMINATION OF THE PLAN OR AWARDS

As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall affect this Award Agreement or the award made hereunder in any manner adverse to you without your written consent.

ACCEPTANCE OF AWARD

No award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. You must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Point 123, 6801 Rockledge Drive, Bethesda MD 20817

Assuming prompt and proper acceptance of this Award Agreement as described, this award will be effective as of the date of grant. If you do not acknowledge acceptance of your award, it will not be effective and you will not be able to exercise the options.

POST-EMPLOYMENT COVENANTS

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

MISCELLANEOUS

For the purpose of calculating the expiration date of the Options, all Options will be deemed to expire on January 26, 2018 at the close of trading in Lockheed Martin Corporation common stock on the New York Stock Exchange (or, if the security is not so listed or if the principal market on which it is traded is not the New York Stock Exchange, such other reporting system as shall be selected by the Committee). If you are on leave of absence, for the purposes of the Plan, you will be considered to still be in the employ of the Corporation unless otherwise provided in an agreement between you and the Corporation.

Your participation in the Plan, anything contained in this Award Agreement, or the grant of Options does not confer upon you any right of continued employment or limit in any way the right of the Corporation to terminate your employment at any time.

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

Sincerely,

David Filomeo
(On behalf of the Management Development and Compensation
Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

Exhibit A

Post Employment Conduct Agreement
(Stock Option Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with a Grant Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of stock options to me under the Award Agreement (the "Options") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the Options, I agree as follows:

1. Restrictions Following Termination of Employment.

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

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

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

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the “Confidential or Proprietary Information” (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation’s Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, “Confidential or Proprietary Information” means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person’s or entity’s employees or agents in an unauthorized manner, might be detrimental to the person’s or entity’s interests. Confidential or Proprietary Information may include, but is not limited to:

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

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

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

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

- (iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation.
- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have exercised any of the Options and continue to own the shares of Common Stock of the Corporation issued or issuable upon exercise of the Options, the shares of Common Stock so acquired upon exercise; (ii) to the extent I have exercised any of the Options and no longer own the shares of Common Stock of the Corporation issued or issuable upon exercise of the Options, cash in an amount equal to the fair market value of such shares on the date of the event set forth in Section 3(a) (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of Common Stock as finally reported by the New York Stock Exchange on such date), and (iii) to the extent I have not exercised the Options fully, all of my remaining rights, title or interest in the Options.

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

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

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

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

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

7. Miscellaneous.

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

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

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

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

This PECA is effective as of the acceptance by me of the award of stock options under the Award Agreement.

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

Dear Awardee:

The Management Development and Compensation Committee of the Board of Directors ("Committee") 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 and the Plan, to receive from Lockheed Martin Corporation ("Corporation") (i) one (1) share of the Corporation's common stock, par value \$1.00 per share, ("Stock"); and (ii) quarterly cash payments equivalent to any cash dividends paid to stockholders of the Corporation, each in accordance with the terms of this letter, the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan ("Plan"), and any rules and procedures adopted by the Committee.

This letter constitutes the Award Agreement for your RSUs and sets forth some of the terms and conditions of your Award under the Plan, as determined by the Committee. Additional terms and conditions 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 an employee during the Restricted Period set forth below. If you do not continue to perform services for the Corporation as an employee during the entire Restricted Period, 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 Vice President of Compensation and Benefits' office as instructed below as soon as possible. The Committee has authorized electronic means for the 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. **Acceptance**

of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award. Please note that by accepting the award you agree to be bound by the restrictions contained under the heading below “Post-Employment Covenants” and in Exhibit A attached to this Agreement.

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). If your acknowledgement is not received, your Award will not be effective.

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 (either in paper or book entry form) 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 right to vote on any matter put to stockholder vote, to receive dividends, and to encumber, sell or otherwise transfer the shares. You should note, however, that, while the shares would thus be free of the restrictions imposed during the Restricted Period, your ability to sell 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 at <http://www.etrade.com/stockplans> and returning it to the Vice President of Compensation and Benefits' office at the address below.

If, at your death, a completed beneficiary designation form is not on file at the Vice President of Compensation and Benefits' 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 January 28, 2011 (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

At its first meeting after the Corporation finalizes the financial results for the year ending December 31, 2008, the Committee will multiply the number of RSUs awarded to you under this Award Agreement by the Fair Market Value of Stock on the Award Date (\$106.87) ("RSU Award Value"). The Committee will then compare your RSU Award Value to the product of 0.04% and the Corporation's Cash Flow for the year ending December 31, 2008 (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 (\$106.87).

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 2008 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 Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the 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 an Employee of the Corporation until the expiration or termination of the Restricted Period, which will occur on January 28, 2011, 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; 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 Corporation's 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 January 28, 2009, you will forfeit all of your RSUs in accordance with the general rule requiring continued employment during the Restricted Period. If you are laid off on or after January 28, 2009, your RSUs will continue to be subject to forfeiture to the extent of any Performance Shortfall certified by the Committee 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:

- (i) you will vest in one third (1/3) of your RSUs if your layoff is effective on or after the first anniversary of the Award Date (January 28, 2009), but before the second anniversary of the Award Date (January 28, 2010); and
- (ii) you will vest in two thirds (2/3) of your RSUs if your layoff is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2009, 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 January 28, 2009, your RSUs will continue to be subject to forfeiture to the extent of any Performance Shortfall certified by the Committee 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:

- (i) you will vest in one third (1/3) of your RSUs if your retirement is effective on or after the first anniversary of the Award Date (January 28, 2009), but before the second anniversary of the Award Date (January 28, 2010); and
- (ii) you will vest in two thirds (2/3) of your RSUs if your retirement is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2011, other than on account of death, disability, layoff, or retirement, (or Divestiture or Change in Control as described below) 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

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 Committee 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.

ACCEPTANCE OF AWARD

No Award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. If you desire to accept this Award, you must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Stop 123, 6801 Rockledge Drive, Bethesda MD 20817

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

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from this internet site (<http://www.etrade.com/stockplans>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

POST-EMPLOYMENT COVENANTS

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

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 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.

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from this internet site (<http://www.etrade.com/stockplans>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

Sincerely,

David Filomeo
(On behalf of the Management Development and Compensation
Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

Exhibit A

Post Employment Conduct Agreement
(RSU Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of restricted stock units to me under the Award Agreement (the "RSUs") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the RSUs, I agree as follows:

1. Restrictions Following Termination of Employment.

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

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

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

(c) Protection of Proprietary Information - Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

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

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

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

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have earned any of the RSUs and continue to own the shares of Common Stock of the Corporation issued or issuable in respect of the RSUs, the shares of Common Stock so acquired; (ii) to the extent I have earned any of the RSUs and no longer own the shares of Common Stock of the Corporation issued or issuable in respect of the RSUs, cash in an amount equal to the fair market value of such shares on the date of the event set forth in Section 3(a) (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of Common Stock as finally reported by the New York Stock Exchange on such date), and (iii) to the extent I have not earned the RSUs fully, all of my remaining rights, title or interest in the RSUs.

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

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

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

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

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

7. Miscellaneous.

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

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

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

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

This PECA is effective as of the acceptance by me of the award of RSUs under the Award Agreement.

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

Dear Optionee:

The Management Development and Compensation Committee (the "Committee") of Lockheed Martin Corporation's Board of Directors has awarded to you options to purchase shares of Lockheed Martin Common Stock ("Stock") under the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan").

This letter is your Award Agreement and sets forth some of the terms and conditions of your award. Additional terms and conditions are contained in the Plan and in the Prospectus relating to the Plan of which the Plan document and this Award Agreement are a part. By accepting this Award Agreement electronically, you consent to electronic delivery of the Prospectus applicable to these Options. You should retain the Prospectus in your records.

The term "Options" as used in this Award Agreement refers only to the nonqualified stock options awarded to you under this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its subsidiaries.

Your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office as instructed below as soon as possible. **Please note that by accepting the award you agree to be bound by the restrictions contained under the heading below "Post-Employment Covenants" and in Exhibit A attached to this Agreement.**

EXERCISE PRICE

The exercise price of the Options granted hereunder is \$106.87 per Option. Under certain circumstances set forth in the Plan and this Award Agreement, this exercise price may be subject to adjustment.

The Committee presently allows the exercise price of an Option to be paid in cash, by the tender of Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment, nor will fractional shares be issued. The Committee retains the discretion to, at any time, limit the method of payment to cash. If you elect to pay with Stock, you must have owned the shares tendered for at least six months. If Stock is tendered, it will be valued at its Fair Market Value on the date of tender.

VESTING/EXPIRATION/FORFEITURE

General Rule - An Option may not be exercised until it has vested, nor may an Option be exercised after its expiration or forfeiture. Subject to certain special rules discussed below, if you remain in the employ of the Corporation until the applicable date of vesting, the vesting schedule for your Options is as follows:

First Vesting Date: January 28, 2009 – One-Third
Second Vesting Date: January 28, 2010 – One-Third
Third Vesting Date: January 28, 2011 – One-Third

If the number of Options granted cannot be evenly divided by three into whole shares, the fractional shares will vest on the Third Vesting Date. If you leave the employ of the Corporation before the date on which an Option vests, that Option is forfeited.

Vested Options, except as otherwise provided in this letter, or in the Plan, or as may be restricted by law, may be exercised for a period ending on January 26, 2018. Options not exercised by that date will be forfeited.

You should make every effort to keep the Vice President of Compensation and Benefits' office informed of your current address so that we may communicate with you about your options and their current status. The Corporation cannot exercise the options for you, and so you must pay close attention to their terms and any impending expiration.

SPECIAL RULES AS TO VESTING

Retirement - If you retire before the First Vesting Date, you will forfeit all of the Options in accordance with the general rule set forth above. If you retire on or after the First Vesting Date, you will vest in the remaining Options on the Second Vesting Date and the Third Vesting Date as though you had remained in the employ of the Corporation through those dates. For the purposes of this provision, the term "retirement" means retirement from service under the terms of the Corporation's 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.

Death or Disability - Your Options will immediately vest and no longer be subject to the continuing employment requirement if:

- (i) you die while still employed by the Corporation; 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).

SPECIAL RULES AS TO EXPIRATION AND FORFEITURE

Death or Disability - Options will expire at the end of their remaining term on January 26, 2018.

Resignation, Lay-Off or Termination for Cause - If you resign or otherwise terminate, whether voluntarily or by action of the Corporation and in the latter case whether with or without "cause," unvested Options will be forfeited upon your termination. Vested Options will expire at the end of their remaining term or 30 calendar days following your resignation or termination, whichever is shorter. If you are laid off, your options will be unaffected, and will vest and be exercisable until the end of their remaining term, in accordance with the terms of the Plan.

Divestiture - 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 transfer of such employment to the other party to the divestiture, the special rules in this paragraph will apply. Following a divestiture, you will continue to vest in your unvested options as though you had remained in the employ of the Corporation. Your vested options will be exercisable until the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Divestiture Expiration Date"). If you die following divestiture but prior to the Divestiture Expiration Date, all unvested options will immediately vest as of the date of death and be exercisable by your beneficiary until the Divestiture Expiration Date. 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 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, one or more of the Corporation's subsidiaries or by a combination thereof.

LIMITATIONS ON EXERCISE

Notwithstanding any other provision herein, no Option may be exercised less than six months nor more than ten years after the date of grant. Further, from time to time, your ability to exercise Options which otherwise would be exercisable may be restricted, if in the opinion of counsel for the Corporation, this is necessary or advisable in order to ensure compliance with applicable Federal or state law, rules or regulations.

ASSIGNMENT/TRANSFERABILITY/BENEFICIARIES

Options may not be pledged, assigned or transferred except that Options may be transferred by will or by the laws of descent and distribution or you may provide that, upon your death, the Options are to be transferred to a beneficiary or beneficiaries that you designate. To designate a beneficiary or beneficiaries, please complete the Beneficiary Designation located at <http://www.etrade.com/stockplans> and return an originally executed copy to the Vice President of Compensation and Benefits' office (Mail Point 123).

During your lifetime, only you may exercise your Options. In the event of your death or disability, your Options may be exercised by a qualified representative of your estate, a properly designated beneficiary or beneficiaries or your guardian or authorized representative, as applicable.

TAX WITHHOLDING

When you exercise an Option, the Corporation will withhold applicable taxes as required by law. The Committee presently allows you to pay the withholding tax in cash, by tendering Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment. The Committee retains the discretion to, at any time, limit the method of payment to cash. Unlike payment of the exercise price of the Options, if you elect to pay withholding taxes with Stock, you need not have owned the shares tendered for at least six months. Payment must be made at the time of exercise. To the extent that cash is not tendered, the Corporation will retain from the shares of Stock that you would otherwise receive upon exercise of the Option that number of shares sufficient to satisfy the withholding obligation. If Stock is tendered or is deemed to have been tendered, it will be valued at its Fair Market Value.

Withholding will be at the minimum rate prescribed by law. Therefore, you may owe taxes relating to the exercise in addition to the amount withheld by the Corporation. If you desire, you may request that tax be withheld at greater than the minimum rate.

Special Note for Section 16 Insiders - The Corporation's Section 16 Insiders have been informed of this fact by the Board of Directors. If you are a Section 16 Insider, your ability to satisfy your withholding obligations through the tender of Stock may be limited by the Federal securities laws. In these situations, having such treatment deemed to occur may have adverse consequences. The Corporation recommends that you consult with the Office of the General Counsel or the Office of the Corporate Secretary before entering into any transactions involving your Options or Stock.

CHANGE IN CONTROL

In the event of a change in control of the Corporation, as defined in Section 7 of the Plan, the vesting date of all outstanding options shall be accelerated so as to cause all outstanding options to become exercisable.

AMENDMENT AND TERMINATION OF THE PLAN OR AWARDS

As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall affect this Award Agreement or the award made hereunder in any manner adverse to you without your written consent.

ACCEPTANCE OF AWARD

No award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. You must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Point 123, 6801 Rockledge Drive, Bethesda MD 20817

Assuming prompt and proper acceptance of this Award Agreement as described, this award will be effective as of the date of grant. If you do not acknowledge acceptance of your award, it will not be effective and you will not be able to exercise the options.

POST-EMPLOYMENT COVENANTS

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

MISCELLANEOUS

For the purpose of calculating the expiration date of the Options, all Options will be deemed to expire on January 26, 2018 at the close of trading in Lockheed Martin Corporation common stock on the New York Stock Exchange (or, if the security is not so listed or if the principal market on which it is traded is not the New York Stock Exchange, such other reporting system as shall be selected by the Committee). If you are on leave of absence, for the purposes of the Plan, you will be considered to still be in the employ of the Corporation unless otherwise provided in an agreement between you and the Corporation.

Your participation in the Plan, anything contained in this Award Agreement, or the grant of Options does not confer upon you any right of continued employment or limit in any way the right of the Corporation to terminate your employment at any time.

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

Sincerely,

David Filomeo
(On behalf of the Management Development and
Compensation Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

Exhibit A

Post Employment Conduct Agreement
(Stock Option Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with a Grant Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of stock options to me under the Award Agreement (the "Options") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the Options, I agree as follows:

1. Restrictions Following Termination of Employment.

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

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

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

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the “Confidential or Proprietary Information” (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation’s Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, “Confidential or Proprietary Information” means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person’s or entity’s employees or agents in an unauthorized manner, might be detrimental to the person’s or entity’s interests. Confidential or Proprietary Information may include, but is not limited to:

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

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

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

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

- (iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation.
- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have exercised any of the Options and continue to own the shares of Common Stock of the Corporation issued or issuable upon exercise of the Options, the shares of Common Stock so acquired upon exercise; (ii) to the extent I have exercised any of the Options and no longer own the shares of Common Stock of the Corporation issued or issuable upon exercise of the Options, cash in an amount equal to the fair market value of such shares on the date of the event set forth in Section 3(a) (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of Common Stock as finally reported by the New York Stock Exchange on such date), and (iii) to the extent I have not exercised the Options fully, all of my remaining rights, title or interest in the Options.

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

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

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

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

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

7. Miscellaneous.

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

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

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

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

This PECA is effective as of the acceptance by me of the award of stock options under the Award Agreement.

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

Dear Awardee:

The Management Development and Compensation Committee of the Board of Directors ("Committee") 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 and the Plan, to receive from Lockheed Martin Corporation ("Corporation") (i) one (1) share of the Corporation's common stock, par value \$1.00 per share, ("Stock"); and (ii) quarterly cash payments equivalent to any cash dividends paid to stockholders of the Corporation, each in accordance with the terms of this letter, the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan ("Plan"), and any rules and procedures adopted by the Committee.

This letter constitutes the Award Agreement for your RSUs and sets forth some of the terms and conditions of your Award under the Plan, as determined by the Committee. Additional terms and conditions 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 an employee during the Restricted Period set forth below. If you do not continue to perform services for the Corporation as an employee during the entire Restricted Period, 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 Vice President of Compensation and Benefits' office as instructed below as soon as possible. The Committee has authorized electronic means for the 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. **Acceptance**

of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award. Please note that by accepting the award you agree to be bound by the restrictions contained under the heading below “Post-Employment Covenants” and in Exhibit A attached to this Agreement.

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). If your acknowledgement is not received, your Award will not be effective.

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 (either in paper or book entry form) 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 right to vote on any matter put to stockholder vote, to receive dividends, and to encumber, sell or otherwise transfer the shares. You should note, however, that, while the shares would thus be free of the restrictions imposed during the Restricted Period, your ability to sell 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 at <http://www.etrade.com/stockplans> and returning it to the Vice President of Compensation and Benefits' office at the address below.

If, at your death, a completed beneficiary designation form is not on file at the Vice President of Compensation and Benefits' 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 January 28, 2011 (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

At its first meeting after the Corporation finalizes the financial results for the year ending December 31, 2008, the Committee will multiply the number of RSUs awarded to you under this Award Agreement by the Fair Market Value of Stock on the Award Date (\$106.87) ("RSU Award Value"). The Committee will then compare your RSU Award Value to the product of 0.04% and the Corporation's Cash Flow for the year ending December 31, 2008 (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 (\$106.87).

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 2008 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 Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the 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 an Employee of the Corporation until the expiration or termination of the Restricted Period, which will occur on January 28, 2011, 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; 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 Corporation's 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 January 28, 2009, you will forfeit all of your RSUs in accordance with the general rule requiring continued employment during the Restricted Period. If you are laid off on or after January 28, 2009, your RSUs will continue to be subject to forfeiture to the extent of any Performance Shortfall certified by the Committee 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:

- (i) you will vest in one third (1/3) of your RSUs if your layoff is effective on or after the first anniversary of the Award Date (January 28, 2009), but before the second anniversary of the Award Date (January 28, 2010); and
- (ii) you will vest in two thirds (2/3) of your RSUs if your layoff is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2009, 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 January 28, 2009, your RSUs will continue to be subject to forfeiture to the extent of any Performance Shortfall certified by the Committee 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:

- (i) you will vest in one third (1/3) of your RSUs if your retirement is effective on or after the first anniversary of the Award Date (January 28, 2009), but before the second anniversary of the Award Date (January 28, 2010); and
- (ii) you will vest in two thirds (2/3) of your RSUs if your retirement is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2011, other than on account of death, disability, layoff, or retirement, (or Divestiture or Change in Control as described below) 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

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 Committee 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.

ACCEPTANCE OF AWARD

No Award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. If you desire to accept this Award, you must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>

- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Stop 123, 6801 Rockledge Drive, Bethesda MD 20817

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

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from this internet site (<http://www.etrade.com/stockplans>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

POST-EMPLOYMENT COVENANTS

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

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 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.

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from this internet site (<http://www.etrade.com/stockplans>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

Sincerely,

David Filomeo
(On behalf of the Management Development and Compensation
Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

Exhibit A

Post Employment Conduct Agreement
(RSU Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of restricted stock units to me under the Award Agreement (the "RSUs") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the RSUs, I agree as follows:

1. Restrictions Following Termination of Employment.

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

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

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

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the “Confidential or Proprietary Information” (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation’s Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, “Confidential or Proprietary Information” means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person’s or entity’s employees or agents in an unauthorized manner, might be detrimental to the person’s or entity’s interests. Confidential or Proprietary Information may include, but is not limited to:

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

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

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

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have earned any of the RSUs and continue to own the shares of Common Stock of the Corporation issued or issuable in respect of the RSUs, the shares of Common Stock so acquired; (ii) to the extent I have earned any of the RSUs and no longer own the shares of Common Stock of the Corporation issued or issuable in respect of the RSUs, cash in an amount equal to the fair market value of such shares on the date of the event set forth in Section 3(a) (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of Common Stock as finally reported by the New York Stock Exchange on such date), and (iii) to the extent I have not earned the RSUs fully, all of my remaining rights, title or interest in the RSUs.

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

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

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

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

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

7. Miscellaneous.

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

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

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

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

This PECA is effective as of the acceptance by me of the award of RSUs under the Award Agreement.

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

Dear Optionee:

The Management Development and Compensation Committee (the "Committee") of Lockheed Martin Corporation's Board of Directors has awarded to you options to purchase shares of Lockheed Martin Common Stock ("Stock") under the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan").

This letter is your Award Agreement and sets forth some of the terms and conditions of your award. Additional terms and conditions are contained in the Plan and in the Prospectus relating to the Plan of which the Plan document and this Award Agreement are a part. By accepting this Award Agreement electronically, you consent to electronic delivery of the Prospectus applicable to these Options. You should retain the Prospectus in your records.

The term "Options" as used in this Award Agreement refers only to the nonqualified stock options awarded to you under this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its subsidiaries.

Your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office as instructed below as soon as possible. **Please note that by accepting the award you agree to be bound by the restrictions contained under the heading below "Post-Employment Covenants" and in Exhibit A attached to this Agreement.**

EXERCISE PRICE

The exercise price of the Options granted hereunder is \$106.87 per Option. Under certain circumstances set forth in the Plan and this Award Agreement, this exercise price may be subject to adjustment.

The Committee presently allows the exercise price of an Option to be paid in cash, by the tender of Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment, nor will fractional shares be issued. The Committee retains the discretion to, at any time, limit the method of payment to cash. If you elect to pay with Stock, you must have owned the shares tendered for at least six months. If Stock is tendered, it will be valued at its Fair Market Value on the date of tender.

VESTING/EXPIRATION/FORFEITURE

General Rule - An Option may not be exercised until it has vested, nor may an Option be exercised after its expiration or forfeiture. Subject to certain special rules discussed below, if you remain in the employ of the Corporation until the applicable date of vesting, the vesting schedule for your Options is as follows:

First Vesting Date: January 28, 2009 – One-Third
Second Vesting Date: January 28, 2010 – One-Third
Third Vesting Date: January 28, 2011 – One-Third

If the number of Options granted cannot be evenly divided by three into whole shares, the fractional shares will vest on the Third Vesting Date. If you leave the employ of the Corporation before the date on which an Option vests, that Option is forfeited.

Vested Options, except as otherwise provided in this letter, or in the Plan, or as may be restricted by law, may be exercised for a period ending on January 26, 2018. Options not exercised by that date will be forfeited.

You should make every effort to keep the Vice President of Compensation and Benefits' office informed of your current address so that we may communicate with you about your options and their current status. The Corporation cannot exercise the options for you, and so you must pay close attention to their terms and any impending expiration.

SPECIAL RULES AS TO VESTING

Retirement - If you retire before the First Vesting Date, you will forfeit all of the Options in accordance with the general rule set forth above. If you retire on or after the First Vesting Date, you will vest in the remaining Options on the Second Vesting Date and the Third Vesting Date as though you had remained in the employ of the Corporation through those dates. For the purposes of this provision, the term "retirement" means retirement from service under the terms of the Corporation's 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.

Death or Disability - Your Options will immediately vest and no longer be subject to the continuing employment requirement if:

- (i) you die while still employed by the Corporation; 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).

SPECIAL RULES AS TO EXPIRATION AND FORFEITURE

Death or Disability - Options will expire at the end of their remaining term on January 26, 2018.

Resignation, Lay-Off or Termination for Cause - If you resign or otherwise terminate, whether voluntarily or by action of the Corporation and in the latter case whether with or without "cause," unvested Options will be forfeited upon your termination. Vested Options will expire at the end of their remaining term or 30 calendar days following your resignation or termination, whichever is shorter. If you are laid off, your options will be unaffected, and will vest and be exercisable until the end of their remaining term, in accordance with the terms of the Plan.

Divestiture - 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 transfer of such employment to the other party to the divestiture, the special rules in this paragraph will apply. Following a divestiture, you will continue to vest in your unvested options as though you had remained in the employ of the Corporation. Your vested options will be exercisable until the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Divestiture Expiration Date"). If you die following divestiture but prior to the Divestiture Expiration Date, all unvested options will immediately vest as of the date of death and be exercisable by your beneficiary until the Divestiture Expiration Date. 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 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, one or more of the Corporation's subsidiaries or by a combination thereof.

LIMITATIONS ON EXERCISE

Notwithstanding any other provision herein, no Option may be exercised less than six months nor more than ten years after the date of grant. Further, from time to time, your ability to exercise Options which otherwise would be exercisable may be restricted, if in the opinion of counsel for the Corporation, this is necessary or advisable in order to ensure compliance with applicable Federal or state law, rules or regulations.

ASSIGNMENT/TRANSFERABILITY/BENEFICIARIES

Options may not be pledged, assigned or transferred except that Options may be transferred by will or by the laws of descent and distribution or you may provide that, upon your death, the Options are to be transferred to a beneficiary or beneficiaries that you designate. To designate a beneficiary or beneficiaries, please complete the Beneficiary Designation located at <http://www.etrade.com/stockplans> and return an originally executed copy to the Vice President of Compensation and Benefits' office (Mail Point 123).

During your lifetime, only you may exercise your Options. In the event of your death or disability, your Options may be exercised by a qualified representative of your estate, a properly designated beneficiary or beneficiaries or your guardian or authorized representative, as applicable.

TAX WITHHOLDING

When you exercise an Option, the Corporation will withhold applicable taxes as required by law. The Committee presently allows you to pay the withholding tax in cash, by tendering Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment. The Committee retains the discretion to, at any time, limit the method of payment to cash. Unlike payment of the exercise price of the Options, if you elect to pay withholding taxes with Stock, you need not have owned the shares tendered for at least six months. Payment must be made at the time of exercise. To the extent that cash is not tendered, the Corporation will retain from the shares of Stock that you would otherwise receive upon exercise of the Option that number of shares sufficient to satisfy the withholding obligation. If Stock is tendered or is deemed to have been tendered, it will be valued at its Fair Market Value.

Withholding will be at the minimum rate prescribed by law. Therefore, you may owe taxes relating to the exercise in addition to the amount withheld by the Corporation. If you desire, you may request that tax be withheld at greater than the minimum rate.

Special Note for Section 16 Insiders - The Corporation's Section 16 Insiders have been informed of this fact by the Board of Directors. If you are a Section 16 Insider, your ability to satisfy your withholding obligations through the tender of Stock may be limited by the Federal securities laws. In these situations, having such treatment deemed to occur may have adverse consequences. The Corporation recommends that you consult with the Office of the General Counsel or the Office of the Corporate Secretary before entering into any transactions involving your Options or Stock.

CHANGE IN CONTROL

In the event of a change in control of the Corporation, as defined in Section 7 of the Plan, the vesting date of all outstanding options shall be accelerated so as to cause all outstanding options to become exercisable.

AMENDMENT AND TERMINATION OF THE PLAN OR AWARDS

As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall affect this Award Agreement or the award made hereunder in any manner adverse to you without your written consent.

ACCEPTANCE OF AWARD

No award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. You must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Point 123, 6801 Rockledge Drive, Bethesda MD 20817

Assuming prompt and proper acceptance of this Award Agreement as described, this award will be effective as of the date of grant. If you do not acknowledge acceptance of your award, it will not be effective and you will not be able to exercise the options.

POST-EMPLOYMENT COVENANTS

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

MISCELLANEOUS

For the purpose of calculating the expiration date of the Options, all Options will be deemed to expire on January 26, 2018 at the close of trading in Lockheed Martin Corporation common stock on the New York Stock Exchange (or, if the security is not so listed or if the principal market on which it is traded is not the New York Stock Exchange, such other reporting system as shall be selected by the Committee). If you are on leave of absence, for the purposes of the Plan, you will be considered to still be in the employ of the Corporation unless otherwise provided in an agreement between you and the Corporation.

Your participation in the Plan, anything contained in this Award Agreement, or the grant of Options does not confer upon you any right of continued employment or limit in any way the right of the Corporation to terminate your employment at any time.

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

Sincerely,

David Filomeo
(On behalf of the Management Development and Compensation
Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

Exhibit A

Post Employment Conduct Agreement
(Stock Option Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with a Grant Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of stock options to me under the Award Agreement (the "Options") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the Options, I agree as follows:

1. Protective Covenants

(a) Protection of Proprietary Information, including Trade Secrets and Confidential Information – Except to the extent required by law, following my Termination Date, and in conformance with the provisions of the California Uniform Trade Secrets Act (Cal. Civil Code § 3426, et seq.) and the California Unfair Competition Law (Cal. Business and Professional Code § 17220 et seq.), I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity, for the purpose or effect of competing unfairly with the Corporation, of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

- (i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, or

- (ii) existing or contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, or production processes. Or
- (iii) any information protected by the California Uniform Trade Secrets Act (Cal. Civil Code § 3426, et seq.).

(b) Non-Solicit - Without the express written consent of the Chief Executive Officer of the Corporation, during the two-year period following the Termination Date, I will not induce or attempt to induce any person who is an employee of the Corporation to perform work or services for any entity other than the Corporation. This provision does not prevent the hiring of such persons so long as they are not induced to be one employed in violation of this provision.

(c) No disparagement - Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Corporation or its stockholders, directors, officers, employees, agents, attorneys, representatives, technology, products or services with respect to any matter whatsoever.

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

2. Consideration and Acknowledgement. I acknowledge and agree that the benefits and compensation opportunities being made available to me under the Award Agreement are in addition to the benefits and compensation opportunities that otherwise are or would be available to me in connection with my employment by the Corporation and that the grant of the Options is expressly made contingent upon my agreements with the Corporation set forth in this PECA. I acknowledge that the scope and duration of the restrictions in Section 1 are necessary to be

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

- (i) I breach any of the covenants or agreements in Section 1;
- (ii) The Corporation determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Corporation, contributed to the Corporation having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission; or
- (iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation.
- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have exercised any of the Options and continue to own the shares of Common Stock of the Corporation issued or issuable upon exercise of the Options, the shares of Common Stock so acquired upon exercise; (ii) to the extent I have exercised any of the Options and no longer own the shares of Common Stock of the Corporation issued or issuable upon exercise of the Options, cash in an amount equal to the

fair market value of such shares on the date of the event set forth in Section 3(a) (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of Common Stock as finally reported by the New York Stock Exchange on such date), and (iii) to the extent I have not exercised the Options fully, all of my remaining rights, title or interest in the Options.

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

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

6. Miscellaneous.

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

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

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

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

This PECA is effective as of the acceptance by me of the award of stock options under the Award Agreement.

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

Dear Optionee:

The Management Development and Compensation Committee (the "Committee") of Lockheed Martin Corporation's Board of Directors has awarded to you options to purchase shares of Lockheed Martin Common Stock ("Stock") under the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan").

This letter is your Award Agreement and sets forth some of the terms and conditions of your award. Additional terms and conditions are contained in the Plan and in the Prospectus relating to the Plan of which the Plan document and this Award Agreement are a part. By accepting this Award Agreement electronically, you consent to electronic delivery of the Prospectus applicable to these Options. You should retain the Prospectus in your records.

The term "Options" as used in this Award Agreement refers only to the nonqualified stock options awarded to you under this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its subsidiaries.

Your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office as instructed below as soon as possible. **Please note that by accepting the award you agree to be bound by the restrictions contained under the heading below "Post-Employment Covenants" and in Exhibit A attached to this Agreement.**

EXERCISE PRICE

The exercise price of the Options granted hereunder is \$106.87 per Option. Under certain circumstances set forth in the Plan and this Award Agreement, this exercise price may be subject to adjustment.

The Committee presently allows the exercise price of an Option to be paid in cash, by the tender of Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment, nor will fractional shares be issued. The Committee retains the discretion to, at any time, limit the method of payment to cash. If you elect to pay with Stock, you must have owned the shares tendered for at least six months. If Stock is tendered, it will be valued at its Fair Market Value on the date of tender.

VESTING/EXPIRATION/FORFEITURE

General Rule - An Option may not be exercised until it has vested, nor may an Option be exercised after its expiration or forfeiture. Subject to certain special rules discussed below, if you remain in the employ of the Corporation until the applicable date of vesting, the vesting schedule for your Options is as follows:

First Vesting Date: January 28, 2009 – One-Third
Second Vesting Date: January 28, 2010 – One-Third
Third Vesting Date: January 28, 2011 – One-Third

If the number of Options granted cannot be evenly divided by three into whole shares, the fractional shares will vest on the Third Vesting Date. If you leave the employ of the Corporation before the date on which an Option vests, that Option is forfeited.

Vested Options, except as otherwise provided in this letter, or in the Plan, or as may be restricted by law, may be exercised for a period ending on January 26, 2018. Options not exercised by that date will be forfeited.

You should make every effort to keep the Vice President of Compensation and Benefits' office informed of your current address so that we may communicate with you about your options and their current status. The Corporation cannot exercise the options for you, and so you must pay close attention to their terms and any impending expiration.

SPECIAL RULES AS TO VESTING

Retirement - If you retire before the First Vesting Date, you will forfeit all of the Options in accordance with the general rule set forth above. If you retire on or after the First Vesting Date, you will vest in the remaining Options on the Second Vesting Date and the Third Vesting Date as though you had remained in the employ of the Corporation through those dates. For the purposes of this provision, the term "retirement" means retirement from service under the terms of the Corporation's 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.

Death or Disability - -Your Options will immediately vest and no longer be subject to the continuing employment requirement if:

- (i) you die while still employed by the Corporation; 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).

SPECIAL RULES AS TO EXPIRATION AND FORFEITURE

Death or Disability - Options will expire at the end of their remaining term on January 26, 2018.

Resignation, Lay-Off or Termination for Cause - If you resign or otherwise terminate, whether voluntarily or by action of the Corporation and in the latter case whether with or without "cause," unvested Options will be forfeited upon your termination. Vested Options will expire at the end of their remaining term or 30 calendar days following your resignation or termination, whichever is shorter. If you are laid off, your options will be unaffected, and will vest and be exercisable until the end of their remaining term, in accordance with the terms of the Plan.

Divestiture - 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 transfer of such employment to the other party to the divestiture, the special rules in this paragraph will apply. Following a divestiture, you will continue to vest in your unvested options as though you had remained in the employ of the Corporation. Your vested options will be exercisable until the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Divestiture Expiration Date"). If you die following divestiture but prior to the Divestiture Expiration Date, all unvested options will immediately vest as of the date of death and be exercisable by your beneficiary until the Divestiture Expiration Date. 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 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, one or more of the Corporation's subsidiaries or by a combination thereof.

LIMITATIONS ON EXERCISE

Notwithstanding any other provision herein, no Option may be exercised less than six months nor more than ten years after the date of grant. Further, from time to time, your ability to exercise Options which otherwise would be exercisable may be restricted, if in the opinion of counsel for the Corporation, this is necessary or advisable in order to ensure compliance with applicable Federal or state law, rules or regulations.

ASSIGNMENT/TRANSFERABILITY/BENEFICIARIES

Options may not be pledged, assigned or transferred except that Options may be transferred by will or by the laws of descent and distribution or you may provide that, upon your death, the Options are to be transferred to a beneficiary or beneficiaries that you designate. To designate a beneficiary or beneficiaries, please complete the Beneficiary Designation located at <http://www.etrade.com/stockplans> and return an originally executed copy to the Vice President of Compensation and Benefits' office (Mail Point 123).

During your lifetime, only you may exercise your Options. In the event of your death or disability, your Options may be exercised by a qualified representative of your estate, a properly designated beneficiary or beneficiaries or your guardian or authorized representative, as applicable.

TAX WITHHOLDING

When you exercise an Option, the Corporation will withhold applicable taxes as required by law. The Committee presently allows you to pay the withholding tax in cash, by tendering Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment. The Committee retains the discretion to, at any time, limit the method of payment to cash. Unlike payment of the exercise price of the Options, if you elect to pay withholding taxes with Stock, you need not have owned the shares tendered for at least six months. Payment must be made at the time of exercise. To the extent that cash is not tendered, the Corporation will retain from the shares of Stock that you would otherwise receive upon exercise of the Option that number of shares sufficient to satisfy the withholding obligation. If Stock is tendered or is deemed to have been tendered, it will be valued at its Fair Market Value.

Withholding will be at the minimum rate prescribed by law. Therefore, you may owe taxes relating to the exercise in addition to the amount withheld by the Corporation. If you desire, you may request that tax be withheld at greater than the minimum rate.

Special Note for Section 16 Insiders - The Corporation's Section 16 Insiders have been informed of this fact by the Board of Directors. If you are a Section 16 Insider, your ability to satisfy your withholding obligations through the tender of Stock may be limited by the Federal securities laws. In these situations, having such treatment deemed to occur may have adverse consequences. The Corporation recommends that you consult with the Office of the General Counsel or the Office of the Corporate Secretary before entering into any transactions involving your Options or Stock.

CHANGE IN CONTROL

In the event of a change in control of the Corporation, as defined in Section 7 of the Plan, the vesting date of all outstanding options shall be accelerated so as to cause all outstanding options to become exercisable.

AMENDMENT AND TERMINATION OF THE PLAN OR AWARDS

As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall affect this Award Agreement or the award made hereunder in any manner adverse to you without your written consent.

ACCEPTANCE OF AWARD

No award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. You must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Point 123, 6801 Rockledge Drive, Bethesda MD 20817

Assuming prompt and proper acceptance of this Award Agreement as described, this award will be effective as of the date of grant. If you do not acknowledge acceptance of your award, it will not be effective and you will not be able to exercise the options.

POST-EMPLOYMENT COVENANTS

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

MISCELLANEOUS

For the purpose of calculating the expiration date of the Options, all Options will be deemed to expire on January 26, 2018 at the close of trading in Lockheed Martin Corporation common stock on the New York Stock Exchange (or, if the security is not so listed or if the principal market on which it is traded is not the New York Stock Exchange, such other reporting system as shall be selected by the Committee). If you are on leave of absence, for the purposes of the Plan, you will be considered to still be in the employ of the Corporation unless otherwise provided in an agreement between you and the Corporation.

Your participation in the Plan, anything contained in this Award Agreement, or the grant of Options does not confer upon you any right of continued employment or limit in any way the right of the Corporation to terminate your employment at any time.

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

Sincerely,

David Filomeo
(On behalf of the Management Development and Compensation
Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

Exhibit A

Post Employment Conduct Agreement
(Stock Option Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with a Grant Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of stock options to me under the Award Agreement (the "Options") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the Options, I agree as follows:

1. Protective Covenants

(a) Protection of Proprietary Information, including Trade Secrets and Confidential Information – Except to the extent required by law, following my Termination Date, and in conformance with the provisions of the California Uniform Trade Secrets Act (Cal. Civil Code § 3426, et seq.) and the California Unfair Competition Law (Cal. Business and Professional Code § 17220 et seq.), I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity, for the purpose or effect of competing unfairly with the Corporation, of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

- (i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, or

- (ii) existing or contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, or production processes. Or
- (iii) any information protected by the California Uniform Trade Secrets Act (Cal. Civil Code § 3426, et seq.).

(b) Non-Solicit - Without the express written consent of the Chief Executive Officer of the Corporation, during the two-year period following the Termination Date, I will not induce or attempt to induce any person who is an employee of the Corporation to perform work or services for any entity other than the Corporation. This provision does not prevent the hiring of such persons so long as they are not induced to be one employed in violation of this provision.

(c) No disparagement - Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Corporation or its stockholders, directors, officers, employees, agents, attorneys, representatives, technology, products or services with respect to any matter whatsoever.

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

2. Consideration and Acknowledgement. I acknowledge and agree that the benefits and compensation opportunities being made available to me under the Award Agreement are in addition to the benefits and compensation opportunities that otherwise are or would be available to me in connection with my employment by the Corporation and that the grant of the Options is expressly made contingent upon my agreements with the Corporation set forth in this PECA. I acknowledge that the scope and duration of the restrictions in Section 1 are necessary to be

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

- (i) I breach any of the covenants or agreements in Section 1;
- (ii) The Corporation determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Corporation, contributed to the Corporation having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission; or
- (iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation.
- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have exercised any of the Options and continue to own the shares of Common Stock of the Corporation issued or issuable upon exercise of the Options, the shares of Common Stock so acquired upon exercise; (ii) to the extent I have exercised any of the Options and no longer own the shares of Common Stock of the Corporation issued or issuable upon exercise of the Options, cash in an amount equal to the

fair market value of such shares on the date of the event set forth in Section 3(a) (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of Common Stock as finally reported by the New York Stock Exchange on such date), and (iii) to the extent I have not exercised the Options fully, all of my remaining rights, title or interest in the Options.

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

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

6. Miscellaneous.

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

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

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

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

This PECA is effective as of the acceptance by me of the award of stock options under the Award Agreement.

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

Dear Awardee:

The Management Development and Compensation Committee of the Board of Directors ("Committee") 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 and the Plan, to receive from Lockheed Martin Corporation ("Corporation") (i) one (1) share of the Corporation's common stock, par value \$1.00 per share, ("Stock"); and (ii) quarterly cash payments equivalent to any cash dividends paid to stockholders of the Corporation, each in accordance with the terms of this letter, the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan ("Plan"), and any rules and procedures adopted by the Committee.

This letter constitutes the Award Agreement for your RSUs and sets forth some of the terms and conditions of your Award under the Plan, as determined by the Committee. Additional terms and conditions 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 an employee during the Restricted Period set forth below. If you do not continue to perform services for the Corporation as an employee during the entire Restricted Period, 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 Vice President of Compensation and Benefits' office as instructed below as soon as possible. The Committee has authorized electronic means for the 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. **Acceptance**

of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award. Please note that by accepting the award you agree to be bound by the restrictions contained under the heading below “Post-Employment Covenants” and in Exhibit A attached to this Agreement.

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). If your acknowledgement is not received, your Award will not be effective.

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 (either in paper or book entry form) 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 right to vote on any matter put to stockholder vote, to receive dividends, and to encumber, sell or otherwise transfer the shares. You should note, however, that, while the shares would thus be free of the restrictions imposed during the Restricted Period, your ability to sell 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 at <http://www.etrade.com/stockplans> and returning it to the Vice President of Compensation and Benefits' office at the address below.

If, at your death, a completed beneficiary designation form is not on file at the Vice President of Compensation and Benefits' 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 January 28, 2011 (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

At its first meeting after the Corporation finalizes the financial results for the year ending December 31, 2008, the Committee will multiply the number of RSUs awarded to you under this Award Agreement by the Fair Market Value of Stock on the Award Date (\$106.87) ("RSU Award Value"). The Committee will then compare your RSU Award Value to the product of 0.04% and the Corporation's Cash Flow for the year ending December 31, 2008 (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 (\$106.87).

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 2008 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 Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the 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 an Employee of the Corporation until the expiration or termination of the Restricted Period, which will occur on January 28, 2011, 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; 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 Corporation's 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 January 28, 2009, you will forfeit all of your RSUs in accordance with the general rule requiring continued employment during the Restricted Period. If you are laid off on or after January 28, 2009, your RSUs will continue to be subject to forfeiture to the extent of any Performance Shortfall certified by the Committee 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:

- (i) you will vest in one third (1/3) of your RSUs if your layoff is effective on or after the first anniversary of the Award Date (January 28, 2009), but before the second anniversary of the Award Date (January 28, 2010); and
- (ii) you will vest in two thirds (2/3) of your RSUs if your layoff is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2009, 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 January 28, 2009, your RSUs will continue to be subject to forfeiture to the extent of any Performance Shortfall certified by the Committee 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:

- (i) you will vest in one third (1/3) of your RSUs if your retirement is effective on or after the first anniversary of the Award Date (January 28, 2009), but before the second anniversary of the Award Date (January 28, 2010); and
- (ii) you will vest in two thirds (2/3) of your RSUs if your retirement is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2011, other than on account of death, disability, layoff, or retirement, (or Divestiture or Change in Control as described below) 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

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 Committee 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.

ACCEPTANCE OF AWARD

No Award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. If you desire to accept this Award, you must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>

- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Stop 123, 6801 Rockledge Drive, Bethesda MD 20817

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

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from this internet site (<http://www.etrade.com/stockplans>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

POST-EMPLOYMENT COVENANTS

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

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 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.

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from this internet site (<http://www.etrade.com/stockplans>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

Sincerely,

David Filomeo
(On behalf of the Management Development and
Compensation Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

Exhibit A

Post Employment Conduct Agreement
(RSU Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of restricted stock units to me under the Award Agreement (the "RSUs") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the RSUs, I agree as follows:

1. Protective Covenants

(a) Protection of Proprietary Information, including Trade Secrets and Confidential Information – Except to the extent required by law, following my Termination Date, and in conformance with the provisions of the California Uniform Trade Secrets Act (Cal. Civil Code § 3426, et seq.) and the California Unfair Competition Law (Cal. Business and Professional Code § 17220 et seq.), I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity, for the purpose or effect of competing unfairly with the Corporation, of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

- (i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, or

- (ii) existing or contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, or production processes, or
- (iii) any information protected by the California Uniform Trade Secrets Act (Cal. Civil Code § 3426, et seq.).

(b) Non-Solicit - Without the express written consent of the Chief Executive Officer of the Corporation, during the two-year period following the Termination Date, I will not induce or attempt to induce any person who is an employee of the Corporation to perform work or services for any entity other than the Corporation. This provision does not prevent the hiring of such persons so long as they are not induced to be one employed in violation of this provision.

(c) No disparagement - Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Corporation or its stockholders, directors, officers, employees, agents, attorneys, representatives, technology, products or services with respect to any matter whatsoever.

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

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

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

(c) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have earned any of the RSUs and continue to own the shares of Common Stock of the Corporation issued or issuable in respect of the RSUs, the shares of Common Stock so acquired; (ii) to the extent I have earned any of the RSUs and no longer own the shares of Common Stock of the Corporation issued or issuable in respect of the RSUs, cash in an amount equal to the fair market value of such shares on the date of the event set forth in Section 3(a) (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of Common Stock as finally reported by the New York Stock Exchange on such date), and (iii) to the extent I have not earned the RSUs fully, all of my remaining rights, title or interest in the RSUs.

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

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

6. Miscellaneous.

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

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

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

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

This PECA is effective as of the acceptance by me of the award of RSUs under the Award Agreement.

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

Dear Optionee:

The Management Development and Compensation Committee (the "Committee") of Lockheed Martin Corporation's Board of Directors has awarded to you options to purchase shares of Lockheed Martin Common Stock ("Stock") under the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan").

This letter is your Award Agreement and sets forth some of the terms and conditions of your award. Additional terms and conditions are contained in the Plan and in the Prospectus relating to the Plan of which the Plan document and this Award Agreement are a part. By accepting this Award Agreement electronically, you consent to electronic delivery of the Prospectus applicable to these Options. You should retain the Prospectus in your records.

The term "Options" as used in this Award Agreement refers only to the nonqualified stock options awarded to you under this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its subsidiaries.

Your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office as instructed below as soon as possible. **Please note that by accepting the award you agree to be bound by the restrictions contained under the heading below "Post-Employment Covenants" and in Exhibit A attached to this Agreement.**

EXERCISE PRICE

The exercise price of the Options granted hereunder is \$106.87 per Option. Under certain circumstances set forth in the Plan and this Award Agreement, this exercise price may be subject to adjustment.

The Committee presently allows the exercise price of an Option to be paid in cash, by the tender of Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment, nor will fractional shares be issued. The Committee retains the discretion to, at any time, limit the method of payment to cash. If you elect to pay with Stock, you must have owned the shares tendered for at least six months. If Stock is tendered, it will be valued at its Fair Market Value on the date of tender.

VESTING/EXPIRATION/FORFEITURE

General Rule - An Option may not be exercised until it has vested, nor may an Option be exercised after its expiration or forfeiture. Subject to certain special rules discussed below, if you remain in the employ of the Corporation until the applicable date of vesting, the vesting schedule for your Options is as follows:

First Vesting Date: January 28, 2009 – One-Third
Second Vesting Date: January 28, 2010 – One-Third
Third Vesting Date: January 28, 2011 – One-Third

If the number of Options granted cannot be evenly divided by three into whole shares, the fractional shares will vest on the Third Vesting Date. If you leave the employ of the Corporation before the date on which an Option vests, that Option is forfeited.

Vested Options, except as otherwise provided in this letter, or in the Plan, or as may be restricted by law, may be exercised for a period ending on January 26, 2018. Options not exercised by that date will be forfeited.

You should make every effort to keep the Vice President of Compensation and Benefits' office informed of your current address so that we may communicate with you about your options and their current status. The Corporation cannot exercise the options for you, and so you must pay close attention to their terms and any impending expiration.

SPECIAL RULES AS TO VESTING

Retirement - If you retire before the First Vesting Date, you will forfeit all of the Options in accordance with the general rule set forth above. If you retire on or after the First Vesting Date, you will vest in the remaining Options on the Second Vesting Date and the Third Vesting Date as though you had remained in the employ of the Corporation through those dates. For the purposes of this provision, the term "retirement" means retirement from service under the terms of the Corporation's 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.

Death or Disability - Your Options will immediately vest and no longer be subject to the continuing employment requirement if:

- (i) you die while still employed by the Corporation; 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).

SPECIAL RULES AS TO EXPIRATION AND FORFEITURE

Death or Disability - Options will expire at the end of their remaining term on January 26, 2018.

Resignation, Lay-Off or Termination for Cause - If you resign or otherwise terminate, whether voluntarily or by action of the Corporation and in the latter case whether with or without "cause," unvested Options will be forfeited upon your termination. Vested Options will expire at the end of their remaining term or 30 calendar days following your resignation or termination, whichever is shorter. If you are laid off, your options will be unaffected, and will vest and be exercisable until the end of their remaining term, in accordance with the terms of the Plan.

Divestiture - 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 transfer of such employment to the other party to the divestiture, the special rules in this paragraph will apply. Following a divestiture, you will continue to vest in your unvested options as though you had remained in the employ of the Corporation. Your vested options will be exercisable until the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Divestiture Expiration Date"). If you die following divestiture but prior to the Divestiture Expiration Date, all unvested options will immediately vest as of the date of death and be exercisable by your beneficiary until the Divestiture Expiration Date. 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 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, one or more of the Corporation's subsidiaries or by a combination thereof.

LIMITATIONS ON EXERCISE

Notwithstanding any other provision herein, no Option may be exercised less than six months nor more than ten years after the date of grant. Further, from time to time, your ability to exercise Options which otherwise would be exercisable may be restricted, if in the opinion of counsel for the Corporation, this is necessary or advisable in order to ensure compliance with applicable Federal or state law, rules or regulations.

ASSIGNMENT/TRANSFERABILITY/BENEFICIARIES

Options may not be pledged, assigned or transferred except that Options may be transferred by will or by the laws of descent and distribution or you may provide that, upon your death, the Options are to be transferred to a beneficiary or beneficiaries that you designate. To designate a beneficiary or beneficiaries, please complete the Beneficiary Designation located at <http://www.etrade.com/stockplans> and return an originally executed copy to the Vice President of Compensation and Benefits' office (Mail Point 123).

During your lifetime, only you may exercise your Options. In the event of your death or disability, your Options may be exercised by a qualified representative of your estate, a properly designated beneficiary or beneficiaries or your guardian or authorized representative, as applicable.

TAX WITHHOLDING

When you exercise an Option, the Corporation will withhold applicable taxes as required by law. The Committee presently allows you to pay the withholding tax in cash, by tendering Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment. The Committee retains the discretion to, at any time, limit the method of payment to cash. Unlike payment of the exercise price of the Options, if you elect to pay withholding taxes with Stock, you need not have owned the shares tendered for at least six months. Payment must be made at the time of exercise. To the extent that cash is not tendered, the Corporation will retain from the shares of Stock that you would otherwise receive upon exercise of the Option that number of shares sufficient to satisfy the withholding obligation. If Stock is tendered or is deemed to have been tendered, it will be valued at its Fair Market Value.

Withholding will be at the minimum rate prescribed by law. Therefore, you may owe taxes relating to the exercise in addition to the amount withheld by the Corporation. If you desire, you may request that tax be withheld at greater than the minimum rate.

Special Note for Section 16 Insiders - The Corporation's Section 16 Insiders have been informed of this fact by the Board of Directors. If you are a Section 16 Insider, your ability to satisfy your withholding obligations through the tender of Stock may be limited by the Federal securities laws. In these situations, having such treatment deemed to occur may have adverse consequences. The Corporation recommends that you consult with the Office of the General Counsel or the Office of the Corporate Secretary before entering into any transactions involving your Options or Stock.

CHANGE IN CONTROL

In the event of a change in control of the Corporation, as defined in Section 7 of the Plan, the vesting date of all outstanding options shall be accelerated so as to cause all outstanding options to become exercisable.

AMENDMENT AND TERMINATION OF THE PLAN OR AWARDS

As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall affect this Award Agreement or the award made hereunder in any manner adverse to you without your written consent.

ACCEPTANCE OF AWARD

No award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. You must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Point 123, 6801 Rockledge Drive, Bethesda MD 20817

Assuming prompt and proper acceptance of this Award Agreement as described, this award will be effective as of the date of grant. If you do not acknowledge acceptance of your award, it will not be effective and you will not be able to exercise the options.

POST-EMPLOYMENT COVENANTS

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

MISCELLANEOUS

For the purpose of calculating the expiration date of the Options, all Options will be deemed to expire on January 26, 2018 at the close of trading in Lockheed Martin Corporation common stock on the New York Stock Exchange (or, if the security is not so listed or if the principal market on which it is traded is not the New York Stock Exchange, such other reporting system as shall be selected by the Committee). If you are on leave of absence, for the purposes of the Plan, you will be considered to still be in the employ of the Corporation unless otherwise provided in an agreement between you and the Corporation.

Your participation in the Plan, anything contained in this Award Agreement, or the grant of Options does not confer upon you any right of continued employment or limit in any way the right of the Corporation to terminate your employment at any time.

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

Sincerely,

David Filomeo
(On behalf of the Management Development and Compensation
Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

Exhibit A

Post Employment Conduct Agreement
(Stock Option Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with a Grant Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of stock options to me under the Award Agreement (the "Options") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the Options, I agree as follows:

1. Protective Covenants

(a) Protection of Proprietary Information, including Trade Secrets and Confidential Information - Except to the extent required by law, following my Termination Date, and in conformance with the provisions of the California Uniform Trade Secrets Act (Cal. Civil Code § 3426, et seq.) and the California Unfair Competition Law (Cal. Business and Professional Code § 17220 et seq.), I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity, for the purpose or effect of competing unfairly with the Corporation, of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

- (i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, or

- (ii) existing or contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, or production processes. Or
- (iii) any information protected by the California Uniform Trade Secrets Act (Cal. Civil Code § 3426, et seq.).

(b) Non-Solicit - Without the express written consent of the Senior Vice President, Human Resources of the Corporation, during the one-year period following the Termination Date, I will not induce or attempt to induce any person who is an employee of the Corporation to perform work or services for any entity other than the Corporation. This provision does not prevent the hiring of such persons so long as they are not induced to be one employed in violation of this provision.

(c) No disparagement - Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Corporation or its stockholders, directors, officers, employees, agents, attorneys, representatives, technology, products or services with respect to any matter whatsoever.

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

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

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

- (i) I breach any of the covenants or agreements in Section 1;
- (ii) The Corporation determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Corporation, contributed to the Corporation having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission; or
- (iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation.
- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have exercised any of the Options and continue to own the shares of Common Stock of the Corporation issued or issuable upon exercise of the Options, the shares of Common Stock so acquired upon exercise; (ii) to the extent I have exercised any of the Options and no longer own the shares of Common Stock of the Corporation issued or

issuable upon exercise of the Options, cash in an amount equal to the fair market value of such shares on the date of the event set forth in Section 3(a) (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of Common Stock as finally reported by the New York Stock Exchange on such date), and (iii) to the extent I have not exercised the Options fully, all of my remaining rights, title or interest in the Options.

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

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

6. Miscellaneous.

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

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

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

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

This PECA is effective as of the acceptance by me of the award of stock options under the Award Agreement.

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

Dear Awardee:

The Management Development and Compensation Committee of the Board of Directors ("Committee") 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 and the Plan, to receive from Lockheed Martin Corporation ("Corporation") (i) one (1) share of the Corporation's common stock, par value \$1.00 per share, ("Stock"); and (ii) quarterly cash payments equivalent to any cash dividends paid to stockholders of the Corporation, each in accordance with the terms of this letter, the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan ("Plan"), and any rules and procedures adopted by the Committee.

This letter constitutes the Award Agreement for your RSUs and sets forth some of the terms and conditions of your Award under the Plan, as determined by the Committee. Additional terms and conditions 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 an employee during the Restricted Period set forth below. If you do not continue to perform services for the Corporation as an employee during the entire Restricted Period, 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 Vice President of Compensation and Benefits' office as instructed below as soon as possible. The Committee has authorized electronic means for the 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. **Acceptance**

of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award. Please note that by accepting the award you agree to be bound by the restrictions contained under the heading below “Post-Employment Covenants” and in Exhibit A attached to this Agreement.

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). If your acknowledgement is not received, your Award will not be effective.

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 (either in paper or book entry form) 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 right to vote on any matter put to stockholder vote, to receive dividends, and to encumber, sell or otherwise transfer the shares. You should note, however, that, while the shares would thus be free of the restrictions imposed during the Restricted Period, your ability to sell 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 at <http://www.etrade.com/stockplans> and returning it to the Vice President of Compensation and Benefits' office at the address below.

If, at your death, a completed beneficiary designation form is not on file at the Vice President of Compensation and Benefits' 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 January 28, 2011 (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

At its first meeting after the Corporation finalizes the financial results for the year ending December 31, 2008, the Committee will multiply the number of RSUs awarded to you under this Award Agreement by the Fair Market Value of Stock on the Award Date (\$106.87) ("RSU Award Value"). The Committee will then compare your RSU Award Value to the product of 0.04% and the Corporation's Cash Flow for the year ending December 31, 2008 (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 (\$106.87).

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 2008 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 Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the 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 an Employee of the Corporation until the expiration or termination of the Restricted Period, which will occur on January 28, 2011, 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; 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 Corporation's 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 January 28, 2009, you will forfeit all of your RSUs in accordance with the general rule requiring continued employment during the Restricted Period. If you are laid off on or after January 28, 2009, your RSUs will continue to be subject to forfeiture to the extent of any Performance Shortfall certified by the Committee 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:

- (i) you will vest in one third (1/3) of your RSUs if your layoff is effective on or after the first anniversary of the Award Date (January 28, 2009), but before the second anniversary of the Award Date (January 28, 2010); and
- (ii) you will vest in two thirds (2/3) of your RSUs if your layoff is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2009, 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 January 28, 2009, your RSUs will continue to be subject to forfeiture to the extent of any Performance Shortfall certified by the Committee 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:

- (i) you will vest in one third (1/3) of your RSUs if your retirement is effective on or after the first anniversary of the Award Date (January 28, 2009), but before the second anniversary of the Award Date (January 28, 2010); and
- (ii) you will vest in two thirds (2/3) of your RSUs if your retirement is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2011, other than on account of death, disability, layoff, or retirement, (or Divestiture or Change in Control as described below) 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

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 Committee 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.

ACCEPTANCE OF AWARD

No Award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. If you desire to accept this Award, you must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Stop 123, 6801 Rockledge Drive, Bethesda MD 20817

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

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from this internet site (<http://www.etrade.com/stockplans>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

POST-EMPLOYMENT COVENANTS

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

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 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.

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from this internet site (<http://www.etrade.com/stockplans>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

Sincerely,

David Filomeo
(On behalf of the Management Development and Compensation Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

Exhibit A

Post Employment Conduct Agreement
(RSU Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of restricted stock units to me under the Award Agreement (the "RSUs") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the RSUs, I agree as follows:

1. Protective Covenants

(a) Protection of Proprietary Information, including Trade Secrets and Confidential Information - Except to the extent required by law, following my Termination Date, and in conformance with the provisions of the California Uniform Trade Secrets Act (Cal. Civil Code § 3426, et seq.) and the California Unfair Competition Law (Cal. Business and Professional Code § 17220 et seq.), I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity, for the purpose or effect of competing unfairly with the Corporation, of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

- (i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, or

- (ii) existing or contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, or production processes, or
- (iii) any information protected by the California Uniform Trade Secrets Act (Cal. Civil Code § 3426, et seq.).

(b) Non-Solicit - Without the express written consent of the Senior Vice President, Human Resources of the Corporation, during the one-year period following the Termination Date, I will not induce or attempt to induce any person who is an employee of the Corporation to perform work or services for any entity other than the Corporation. This provision does not prevent the hiring of such persons so long as they are not induced to be one employed in violation of this provision.

(c) No disparagement - Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Corporation or its stockholders, directors, officers, employees, agents, attorneys, representatives, technology, products or services with respect to any matter whatsoever.

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

2. Consideration and Acknowledgement. I acknowledge and agree that the benefits and compensation opportunities being made available to me under the Award Agreement are in addition to the benefits and compensation opportunities that otherwise are or would be available to me in connection with my employment by the Corporation and that the grant of the RSUs is expressly made contingent upon my agreements with the Corporation set forth in this PECA. I acknowledge that the scope and duration of the restrictions in Section 1 are necessary to be effective and are fair and reasonable in light of the value of the benefits and compensation

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

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

(b) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have earned any of the RSUs and continue to own the shares of Common Stock of the Corporation issued or issuable in respect of the RSUs, the shares of Common Stock so acquired; (ii) to the extent I have earned any of the RSUs and no longer own the shares of Common Stock of the Corporation issued or issuable in respect of the RSUs, cash in an amount equal to the fair market value of such shares on the date of the event set forth in Section 3(a) (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of Common Stock as finally reported by the New York Stock Exchange on such date), and (iii) to the extent I have not earned the RSUs fully, all of my remaining rights, title or interest in the RSUs.

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

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

6. Miscellaneous.

- (a) The Plan, the Award Agreement and this PECA constitute the entire agreement governing the terms of the award of the RSUs to me.
- (b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law. Any enforcement of, or challenge to, this Agreement may only be brought in the Circuit Court of Maryland or the United States District Court for the District of Maryland. Both parties consent to the proper jurisdiction and venue of the Circuit Court of Maryland and the United States District Court for the District of Maryland for the purpose of enforcing or challenging this Agreement.
- (c) This PECA shall inure to the benefit of the Corporation's successors and assigns and may be assigned by the Corporation without my consent.
- (d) This PECA provides for certain obligations on my part following the Termination Date and shall not, by implication or otherwise, affect in any way my obligations to the Corporation during the term of my employment by the Corporation, whether pursuant to written agreements between the Corporation and me, the provisions of applicable Corporate policies that may be adopted from time to time or applicable law or regulation.

This PECA is effective as of the acceptance by me of the award of RSUs under the Award Agreement.

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

Dear Optionee:

The Management Development and Compensation Committee (the "Committee") of Lockheed Martin Corporation's Board of Directors has awarded to you options to purchase shares of Lockheed Martin Common Stock ("Stock") under the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan").

This letter is your Award Agreement and sets forth some of the terms and conditions of your award. Additional terms and conditions are contained in the Plan and in the Prospectus relating to the Plan of which the Plan document and this Award Agreement are a part. By accepting this Award Agreement electronically, you consent to electronic delivery of the Prospectus applicable to these Options. You should retain the Prospectus in your records.

The term "Options" as used in this Award Agreement refers only to the nonqualified stock options awarded to you under this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its subsidiaries.

Your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office as instructed below as soon as possible. **Please note that by accepting the award you agree to be bound by the restrictions contained under the heading below "Post-Employment Covenants" and in Exhibit A attached to this Agreement.**

EXERCISE PRICE

The exercise price of the Options granted hereunder is \$106.87 per Option. Under certain circumstances set forth in the Plan and this Award Agreement, this exercise price may be subject to adjustment.

The Committee presently allows the exercise price of an Option to be paid in cash, by the tender of Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment, nor will fractional shares be issued. The Committee retains the discretion to, at any time, limit the method of payment to cash. If you elect to pay with Stock, you must have owned the shares tendered for at least six months. If Stock is tendered, it will be valued at its Fair Market Value on the date of tender.

VESTING/EXPIRATION/FORFEITURE

General Rule - An Option may not be exercised until it has vested, nor may an Option be exercised after its expiration or forfeiture. Subject to certain special rules discussed below, if you remain in the employ of the Corporation until the applicable date of vesting, the vesting schedule for your Options is as follows:

First Vesting Date: January 28, 2009 – One-Third
Second Vesting Date: January 28, 2010 – One-Third
Third Vesting Date: January 28, 2011 – One-Third

If the number of Options granted cannot be evenly divided by three into whole shares, the fractional shares will vest on the Third Vesting Date. If you leave the employ of the Corporation before the date on which an Option vests, that Option is forfeited.

Vested Options, except as otherwise provided in this letter, or in the Plan, or as may be restricted by law, may be exercised for a period ending on January 26, 2018. Options not exercised by that date will be forfeited.

You should make every effort to keep the Vice President of Compensation and Benefits' office informed of your current address so that we may communicate with you about your options and their current status. The Corporation cannot exercise the options for you, and so you must pay close attention to their terms and any impending expiration.

SPECIAL RULES AS TO VESTING

Retirement - If you retire before the First Vesting Date, you will forfeit all of the Options in accordance with the general rule set forth above. If you retire on or after the First Vesting Date, you will vest in the remaining Options on the Second Vesting Date and the Third Vesting Date as though you had remained in the employ of the Corporation through those dates. For the purposes of this provision, the term "retirement" means retirement from service under the terms of the Corporation's 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.

Death or Disability - Your Options will immediately vest and no longer be subject to the continuing employment requirement if:

- (i) you die while still employed by the Corporation; 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).

SPECIAL RULES AS TO EXPIRATION AND FORFEITURE

Death or Disability - Options will expire at the end of their remaining term on January 26, 2018.

Resignation, Lay-Off or Termination for Cause - If you resign or otherwise terminate, whether voluntarily or by action of the Corporation and in the latter case whether with or without "cause," unvested Options will be forfeited upon your termination. Vested Options will expire at the end of their remaining term or 30 calendar days following your resignation or termination, whichever is shorter. If you are laid off, your options will be unaffected, and will vest and be exercisable until the end of their remaining term, in accordance with the terms of the Plan.

Divestiture - 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 transfer of such employment to the other party to the divestiture, the special rules in this paragraph will apply. Following a divestiture, you will continue to vest in your unvested options as though you had remained in the employ of the Corporation. Your vested options will be exercisable until the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Divestiture Expiration Date"). If you die following divestiture but prior to the Divestiture Expiration Date, all unvested options will immediately vest as of the date of death and be exercisable by your beneficiary until the Divestiture Expiration Date. 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 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, one or more of the Corporation's subsidiaries or by a combination thereof.

LIMITATIONS ON EXERCISE

Notwithstanding any other provision herein, no Option may be exercised less than six months nor more than ten years after the date of grant. Further, from time to time, your ability to exercise Options which otherwise would be exercisable may be restricted, if in the opinion of counsel for the Corporation, this is necessary or advisable in order to ensure compliance with applicable Federal or state law, rules or regulations.

ASSIGNMENT/TRANSFERABILITY/BENEFICIARIES

Options may not be pledged, assigned or transferred except that Options may be transferred by will or by the laws of descent and distribution or you may provide that, upon your death, the Options are to be transferred to a beneficiary or beneficiaries that you designate. To designate a beneficiary or beneficiaries, please complete the Beneficiary Designation located at <http://www.etrade.com/stockplans> and return an originally executed copy to the Vice President of Compensation and Benefits' office (Mail Point 123).

During your lifetime, only you may exercise your Options. In the event of your death or disability, your Options may be exercised by a qualified representative of your estate, a properly designated beneficiary or beneficiaries or your guardian or authorized representative, as applicable.

TAX WITHHOLDING

When you exercise an Option, the Corporation will withhold applicable taxes as required by law. The Committee presently allows you to pay the withholding tax in cash, by tendering Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment. The Committee retains the discretion to, at any time, limit the method of payment to cash. Unlike payment of the exercise price of the Options, if you elect to pay withholding taxes with Stock, you need not have owned the shares tendered for at least six months. Payment must be made at the time of exercise. To the extent that cash is not tendered, the Corporation will retain from the shares of Stock that you would otherwise receive upon exercise of the Option that number of shares sufficient to satisfy the withholding obligation. If Stock is tendered or is deemed to have been tendered, it will be valued at its Fair Market Value.

Withholding will be at the minimum rate prescribed by law. Therefore, you may owe taxes relating to the exercise in addition to the amount withheld by the Corporation. If you desire, you may request that tax be withheld at greater than the minimum rate.

Special Note for Section 16 Insiders - The Corporation's Section 16 Insiders have been informed of this fact by the Board of Directors. If you are a Section 16 Insider, your ability to satisfy your withholding obligations through the tender of Stock may be limited by the Federal securities laws. In these situations, having such treatment deemed to occur may have adverse consequences. The Corporation recommends that you consult with the Office of the General Counsel or the Office of the Corporate Secretary before entering into any transactions involving your Options or Stock.

CHANGE IN CONTROL

In the event of a change in control of the Corporation, as defined in Section 7 of the Plan, the vesting date of all outstanding options shall be accelerated so as to cause all outstanding options to become exercisable.

AMENDMENT AND TERMINATION OF THE PLAN OR AWARDS

As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall affect this Award Agreement or the award made hereunder in any manner adverse to you without your written consent.

ACCEPTANCE OF AWARD

No award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. You must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Point 123, 6801 Rockledge Drive, Bethesda MD 20817

Assuming prompt and proper acceptance of this Award Agreement as described, this award will be effective as of the date of grant. If you do not acknowledge acceptance of your award, it will not be effective and you will not be able to exercise the options.

POST-EMPLOYMENT COVENANTS

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

MISCELLANEOUS

For the purpose of calculating the expiration date of the Options, all Options will be deemed to expire on January 26, 2018 at the close of trading in Lockheed Martin Corporation common stock on the New York Stock Exchange (or, if the security is not so listed or if the principal market on which it is traded is not the New York Stock Exchange, such other reporting system as shall be selected by the Committee). If you are on leave of absence, for the purposes of the Plan, you will be considered to still be in the employ of the Corporation unless otherwise provided in an agreement between you and the Corporation.

Your participation in the Plan, anything contained in this Award Agreement, or the grant of Options does not confer upon you any right of continued employment or limit in any way the right of the Corporation to terminate your employment at any time.

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

Sincerely,

David Filomeo
(On behalf of the Management Development and
Compensation Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

Exhibit A

Post Employment Conduct Agreement
(Stock Option Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with a Grant Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of stock options to me under the Award Agreement (the "Options") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the Options, I agree as follows:

1. Post Termination Activity

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

- (i) Represent any client adversely to the Corporation;
- (ii) Reveal to any third party any information learned by me during the course of my employment with the Corporation except for information that is or becomes generally known;
- (iii) Encourage or solicit any present or future agents or employees of the Corporation to terminate their employment for the purpose of competing with the Corporation; or
- (iv) Whether as a lawyer or non-lawyer, accept a position (whether as agent, employer, part or sole owner or in any other capacity) with any person or entity whose interests are adverse to the Corporation's interests if that adverse position is related in any way to my present or past work with the Corporation.

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

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

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

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

(a) I agree, to the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct, that upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

- (iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation.
- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have exercised any of the Options and continue to own the shares of Common Stock of the Corporation issued or issuable upon exercise of the Options, the shares of Common Stock so acquired upon exercise; (ii) to the extent I have exercised any of the Options and no longer own the shares of Common Stock of the Corporation issued or issuable upon exercise of the Options, cash in an amount equal to the fair market value of such shares on the date of the event set forth in Section 3(a) (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of Common Stock as finally reported by the New York Stock Exchange on such date), and (iii) to the extent I have not exercised the Options fully, all of my remaining rights, title or interest in the Options.

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

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

6. Definitions. Capitalized terms not defined in this PECA have the meaning given to them in the Plan, as applicable.

7. Miscellaneous.

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

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

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

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

This PECA is effective as of the acceptance by me of the award of Options under the Award Agreement.

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

Dear Awardee:

The Management Development and Compensation Committee of the Board of Directors ("Committee") 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 and the Plan, to receive from Lockheed Martin Corporation ("Corporation") (i) one (1) share of the Corporation's common stock, par value \$1.00 per share, ("Stock"); and (ii) quarterly cash payments equivalent to any cash dividends paid to stockholders of the Corporation, each in accordance with the terms of this letter, the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan ("Plan"), and any rules and procedures adopted by the Committee.

This letter constitutes the Award Agreement for your RSUs and sets forth some of the terms and conditions of your Award under the Plan, as determined by the Committee. Additional terms and conditions 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 an employee during the Restricted Period set forth below. If you do not continue to perform services for the Corporation as an employee during the entire Restricted Period, 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 Vice President of Compensation and Benefits' office as instructed below as soon as possible. The Committee has authorized electronic means for the 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. **Acceptance**

of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award. Please note that by accepting the award you agree to be bound by the restrictions contained under the heading below “Post-Employment Covenants” and in Exhibit A attached to this Agreement.

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). If your acknowledgement is not received, your Award will not be effective.

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 (either in paper or book entry form) 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 right to vote on any matter put to stockholder vote, to receive dividends, and to encumber, sell or otherwise transfer the shares. You should note, however, that, while the shares would thus be free of the restrictions imposed during the Restricted Period, your ability to sell 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 at <http://www.etrade.com/stockplans> and returning it to the Vice President of Compensation and Benefits' office at the address below.

If, at your death, a completed beneficiary designation form is not on file at the Vice President of Compensation and Benefits' 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 January 28, 2011 (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

At its first meeting after the Corporation finalizes the financial results for the year ending December 31, 2008, the Committee will multiply the number of RSUs awarded to you under this Award Agreement by the Fair Market Value of Stock on the Award Date (\$106.87) ("RSU Award Value"). The Committee will then compare your RSU Award Value to the product of 0.04% and the Corporation's Cash Flow for the year ending December 31, 2008 (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 (\$106.87).

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 2008 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 Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the 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 an Employee of the Corporation until the expiration or termination of the Restricted Period, which will occur on January 28, 2011, 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; 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 Corporation's 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 January 28, 2009, you will forfeit all of your RSUs in accordance with the general rule requiring continued employment during the Restricted Period. If you are laid off on or after January 28, 2009, your RSUs will continue to be subject to forfeiture to the extent of any Performance Shortfall certified by the Committee 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:

- (i) you will vest in one third (1/3) of your RSUs if your layoff is effective on or after the first anniversary of the Award Date (January 28, 2009), but before the second anniversary of the Award Date (January 28, 2010); and
- (ii) you will vest in two thirds (2/3) of your RSUs if your layoff is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2009, 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 January 28, 2009, your RSUs will continue to be subject to forfeiture to the extent of any Performance Shortfall certified by the Committee 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:

- (i) you will vest in one third (1/3) of your RSUs if your retirement is effective on or after the first anniversary of the Award Date (January 28, 2009), but before the second anniversary of the Award Date (January 28, 2010); and
- (ii) you will vest in two thirds (2/3) of your RSUs if your retirement is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2011, other than on account of death, disability, layoff, or retirement, (or Divestiture or Change in Control as described below) 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

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 Committee 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.

ACCEPTANCE OF AWARD

No Award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. If you desire to accept this Award, you must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Stop 123, 6801 Rockledge Drive, Bethesda MD 20817

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

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from this internet site (<http://www.etrade.com/stockplans>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

POST-EMPLOYMENT COVENANTS

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

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 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.

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from this internet site (<http://www.etrade.com/stockplans>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

Sincerely,

David Filomeo
(On behalf of the Management Development and Compensation Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

Exhibit A

Post Employment Conduct Agreement
(RSU Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of restricted stock units to me under the Award Agreement (the "RSUs") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the RSUs, I agree as follows:

1. Post Termination Activity

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

- (i) Represent any client adversely to the Corporation;
- (ii) Reveal to any third party any information learned by me during the course of my employment with the Corporation except for information that is or becomes generally known;
- (iii) Encourage or solicit any present or future agents or employees of the Corporation to terminate their employment for the purpose of competing with the Corporation; or
- (iv) Whether as a lawyer or non-lawyer, accept a position (whether as agent, employer, part or sole owner or in any other capacity) with any person or entity whose interests are adverse to the Corporation's interests if that adverse position is related in any way to my present or past work with the Corporation.

(b) No disparagement - Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Corporation or its stockholders, directors, officers, employees, agents, attorneys, representatives, technology, products or services with respect to any matter whatsoever.

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

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

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

(a) I agree, to the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct, that upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

- (i) I breach any of the covenants or agreements in Section 1 (and in the case of 1(a), the breach occurs prior to the second anniversary of my Termination Date);
- (ii) The Corporation determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Corporation, contributed to the Corporation having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission; or
- (iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation.

- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have earned any of the RSUs and continue to own the shares of Common Stock of the Corporation issued or issuable in respect of the RSUs, the shares of Common Stock so acquired; (ii) to the extent I have earned any of the RSUs and no longer own the shares of Common Stock of the Corporation issued or issuable in respect of the RSUs, cash in an amount equal to the fair market value of such shares on the date of the event set forth in Section 3(a) (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of Common Stock as finally reported by the New York Stock Exchange on such date), and (iii) to the extent I have not earned the RSUs fully, all of my remaining rights, title or interest in the RSUs.

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

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

6. Definitions. Capitalized terms not defined in this PECA have the meaning given to them in the Plan, as applicable.

7. Miscellaneous.

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

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

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

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

This PECA is effective as of the acceptance by me of the award of RSUs under the Award Agreement.

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**

«Name»
«Street»
«City», «State» «Zip»

Re: Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan: **Long-Term Incentive Performance Award (2008-2010 Performance Period)**

Dear «Call_By_Name»:

On behalf of the Management Development and Compensation Committee (the "Committee") of the Board of Directors of Lockheed Martin Corporation, I am pleased to tell you that you have been granted a Long-Term Incentive Performance Award under the Corporation's Amended and Restated 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.

IN ORDER FOR THIS AWARD TO BE EFFECTIVE, YOU MUST PROMPTLY SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT. PLEASE NOTE THAT BY ACCEPTING THE AWARD YOU AGREE TO BE BOUND BY THE RESTRICTIONS CONTAINED IN SECTION 14, "POST-EMPLOYMENT COVENANTS" AND IN EXHIBIT A ATTACHED TO THIS 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 shall 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, 2008, until December 31, 2010.

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 Committee 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 Committee will also calculate the ROIC Performance Factor based on the Corporation's ROIC during the Performance Period as compared to the projected ROIC for the Performance Period in the 2008 Long Range Plan as presented at the February 2008 Board meeting. One-quarter of your Target Award will be multiplied by the ROIC Performance Factor, with the resulting dollar amount to be known as the ROIC Performance Amount.

(c) The Committee will also calculate the Cash Flow Performance Factor based on the Corporation's cumulative Cash Flow during the Performance Period as compared to the projected cumulative Cash Flow in the 2008 Long Range Plan as presented at the February 2008 Board meeting. One-quarter of your Target Award will be multiplied by the Cash Flow Performance Factor, with the resulting dollar amount to be known as the Cash Flow Performance Amount.

(d) Your External Performance Amount, your ROIC Performance Amount, and your Cash Flow Performance Amount will then be added together, with the sum of those three amounts 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 Committee completes its calculations in 2011, but in no event later than March 15, 2011.

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 2013, but in no event later than March 15, 2013.

(a) Between December 31, 2010, and December 31, 2012, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2010, 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 2013, but in no event later than March 15, 2013 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, 2010, to receive a payment of any portion of your Award and through December 31, 2012, 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 relative ranking of the Corporation's 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 Committee 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	75 th 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 Factors.

4.1 ROIC Performance Factor. The ROIC Performance Factor will be determined by comparing the Corporation's ROIC for the Performance Period to ROIC as forecasted for the Performance Period in the Corporation's 2008 Long Range Plan and then identifying the ROIC Performance Factor based upon the factor associated with the difference on the following table:

<u>Change from 2008 LRP ROIC</u>	<u>ROIC Performance Factor</u>
Plan + 40 or more basis points	200%
Plan + 30 basis points	175%
Plan + 20 basis points	150%
Plan + 10 basis points	125%
Plan	100%
Plan - 10 basis points	75%
Plan - 20 basis points	50%
Plan - 30 basis points	25%
Plan - 40 or more basis points	0%

- (a) ROIC Definition. For purposes of this Award Agreement, "ROIC" means return on invested capital for the Performance Period calculated as (A) average annual (i) net income plus (ii) interest expense times one minus the highest marginal federal corporate tax rate over the three year Performance period ("Return"), divided by (B) the average of the four year-end investment balances (beginning with December 31, 2007 year-end balance) consisting of (i) debt (including current maturities of long-term debt) plus (ii) stockholders' equity plus the postretirement plans amounts determined at year-end as included in the Corporation's Statement of Stockholder Equity.
- (b) ROIC Determination. Each component of ROIC and the calculation of any postretirement plans amounts recorded in the Corporation's Statement of Stockholder Equity shall be determined by the Committee in accordance with generally accepted accounting principles in the United States and be based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the date or period on which ROIC is being determined, the Committee shall make its determination in a manner consistent with the historical practices used by the Corporation in determining the components of ROIC and postretirement plans amounts recorded in the Corporation's Statement of Stockholder Equity for purposes of reporting those items on its audited financial statements, as modified by this paragraph. Notwithstanding the foregoing, ROIC will be adjusted to exclude the impact of any change in accounting standards or adoption of any new accounting standards that is required under generally accepted accounting 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. ROIC as included in the 2008 Long Range Plan and the change in ROIC for purposes of the ROIC Performance Factor will be determined in accordance with this Section 4.1(b).

4.2 Cash Flow Performance Factor. The Cash Flow Performance Factor will be determined by comparing the Corporation's cumulative Cash Flow during the Performance Period to the projected cumulative Cash Flow of the Corporation as forecasted in the Corporation's 2008 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2008 Long Range Plan on the following table:

<u>Change From 2008 LRP Cash Flow</u>	<u>Cash Flow Performance Factor</u>
Plan + \$1B or more	200%
Plan + \$.75B	175%
Plan + \$.5B	150%
Plan + \$.25B	125%
Plan	100%
Plan - \$.25B	75%
Plan - \$.5B	50%
Plan - \$1B	25%
Plan - more than \$1B	0%

- (a) Cash Flow Definition. For purposes of this Award Agreement, Cash Flow means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2008 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.
- (b) Cash Flow Determination. Cash Flow shall be determined by the Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Committee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows, in either case as modified by this paragraph.

4.3 Interpolation of ROIC and Cash Flow Metrics. If the change in ROIC or Cash Flow falls between two numbers listed in the applicable table in section 4.1 or 4.2, the appropriate factor will be interpolated on a linear basis. Notwithstanding the foregoing, the ROIC Performance Factor will always be zero if the ROIC for the Performance Period is less than ROIC forecasted for the Performance Period in the 2008 Long Range Plan by 40 basis points or more and the Cash Flow Performance Factor will always be zero if the aggregate Cash Flow for the Performance Period is less than what was forecasted for the Performance Period in the 2008 Long Range Plan by more than \$1 billion.

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(d), 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 Committee 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 Committee shall have complete and absolute discretion to make the determinations called for under this Section 5.1(b), and all such determinations shall be binding on you and on any person who claims all or any part of your 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 Committee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period, 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, 2012, 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, 2012.

(2) Phantom Stock Account. The Committee 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 Committee'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 Committee shall make such credits or debits to the units previously credited to such account as the Committee 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, 2012, as soon as practicable after December 31, 2012, but in no event later than March 15, 2013 (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, 2012, or, if it is not a trading day, on the last trading day before December 31, 2012.

(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, 2012, and the Committee 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 Vice President of Compensation and Benefits' office, 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 Committee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period, but in no event later than March 15, 2011 (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 Vice President of Compensation and Benefits' office, 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 Committee. 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 2008 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 2008 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.

5.5. Means of Satisfying Code Section 409A. If any payment that would otherwise be made under this Award Agreement is required to be delayed by reason of Section 13, such payment shall be made at the earliest date permitted by Code section 409A. The amount of any delayed payment shall be the amount that would have been paid prior to the delay adjusted to include interest from the original payment date to the actual payment date, compounded daily, 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 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, 2012, 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 Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall amend Sections 1, 2, 3, 4, or 5 in a manner adverse to you or reduce the amount payable hereunder in a material manner without your written consent. For this purpose, a change in the amount payable hereunder that occurs solely by reason of a change in the date or form of payment 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 Committee 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.

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) (i) to the extent distributions to any key employee are required to be delayed six months.

Section 14. Post-Employment Covenants

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

Section 15. 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. In order for this Award to be effective, you must execute and return this Award Agreement promptly. 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 and your agreement to the Post-Employment Covenants contained in Section 14 and Exhibit A.

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)
Cash Flow Performance Factor	§ 4.2
Cash Flow Performance Amount	§ 2.1(c)
Cell	§ 4.1 (c)
Change of Control	IPA
Committee	1 st ¶
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 Factors	§ 4
Peer Performance Group	§ 3.1
Percentile Ranking	§ 3.2(b)
Performance Period	§ 1¶
Phantom Stock Account	§ 5.2(c)(2)
Plan	1 st ¶
Potential Award	§ 2.1(c)
ROIC	§ 4.1(a)
ROIC Performance Factor	§ 4.1
ROIC Performance Amount	§ 2.1(b)
Share Units	IPA
Share-Based Awards	IPA
Stock	IPA
Target Award	2 nd ¶, § 1
Total Stockholder Return	IPA

Exhibit A

Post Employment Conduct Agreement
(LTIP Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of a Long Term Incentive Performance Award to me under the Award Agreement (the "LTIP") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the LTIP, I agree as follows:

1. Protective Covenants.

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

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

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

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the “Confidential or Proprietary Information” (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation’s Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, “Confidential or Proprietary Information” means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person’s or entity’s employees or agents in an unauthorized manner, might be detrimental to the person’s or entity’s interests. Confidential or Proprietary Information may include, but is not limited to:

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

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

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

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

- (iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation.
- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have earned any of the LTIP, any cash paid to me, whether paid currently or deferred; and (ii) to the extent I have not earned the LTIP fully, all of my remaining rights, title or interest in the LTIP.

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

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

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

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

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

7. Miscellaneous.

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

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

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

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

This PECA is effective as of the acceptance by me of the award of an LTIP under the Award Agreement.

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**

«Name»
«Street»
«City», «State» «Zip»

Re: Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan: **Long-Term Incentive Performance Award (2008-2010 Performance Period)**

Dear «Call_By_Name»:

On behalf of the Management Development and Compensation Committee (the "Committee") of the Board of Directors of Lockheed Martin Corporation, I am pleased to tell you that you have been granted a Long-Term Incentive Performance Award under the Corporation's Amended and Restated 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.

IN ORDER FOR THIS AWARD TO BE EFFECTIVE, YOU MUST PROMPTLY SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT. PLEASE NOTE THAT BY ACCEPTING THE AWARD YOU AGREE TO BE BOUND BY THE RESTRICTIONS CONTAINED IN SECTION 14, "POST-EMPLOYMENT COVENANTS" AND IN EXHIBIT A ATTACHED TO THIS 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 shall 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, 2008, until December 31, 2010.

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 Committee 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 Committee will also calculate the ROIC Performance Factor based on the Corporation's ROIC during the Performance Period as compared to the projected ROIC for the Performance Period in the 2008 Long Range Plan as presented at the February 2008 Board meeting. One-quarter of your Target Award will be multiplied by the ROIC Performance Factor, with the resulting dollar amount to be known as the ROIC Performance Amount.

(c) The Committee will also calculate the Cash Flow Performance Factor based on the Corporation's cumulative Cash Flow during the Performance Period as compared to the projected cumulative Cash Flow in the 2008 Long Range Plan as presented at the February 2008 Board meeting. One-quarter of your Target Award will be multiplied by the Cash Flow Performance Factor, with the resulting dollar amount to be known as the Cash Flow Performance Amount.

(d) Your External Performance Amount, your ROIC Performance Amount, and your Cash Flow Performance Amount will then be added together, with the sum of those three amounts 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 Committee completes its calculations in 2011, but in no event later than March 15, 2011.

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 2013, but in no event later than March 15, 2013.

(a) Between December 31, 2010, and December 31, 2012, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2010, 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 2013, but in no event later than March 15, 2013 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, 2010, to receive a payment of any portion of your Award and through December 31, 2012, 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 relative ranking of the Corporation's 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 Committee 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	75 th 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 Factors.

4.1 ROIC Performance Factor. The ROIC Performance Factor will be determined by comparing the Corporation's ROIC for the Performance Period to ROIC as forecasted for the Performance Period in the Corporation's 2008 Long Range Plan and then identifying the ROIC Performance Factor based upon the factor associated with the difference on the following table:

<u>Change from 2008 LRP ROIC</u>	<u>ROIC Performance Factor</u>
Plan + 40 or more basis points	200%
Plan + 30 basis points	175%
Plan + 20 basis points	150%
Plan + 10 basis points	125%
Plan	100%
Plan - 10 basis points	75%
Plan - 20 basis points	50%
Plan - 30 basis points	25%
Plan - 40 or more basis points	0%

- (a) ROIC Definition. For purposes of this Award Agreement, "ROIC" means return on invested capital for the Performance Period calculated as (A) average annual (i) net income plus (ii) interest expense times one minus the highest marginal federal corporate tax rate over the three year Performance period ("Return"), divided by (B) the average of the four year-end investment balances (beginning with December 31, 2007 year-end balance) consisting of (i) debt (including current maturities of long-term debt) plus (ii) stockholders' equity plus the postretirement plans amounts determined at year-end as included in the Corporation's Statement of Stockholder Equity.
- (b) ROIC Determination. Each component of ROIC and the calculation of any postretirement plans amounts recorded in the Corporation's Statement of Stockholder Equity shall be determined by the Committee in accordance with generally accepted accounting principles in the United States and be based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the date or period on which ROIC is being determined, the Committee shall make its determination in a manner consistent with the historical practices used by the Corporation in determining the components of ROIC and postretirement plans amounts recorded in the Corporation's Statement of Stockholder Equity for purposes of reporting those items on its audited financial statements, as modified by this paragraph. Notwithstanding the foregoing, ROIC will be adjusted to exclude the impact of any change in accounting standards or adoption of any new accounting standards that is required under generally accepted accounting 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. ROIC as included in the 2008 Long Range Plan and the change in ROIC for purposes of the ROIC Performance Factor will be determined in accordance with this Section 4.1(b).

4.2 Cash Flow Performance Factor. The Cash Flow Performance Factor will be determined by comparing the Corporation's cumulative Cash Flow during the Performance Period to the projected cumulative Cash Flow of the Corporation as forecasted in the Corporation's 2008 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2008 Long Range Plan on the following table:

<u>Change From 2008 LRP Cash Flow</u>	<u>Cash Flow Performance Factor</u>
Plan + \$1B or more	200%
Plan + \$.75B	175%
Plan + \$.5B	150%
Plan + \$.25B	125%
Plan	100%
Plan - \$.25B	75%
Plan - \$.5B	50%
Plan - \$1B	25%
Plan - more than \$1B	0%

- (a) Cash Flow Definition. For purposes of this Award Agreement, Cash Flow means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2008 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.
- (b) Cash Flow Determination. Cash Flow shall be determined by the Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Committee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows, in either case as modified by this paragraph.

4.3 Interpolation of ROIC and Cash Flow Metrics. If the change in ROIC or Cash Flow falls between two numbers listed in the applicable table in section 4.1 or 4.2, the appropriate factor will be interpolated on a linear basis. Notwithstanding the foregoing, the ROIC Performance Factor will always be zero if the ROIC for the Performance Period is less than ROIC forecasted for the Performance Period in the 2008 Long Range Plan by 40 basis points or more and the Cash Flow Performance Factor will always be zero if the aggregate Cash Flow for the Performance Period is less than what was forecasted for the Performance Period in the 2008 Long Range Plan by more than \$1 billion.

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(d), 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 Committee 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 Committee shall have complete and absolute discretion to make the determinations called for under this Section 5.1(b), and all such determinations shall be binding on you and on any person who claims all or any part of your 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 Committee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period, 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, 2012, 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, 2012.

(2) Phantom Stock Account. The Committee 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 Committee'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 Committee shall make such credits or debits to the units previously credited to such account as the Committee 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, 2012, as soon as practicable after December 31, 2012, but in no event later than March 15, 2013 (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, 2012, or, if it is not a trading day, on the last trading day before December 31, 2012.

(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, 2012, and the Committee 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 Vice President of Compensation and Benefits' office, 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 Committee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period, but in no event later than March 15, 2011 (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 Vice President of Compensation and Benefits' office, 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 Committee. 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 2008 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 2008 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.

5.5. Means of Satisfying Code Section 409A. If any payment that would otherwise be made under this Award Agreement is required to be delayed by reason of Section 13, such payment shall be made at the earliest date permitted by Code section 409A. The amount of any delayed payment shall be the amount that would have been paid prior to the delay adjusted to include interest from the original payment date to the actual payment date, compounded daily, 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 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, 2012, 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 Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall amend Sections 1, 2, 3, 4, or 5 in a manner adverse to you or reduce the amount payable hereunder in a material manner without your written consent. For this purpose, a change in the amount payable hereunder that occurs solely by reason of a change in the date or form of payment 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 Committee 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.

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) (i) to the extent distributions to any key employee are required to be delayed six months.

Section 14. Post-Employment Covenants

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

Section 15. 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. In order for this Award to be effective, you must execute and return this Award Agreement promptly. 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 and your agreement to the Post-Employment Covenants contained in Section 14 and Exhibit A.

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)
Cash Flow Performance Factor	§ 4.2
Cash Flow Performance Amount	§ 2.1(c)
Cell	§ 4.1 (c)
Change of Control	IPA
Committee	1 st ¶
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 Factors	§ 4
Peer Performance Group	§ 3.1
Percentile Ranking	§ 3.2(b)
Performance Period	§ 1¶
Phantom Stock Account	§ 5.2(c)(2)
Plan	1 st ¶
Potential Award	§ 2.1(c)
ROIC	§ 4.1(a)
ROIC Performance Factor	§ 4.1
ROIC Performance Amount	§ 2.1(b)
Share Units	IPA
Share-Based Awards	IPA
Stock	IPA
Target Award	2 nd ¶, § 1
Total Stockholder Return	IPA

Exhibit A

Post Employment Conduct Agreement
(LTIP Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of a Long Term Incentive Performance Award to me under the Award Agreement (the "LTIP") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the LTIP, I agree as follows:

1. Protective Covenants.

(a) Covenant Not To Compete - Without the express written consent of the Management Development and Compensation Committee of the Board of Directors of the Corporation, during the two-year period following the date of my termination of employment (the "Termination Date") with Lockheed Martin Corporation (the "Corporation"), I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6 below), whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case,

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

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

(c) Protection of Proprietary Information - Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

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

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

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

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

- (iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation.
- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have earned any of the LTIP, any cash paid to me, whether paid currently or deferred; and (ii) to the extent I have not earned the LTIP fully, all of my remaining rights, title or interest in the LTIP.

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

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

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

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

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

7. Miscellaneous.

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

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

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

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

This PECA is effective as of the acceptance by me of the award of an LTIP under the Award Agreement.

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**

«Name»
«Street»
«City», «State» «Zip»

Re: Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan: **Long-Term Incentive Performance Award (2008-2010 Performance Period)**

Dear «Call_By_Name»:

On behalf of the Management Development and Compensation Committee (the "Committee") of the Board of Directors of Lockheed Martin Corporation, I am pleased to tell you that you have been granted a Long-Term Incentive Performance Award under the Corporation's Amended and Restated 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.

IN ORDER FOR THIS AWARD TO BE EFFECTIVE, YOU MUST PROMPTLY SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT. PLEASE NOTE THAT BY ACCEPTING THE AWARD YOU AGREE TO BE BOUND BY THE RESTRICTIONS CONTAINED IN SECTION 14, "POST-EMPLOYMENT COVENANTS" AND IN EXHIBIT A ATTACHED TO THIS 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 shall 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, 2008, until December 31, 2010.

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 Committee 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 Committee will also calculate the ROIC Performance Factor based on the Corporation's ROIC during the Performance Period as compared to the projected ROIC for the Performance Period in the 2008 Long Range Plan as presented at the February 2008 Board meeting. One-quarter of your Target Award will be multiplied by the ROIC Performance Factor, with the resulting dollar amount to be known as the ROIC Performance Amount.

(c) The Committee will also calculate the Cash Flow Performance Factor based on the Corporation's cumulative Cash Flow during the Performance Period as compared to the projected cumulative Cash Flow in the 2008 Long Range Plan as presented at the February 2008 Board meeting. One-quarter of your Target Award will be multiplied by the Cash Flow Performance Factor, with the resulting dollar amount to be known as the Cash Flow Performance Amount.

(d) Your External Performance Amount, your ROIC Performance Amount, and your Cash Flow Performance Amount will then be added together, with the sum of those three amounts 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 Committee completes its calculations in 2011, but in no event later than March 15, 2011.

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 2013, but in no event later than March 15, 2013.

(a) Between December 31, 2010, and December 31, 2012, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2010, 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 2013, but in no event later than March 15, 2013 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, 2010, to receive a payment of any portion of your Award and through December 31, 2012, 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 relative ranking of the Corporation's 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 Committee 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	75 th 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 Factors.

4.1 ROIC Performance Factor. The ROIC Performance Factor will be determined by comparing the Corporation's ROIC for the Performance Period to ROIC as forecasted for the Performance Period in the Corporation's 2008 Long Range Plan and then identifying the ROIC Performance Factor based upon the factor associated with the difference on the following table:

<u>Change from 2008 LRP ROIC</u>	<u>ROIC Performance Factor</u>
Plan + 40 or more basis points	200%
Plan + 30 basis points	175%
Plan + 20 basis points	150%
Plan + 10 basis points	125%
Plan	100%
Plan - 10 basis points	75%
Plan - 20 basis points	50%
Plan - 30 basis points	25%
Plan - 40 or more basis points	0%

- (a) ROIC Definition. For purposes of this Award Agreement, "ROIC" means return on invested capital for the Performance Period calculated as (A) average annual (i) net income plus (ii) interest expense times one minus the highest marginal federal corporate tax rate over the three year Performance period ("Return"), divided by (B) the average of the four year-end investment balances (beginning with December 31, 2007 year-end balance) consisting of (i) debt (including current maturities of long-term debt) plus (ii) stockholders' equity plus the postretirement plans amounts determined at year-end as included in the Corporation's Statement of Stockholder Equity.
- (b) ROIC Determination. Each component of ROIC and the calculation of any postretirement plans amounts recorded in the Corporation's Statement of Stockholder Equity shall be determined by the Committee in accordance with generally accepted accounting principles in the United States and be based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the date or period on which ROIC is being determined, the Committee shall make its determination in a manner consistent with the historical practices used by the Corporation in determining the components of ROIC and postretirement plans amounts recorded in the Corporation's Statement of Stockholder Equity for purposes of reporting those items on its audited financial statements, as modified by this paragraph. Notwithstanding the foregoing, ROIC will be adjusted to exclude the impact of any change in accounting standards or adoption of any new accounting standards that is required under generally accepted accounting 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. ROIC as included in the 2008 Long Range Plan and the change in ROIC for purposes of the ROIC Performance Factor will be determined in accordance with this Section 4.1(b).

4.2 Cash Flow Performance Factor. The Cash Flow Performance Factor will be determined by comparing the Corporation's cumulative Cash Flow during the Performance Period to the projected cumulative Cash Flow of the Corporation as forecasted in the Corporation's 2008 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2008 Long Range Plan on the following table:

<u>Change From 2008 LRP Cash Flow</u>	<u>Cash Flow Performance Factor</u>
Plan + \$1B or more	200%
Plan + \$.75B	175%
Plan + \$.5B	150%
Plan + \$.25B	125%
Plan	100%
Plan - \$.25B	75%
Plan - \$.5B	50%
Plan - \$1B	25%
Plan - more than \$1B	0%

- (a) Cash Flow Definition. For purposes of this Award Agreement, Cash Flow means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2008 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.
- (b) Cash Flow Determination. Cash Flow shall be determined by the Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Committee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows, in either case as modified by this paragraph.

4.3 Interpolation of ROIC and Cash Flow Metrics. If the change in ROIC or Cash Flow falls between two numbers listed in the applicable table in section 4.1 or 4.2, the appropriate factor will be interpolated on a linear basis. Notwithstanding the foregoing, the ROIC Performance Factor will always be zero if the ROIC for the Performance Period is less than ROIC forecasted for the Performance Period in the 2008 Long Range Plan by 40 basis points or more and the Cash Flow Performance Factor will always be zero if the aggregate Cash Flow for the Performance Period is less than what was forecasted for the Performance Period in the 2008 Long Range Plan by more than \$1 billion.

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(d), 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 Committee 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 Committee shall have complete and absolute discretion to make the determinations called for under this Section 5.1(b), and all such determinations shall be binding on you and on any person who claims all or any part of your 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 Committee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period, 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, 2012, 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, 2012.

(2) Phantom Stock Account. The Committee 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 Committee'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 Committee shall make such credits or debits to the units previously credited to such account as the Committee 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, 2012, as soon as practicable after December 31, 2012, but in no event later than March 15, 2013 (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, 2012, or, if it is not a trading day, on the last trading day before December 31, 2012.

(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, 2012, and the Committee 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 Vice President of Compensation and Benefits' office, 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 Committee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period, but in no event later than March 15, 2011 (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 Vice President of Compensation and Benefits' office, 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 Committee. 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 2008 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 2008 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.

5.5. Means of Satisfying Code Section 409A. If any payment that would otherwise be made under this Award Agreement is required to be delayed by reason of Section 13, such payment shall be made at the earliest date permitted by Code section 409A. The amount of any delayed payment shall be the amount that would have been paid prior to the delay adjusted to include interest from the original payment date to the actual payment date, compounded daily, 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 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, 2012, 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 Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall amend Sections 1, 2, 3, 4, or 5 in a manner adverse to you or reduce the amount payable hereunder in a material manner without your written consent. For this purpose, a change in the amount payable hereunder that occurs solely by reason of a change in the date or form of payment 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 Committee 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.

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) (i) to the extent distributions to any key employee are required to be delayed six months.

Section 14. Post-Employment Covenants

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

Section 15. 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. In order for this Award to be effective, you must execute and return this Award Agreement promptly. 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 and your agreement to the Post-Employment Covenants contained in Section 14 and Exhibit A.

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)
Cash Flow Performance Factor	§ 4.2
Cash Flow Performance Amount	§ 2.1(c)
Cell	§ 4.1 (c)
Change of Control	IPA
Committee	1 st
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 Factors	§ 4
Peer Performance Group	§ 3.1
Percentile Ranking	§ 3.2(b)
Performance Period	§ 1
Phantom Stock Account	§ 5.2(c)(2)
Plan	1 st ¶
Potential Award	§ 2.1(c)
ROIC	§ 4.1(a)
ROIC Performance Factor	§ 4.1
ROIC Performance Amount	§ 2.1(b)
Share Units	IPA
Share-Based Awards	IPA
Stock	IPA
Target Award	2 nd ¶, § 1
Total Stockholder Return	IPA

Exhibit A

Post Employment Conduct Agreement
(LTIP Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of a Long Term Incentive Performance Award to me under the Award Agreement (the "LTIP") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the LTIP, I agree as follows:

1. Protective Covenants.

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

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

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

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the “Confidential or Proprietary Information” (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation’s Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, “Confidential or Proprietary Information” means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person’s or entity’s employees or agents in an unauthorized manner, might be detrimental to the person’s or entity’s interests. Confidential or Proprietary Information may include, but is not limited to:

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

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

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

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

- (iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation.
- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have earned any of the LTIP, any cash paid to me, whether paid currently or deferred; and (ii) to the extent I have not earned the LTIP fully, all of my remaining rights, title or interest in the LTIP.

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

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

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

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

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

7. Miscellaneous

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

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

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

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

This PECA is effective as of the acceptance by me of the award of an LTIP under the Award Agreement.

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**

«Name»
«Street»
«City», «State» «Zip»

Re: Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan: **Long-Term Incentive Performance Award (2008-2010 Performance Period)**

Dear «Call_By_Name»:

On behalf of the Management Development and Compensation Committee (the "Committee") of the Board of Directors of Lockheed Martin Corporation, I am pleased to tell you that you have been granted a Long-Term Incentive Performance Award under the Corporation's Amended and Restated 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.

IN ORDER FOR THIS AWARD TO BE EFFECTIVE, YOU MUST PROMPTLY SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT. PLEASE NOTE THAT BY ACCEPTING THE AWARD YOU AGREE TO BE BOUND BY THE RESTRICTIONS CONTAINED IN SECTION 14, "POST-EMPLOYMENT COVENANTS" AND IN EXHIBIT A ATTACHED TO THIS 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 shall 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, 2008, until December 31, 2010.

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 Committee 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 Committee will also calculate the ROIC Performance Factor based on the Corporation's ROIC during the Performance Period as compared to the projected ROIC for the Performance Period in the 2008 Long Range Plan as presented at the February 2008 Board meeting. One-quarter of your Target Award will be multiplied by the ROIC Performance Factor, with the resulting dollar amount to be known as the ROIC Performance Amount.

(c) The Committee will also calculate the Cash Flow Performance Factor based on the Corporation's cumulative Cash Flow during the Performance Period as compared to the projected cumulative Cash Flow in the 2008 Long Range Plan as presented at the February 2008 Board meeting. One-quarter of your Target Award will be multiplied by the Cash Flow Performance Factor, with the resulting dollar amount to be known as the Cash Flow Performance Amount.

(d) Your External Performance Amount, your ROIC Performance Amount, and your Cash Flow Performance Amount will then be added together, with the sum of those three amounts 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 Committee completes its calculations in 2011, but in no event later than March 15, 2011.

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 2013, but in no event later than March 15, 2013.

(a) Between December 31, 2010, and December 31, 2012, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2010, 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 2013, but in no event later than March 15, 2013 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, 2010, to receive a payment of any portion of your Award and through December 31, 2012, 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 relative ranking of the Corporation's 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 Committee 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	75 th 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 Factors.

4.1 ROIC Performance Factor. The ROIC Performance Factor will be determined by comparing the Corporation's ROIC for the Performance Period to ROIC as forecasted for the Performance Period in the Corporation's 2008 Long Range Plan and then identifying the ROIC Performance Factor based upon the factor associated with the difference on the following table:

<u>Change from 2008 LRP ROIC</u>	<u>ROIC Performance Factor</u>
Plan + 40 or more basis points	200%
Plan + 30 basis points	175%
Plan + 20 basis points	150%
Plan + 10 basis points	125%
Plan	100%
Plan - 10 basis points	75%
Plan - 20 basis points	50%
Plan - 30 basis points	25%
Plan - 40 or more basis points	0%

- (a) ROIC Definition. For purposes of this Award Agreement, "ROIC" means return on invested capital for the Performance Period calculated as (A) average annual (i) net income plus (ii) interest expense times one minus the highest marginal federal corporate tax rate over the three year Performance period ("Return"), divided by (B) the average of the four year-end investment balances (beginning with December 31, 2007 year-end balance) consisting of (i) debt (including current maturities of long-term debt) plus (ii) stockholders' equity plus the postretirement plans amounts determined at year-end as included in the Corporation's Statement of Stockholder Equity.
- (b) ROIC Determination. Each component of ROIC and the calculation of any postretirement plans amounts recorded in the Corporation's Statement of Stockholder Equity shall be determined by the Committee in accordance with generally accepted accounting principles in the United States and be based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the date or period on which ROIC is being determined, the Committee shall make its determination in a manner consistent with the historical practices used by the Corporation in determining the components of ROIC and postretirement plans amounts recorded in the Corporation's Statement of Stockholder Equity for purposes of reporting those items on its audited financial statements, as modified by this paragraph. Notwithstanding the foregoing, ROIC will be adjusted to exclude the impact of any change in accounting standards or adoption of any new accounting standards that is required under generally accepted accounting 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. ROIC as included in the 2008 Long Range Plan and the change in ROIC for purposes of the ROIC Performance Factor will be determined in accordance with this Section 4.1(b).

4.2 Cash Flow Performance Factor. The Cash Flow Performance Factor will be determined by comparing the Corporation's cumulative Cash Flow during the Performance Period to the projected cumulative Cash Flow of the Corporation as forecasted in the Corporation's 2008 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2008 Long Range Plan on the following table:

<u>Change From 2008 LRP Cash Flow</u>	<u>Cash Flow Performance Factor</u>
Plan + \$1B or more	200%
Plan + \$.75B	175%
Plan + \$.5B	150%
Plan + \$.25B	125%
Plan	100%
Plan - \$.25B	75%
Plan - \$.5B	50%
Plan - \$1B	25%
Plan - more than \$1B	0%

- (a) Cash Flow Definition. For purposes of this Award Agreement, Cash Flow means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2008 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.
- (b) Cash Flow Determination. Cash Flow shall be determined by the Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Committee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows, in either case as modified by this paragraph.

4.3 Interpolation of ROIC and Cash Flow Metrics. If the change in ROIC or Cash Flow falls between two numbers listed in the applicable table in section 4.1 or 4.2, the appropriate factor will be interpolated on a linear basis. Notwithstanding the foregoing, the ROIC Performance Factor will always be zero if the ROIC for the Performance Period is less than ROIC forecasted for the Performance Period in the 2008 Long Range Plan by 40 basis points or more and the Cash Flow Performance Factor will always be zero if the aggregate Cash Flow for the Performance Period is less than what was forecasted for the Performance Period in the 2008 Long Range Plan by more than \$1 billion.

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(d), 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 Committee 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 Committee shall have complete and absolute discretion to make the determinations called for under this Section 5.1(b), and all such determinations shall be binding on you and on any person who claims all or any part of your 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 Committee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period, 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, 2012, 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, 2012.

(2) Phantom Stock Account. The Committee 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 Committee'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 Committee shall make such credits or debits to the units previously credited to such account as the Committee 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, 2012, as soon as practicable after December 31, 2012, but in no event later than March 15, 2013 (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, 2012, or, if it is not a trading day, on the last trading day before December 31, 2012.

(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, 2012, and the Committee 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) 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 Vice President of Compensation and Benefits' office, 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 Committee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period, but in no event later than March 15, 2011 (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 Vice President of Compensation and Benefits' office, 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 Committee. 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 2008 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 2008 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.

5.5. Means of Satisfying Code Section 409A. If any payment that would otherwise be made under this Award Agreement is required to be delayed by reason of Section 13, such payment shall be made at the earliest date permitted by Code section 409A. The amount of any delayed payment shall be the amount that would have been paid prior to the delay adjusted to include interest from the original payment date to the actual payment date, compounded daily, 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 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, 2012, 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 Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall amend Sections 1, 2, 3, 4, or 5 in a manner adverse to you or reduce the amount payable hereunder in a material manner without your written consent. For this purpose, a change in the amount payable hereunder that occurs solely by reason of a change in the date or form of payment 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 Committee 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.

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) (i) to the extent distributions to any key employee are required to be delayed six months.

Section 14. Post-Employment Covenants

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

Section 15. 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. In order for this Award to be effective, you must execute and return this Award Agreement promptly. 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 and your agreement to the Post-Employment Covenants contained in Section 14 and Exhibit A.

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)
Cash Flow Performance Factor	§ 4.2
Cash Flow Performance Amount	§ 2.1(c)
Cell	§ 4.1 (c)
Change of Control	IPA
Committee	1 st ¶
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 Factors	§ 4
Peer Performance Group	§ 3.1
Percentile Ranking	§ 3.2(b)
Performance Period	§ 1¶
Phantom Stock Account	§ 5.2(c)(2)
Plan	1 st ¶
Potential Award	§ 2.1(c)
ROIC	§ 4.1(a)
ROIC Performance Factor	§ 4.1
ROIC Performance Amount	§ 2.1(b)
Share Units	IPA
Share-Based Awards	IPA
Stock	IPA
Target Award	2 nd ¶, § 1
Total Stockholder Return	IPA

Exhibit A

Post Employment Conduct Agreement
(LTIP Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of a Long Term Incentive Performance Award to me under the Award Agreement (the "LTIP") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the LTIP, I agree as follows:

1. Protective Covenants

(a) Protection of Proprietary Information, including Trade Secrets and Confidential Information – Except to the extent required by law, following my Termination Date, and in conformance with the provisions of the California Uniform Trade Secrets Act (Cal. Civil Code § 3426, et seq.) and the California Unfair Competition Law (Cal. Business and Professional Code § 17220 et seq.), I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity, for the purpose or effect of competing unfairly with the Corporation, of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

- (i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, or

- (ii) existing or contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, or production processes. Or
- (iii) any information protected by the California Uniform Trade Secrets Act (Cal. Civil Code § 3426, et seq.).

(b) Non-Solicit - Without the express written consent of the Chief Executive Officer of the Corporation, during the two-year period following the Termination Date, I will not induce or attempt to induce any person who is an employee of the Corporation to perform work or services for any entity other than the Corporation. This provision does not prevent the hiring of such persons so long as they are not induced to be one employed in violation of this provision.

(c) No disparagement - Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Corporation or its stockholders, directors, officers, employees, agents, attorneys, representatives, technology, products or services with respect to any matter whatsoever.

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

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

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

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

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

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

6. Miscellaneous.

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

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

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

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

This PECA is effective as of the acceptance by me of the award of an LTIP under the Award Agreement.

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**

«Name»
«Street»
«City», «State» «Zip»

Re: Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan: **Long-Term Incentive Performance Award (2008-2010 Performance Period)**

Dear «Call_By_Name»:

On behalf of the Management Development and Compensation Committee (the "Committee") of the Board of Directors of Lockheed Martin Corporation, I am pleased to tell you that you have been granted a Long-Term Incentive Performance Award under the Corporation's Amended and Restated 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.

IN ORDER FOR THIS AWARD TO BE EFFECTIVE, YOU MUST PROMPTLY SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT. PLEASE NOTE THAT BY ACCEPTING THE AWARD YOU AGREE TO BE BOUND BY THE RESTRICTIONS CONTAINED IN SECTION 14, "POST-EMPLOYMENT COVENANTS" AND IN EXHIBIT A ATTACHED TO THIS 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 shall 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, 2008, until December 31, 2010.

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 Committee 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 Committee will also calculate the ROIC Performance Factor based on the Corporation's ROIC during the Performance Period as compared to the projected ROIC for the Performance Period in the 2008 Long Range Plan as presented at the February 2008 Board meeting. One-quarter of your Target Award will be multiplied by the ROIC Performance Factor, with the resulting dollar amount to be known as the ROIC Performance Amount.

(c) The Committee will also calculate the Cash Flow Performance Factor based on the Corporation's cumulative Cash Flow during the Performance Period as compared to the projected cumulative Cash Flow in the 2008 Long Range Plan as presented at the February 2008 Board meeting. One-quarter of your Target Award will be multiplied by the Cash Flow Performance Factor, with the resulting dollar amount to be known as the Cash Flow Performance Amount.

(d) Your External Performance Amount, your ROIC Performance Amount, and your Cash Flow Performance Amount will then be added together, with the sum of those three amounts 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 Committee completes its calculations in 2011, but in no event later than March 15, 2011.

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 2013, but in no event later than March 15, 2013.

(a) Between December 31, 2010, and December 31, 2012, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2010, 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 2013, but in no event later than March 15, 2013 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, 2010, to receive a payment of any portion of your Award and through December 31, 2012, 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 relative ranking of the Corporation's 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 Committee 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	75 th 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 Factors.

4.1 ROIC Performance Factor. The ROIC Performance Factor will be determined by comparing the Corporation's ROIC for the Performance Period to ROIC as forecasted for the Performance Period in the Corporation's 2008 Long Range Plan and then identifying the ROIC Performance Factor based upon the factor associated with the difference on the following table:

<u>Change from 2008 LRP ROIC</u>	<u>ROIC Performance Factor</u>
Plan + 40 or more basis points	200%
Plan + 30 basis points	175%
Plan + 20 basis points	150%
Plan + 10 basis points	125%
Plan	100%
Plan - 10 basis points	75%
Plan - 20 basis points	50%
Plan - 30 basis points	25%
Plan - 40 or more basis points	0%

- (a) ROIC Definition. For purposes of this Award Agreement, "ROIC" means return on invested capital for the Performance Period calculated as (A) average annual (i) net income plus (ii) interest expense times one minus the highest marginal federal corporate tax rate over the three year Performance period ("Return"), divided by (B) the average of the four year-end investment balances (beginning with December 31, 2007 year-end balance) consisting of (i) debt (including current maturities of long-term debt) plus (ii) stockholders' equity plus the postretirement plans amounts determined at year-end as included in the Corporation's Statement of Stockholder Equity.
- (b) ROIC Determination. Each component of ROIC and the calculation of any postretirement plans amounts recorded in the Corporation's Statement of Stockholder Equity shall be determined by the Committee in accordance with generally accepted accounting principles in the United States and be based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the date or period on which ROIC is being determined, the Committee shall make its determination in a manner consistent with the historical practices used by the Corporation in determining the components of ROIC and postretirement plans amounts recorded in the Corporation's Statement of Stockholder Equity for purposes of reporting those items on its audited financial statements, as modified by this paragraph. Notwithstanding the foregoing, ROIC will be adjusted to exclude the impact of any change in accounting standards or adoption of any new accounting standards that is required under generally accepted accounting 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. ROIC as included in the 2008 Long Range Plan and the change in ROIC for purposes of the ROIC Performance Factor will be determined in accordance with this Section 4.1(b).

4.2 Cash Flow Performance Factor. The Cash Flow Performance Factor will be determined by comparing the Corporation's cumulative Cash Flow during the Performance Period to the projected cumulative Cash Flow of the Corporation as forecasted in the Corporation's 2008 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2008 Long Range Plan on the following table:

<u>Change From 2008 LRP Cash Flow</u>	<u>Cash Flow Performance Factor</u>
Plan + \$1B or more	200%
Plan + \$.75B	175%
Plan + \$.5B	150%
Plan + \$.25B	125%
Plan	100%
Plan - \$.25B	75%
Plan - \$.5B	50%
Plan - \$1B	25%
Plan - more than \$1B	0%

- (a) Cash Flow Definition. For purposes of this Award Agreement, Cash Flow means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2008 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.
- (b) Cash Flow Determination. Cash Flow shall be determined by the Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Committee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows, in either case as modified by this paragraph.

4.3 Interpolation of ROIC and Cash Flow Metrics. If the change in ROIC or Cash Flow falls between two numbers listed in the applicable table in section 4.1 or 4.2, the appropriate factor will be interpolated on a linear basis. Notwithstanding the foregoing, the ROIC Performance Factor will always be zero if the ROIC for the Performance Period is less than ROIC forecasted for the Performance Period in the 2008 Long Range Plan by 40 basis points or more and the Cash Flow Performance Factor will always be zero if the aggregate Cash Flow for the Performance Period is less than what was forecasted for the Performance Period in the 2008 Long Range Plan by more than \$1 billion.

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(d), 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 Committee 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 Committee shall have complete and absolute discretion to make the determinations called for under this Section 5.1(b), and all such determinations shall be binding on you and on any person who claims all or any part of your 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 Committee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period, 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, 2012, 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, 2012.

(2) Phantom Stock Account. The Committee 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 Committee'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 Committee shall make such credits or debits to the units previously credited to such account as the Committee 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, 2012, as soon as practicable after December 31, 2012, but in no event later than March 15, 2013 (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, 2012, or, if it is not a trading day, on the last trading day before December 31, 2012.

(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, 2012, and the Committee 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 Vice President of Compensation and Benefits' office, 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 Committee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period, but in no event later than March 15, 2011 (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 Vice President of Compensation and Benefits' office, 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 Committee. 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 2008 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 2008 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.

5.5. Means of Satisfying Code Section 409A. If any payment that would otherwise be made under this Award Agreement is required to be delayed by reason of Section 13, such payment shall be made at the earliest date permitted by Code section 409A. The amount of any delayed payment shall be the amount that would have been paid prior to the delay adjusted to include interest from the original payment date to the actual payment date, compounded daily, 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 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, 2012, 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 Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall amend Sections 1, 2, 3, 4, or 5 in a manner adverse to you or reduce the amount payable hereunder in a material manner without your written consent. For this purpose, a change in the amount payable hereunder that occurs solely by reason of a change in the date or form of payment 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 Committee 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.

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) (i) to the extent distributions to any key employee are required to be delayed six months.

Section 14. Post-Employment Covenants.

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

Section 15. 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. In order for this Award to be effective, you must execute and return this Award Agreement promptly. 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 and your agreement to the Post-Employment Covenants contained in Section 14 and Exhibit A.

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)
Cash Flow Performance Factor	§4.2
Cash Flow Performance Amount	§2.1(c)
Cell	§4.1(c)
Change of Control	IPA
Committee	1 st ¶
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 Factors	§4
Peer Performance Group	§3.1
Percentile Ranking	§3.2(b)
Performance Period	§1¶
Phantom Stock Account	§5.2(c)(2)
Plan	1 st ¶
Potential Award	§2.1(c)
ROIC	§4.1(a)
ROIC Performance Factor	§4.1
ROIC Performance Amount	§2.1(b)
Share Units	IPA
Share-Based Awards	IPA
Stock	IPA
Target Award	2 nd ¶, §1
Total Stockholder Return	IPA

Exhibit A

Post Employment Conduct Agreement
(LTIP Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of a Long Term Incentive Performance Award to me under the Award Agreement (the "LTIP") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the LTIP, I agree as follows:

1. Protective Covenants

(a) Protection of Proprietary Information, including Trade Secrets and Confidential Information – Except to the extent required by law, following my Termination Date, and in conformance with the provisions of the California Uniform Trade Secrets Act (Cal. Civil Code § 3426, et seq.) and the California Unfair Competition Law (Cal. Business and Professional Code § 17220 et seq.), I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity, for the purpose or effect of competing unfairly with the Corporation, of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

- (i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, or

- (ii) existing or contemplated technical information and documentation pertaining to technology, know how, equipment, machines, devices and systems, computer hardware and software, compositions, formulas, products, processes, methods, designs, specifications, mask works, testing or evaluation procedures, manufacturing processes, or production processes. Or
- (iii) any information protected by the California Uniform Trade Secrets Act (Cal. Civil Code § 3426, et seq.).

(b) Non-Solicit - Without the express written consent of the Senior Vice President, Human Resources of the Corporation, during the one-year period following the Termination Date, I will not induce or attempt to induce any person who is an employee of the Corporation to perform work or services for any entity other than the Corporation. This provision does not prevent the hiring of such persons so long as they are not induced to be one employed in violation of this provision.

(c) No disparagement - Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Corporation or its stockholders, directors, officers, employees, agents, attorneys, representatives, technology, products or services with respect to any matter whatsoever.

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

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

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

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

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

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

6. Miscellaneous.

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

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

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

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

This PECA is effective as of the acceptance by me of the award of an LTIP under the Award Agreement.

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**

«Name»
«Street»
«City», «State» «Zip»

Re: Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan: **Long-Term Incentive Performance Award (2008-2010 Performance Period)**

Dear «Call_By_Name»:

On behalf of the Management Development and Compensation Committee (the "Committee") of the Board of Directors of Lockheed Martin Corporation, I am pleased to tell you that you have been granted a Long-Term Incentive Performance Award under the Corporation's Amended and Restated 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.

IN ORDER FOR THIS AWARD TO BE EFFECTIVE, YOU MUST PROMPTLY SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT. PLEASE NOTE THAT BY ACCEPTING THE AWARD YOU AGREE TO BE BOUND BY THE RESTRICTIONS CONTAINED IN SECTION 14, "POST-EMPLOYMENT COVENANTS" AND IN EXHIBIT A ATTACHED TO THIS 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 shall 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, 2008, until December 31, 2010.

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 Committee 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 Committee will also calculate the ROIC Performance Factor based on the Corporation's ROIC during the Performance Period as compared to the projected ROIC for the Performance Period in the 2008 Long Range Plan as presented at the February 2008 Board meeting. One-quarter of your Target Award will be multiplied by the ROIC Performance Factor, with the resulting dollar amount to be known as the ROIC Performance Amount.

(c) The Committee will also calculate the Cash Flow Performance Factor based on the Corporation's cumulative Cash Flow during the Performance Period as compared to the projected cumulative Cash Flow in the 2008 Long Range Plan as presented at the February 2008 Board meeting. One-quarter of your Target Award will be multiplied by the Cash Flow Performance Factor, with the resulting dollar amount to be known as the Cash Flow Performance Amount.

(d) Your External Performance Amount, your ROIC Performance Amount, and your Cash Flow Performance Amount will then be added together, with the sum of those three amounts 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 Committee completes its calculations in 2011, but in no event later than March 15, 2011.

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 2013, but in no event later than March 15, 2013.

(a) Between December 31, 2010, and December 31, 2012, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2010, 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 2013, but in no event later than March 15, 2013 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, 2010, to receive a payment of any portion of your Award and through December 31, 2012, 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 relative ranking of the Corporation's 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 Committee 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	75 th 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 Factors.

4.1 ROIC Performance Factor. The ROIC Performance Factor will be determined by comparing the Corporation's ROIC for the Performance Period to ROIC as forecasted for the Performance Period in the Corporation's 2008 Long Range Plan and then identifying the ROIC Performance Factor based upon the factor associated with the difference on the following table:

<u>Change from 2008 LRP ROIC</u>	<u>ROIC Performance Factor</u>
Plan + 40 or more basis points	200%
Plan + 30 basis points	175%
Plan + 20 basis points	150%
Plan + 10 basis points	125%
Plan	100%
Plan - 10 basis points	75%
Plan - 20 basis points	50%
Plan - 30 basis points	25%
Plan - 40 or more basis points	0%

- (a) ROIC Definition. For purposes of this Award Agreement, "ROIC" means return on invested capital for the Performance Period calculated as (A) average annual (i) net income plus (ii) interest expense times one minus the highest marginal federal corporate tax rate over the three year Performance period ("Return"), divided by (B) the average of the four year-end investment balances (beginning with December 31, 2007 year-end balance) consisting of (i) debt (including current maturities of long-term debt) plus (ii) stockholders' equity plus the postretirement plans amounts determined at year-end as included in the Corporation's Statement of Stockholder Equity.
- (b) ROIC Determination. Each component of ROIC and the calculation of any postretirement plans amounts recorded in the Corporation's Statement of Stockholder Equity shall be determined by the Committee in accordance with generally accepted accounting principles in the United States and be based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the date or period on which ROIC is being determined, the Committee shall make its determination in a manner consistent with the historical practices used by the Corporation in determining the components of ROIC and postretirement plans amounts recorded in the Corporation's Statement of Stockholder Equity for purposes of reporting those items on its audited financial statements, as modified by this paragraph. Notwithstanding the foregoing, ROIC will be adjusted to exclude the impact of any change in accounting standards or adoption of any new accounting standards that is required under generally accepted accounting 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. ROIC as included in the 2008 Long Range Plan and the change in ROIC for purposes of the ROIC Performance Factor will be determined in accordance with this Section 4.1(b).

4.2 Cash Flow Performance Factor. The Cash Flow Performance Factor will be determined by comparing the Corporation's cumulative Cash Flow during the Performance Period to the projected cumulative Cash Flow of the Corporation as forecasted in the Corporation's 2008 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2008 Long Range Plan on the following table:

<u>Change From 2008 LRP Cash Flow</u>	<u>Cash Flow Performance Factor</u>
Plan + \$1B or more	200%
Plan + \$.75B	175%
Plan + \$.5B	150%
Plan + \$.25B	125%
Plan	100%
Plan - \$.25B	75%
Plan - \$.5B	50%
Plan - \$1B	25%
Plan - more than \$1B	0%

- (a) Cash Flow Definition. For purposes of this Award Agreement, Cash Flow means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2008 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.
- (b) Cash Flow Determination. Cash Flow shall be determined by the Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the Committee shall determine Cash Flow in a manner consistent with the historical practices used by the Corporation in determining net cash provided by operating activities as reported in its audited consolidated statement of cash flows, in either case as modified by this paragraph.

4.3 Interpolation of ROIC and Cash Flow Metrics. If the change in ROIC or Cash Flow falls between two numbers listed in the applicable table in section 4.1 or 4.2, the appropriate factor will be interpolated on a linear basis. Notwithstanding the foregoing, the ROIC Performance Factor will always be zero if the ROIC for the Performance Period is less than ROIC forecasted for the Performance Period in the 2008 Long Range Plan by 40 basis points or more and the Cash Flow Performance Factor will always be zero if the aggregate Cash Flow for the Performance Period is less than what was forecasted for the Performance Period in the 2008 Long Range Plan by more than \$1 billion.

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(d), 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 Committee 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 Committee shall have complete and absolute discretion to make the determinations called for under this Section 5.1(b), and all such determinations shall be binding on you and on any person who claims all or any part of your 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 Committee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period, 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, 2012, 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, 2012.

(2) Phantom Stock Account. The Committee 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 Committee'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 Committee shall make such credits or debits to the units previously credited to such account as the Committee 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, 2012, as soon as practicable after December 31, 2012, but in no event later than March 15, 2013 (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, 2012, or, if it is not a trading day, on the last trading day before December 31, 2012.

(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, 2012, and the Committee 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 Vice President of Compensation and Benefits' office, 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 Committee certifies in writing (for purposes of Section 162(m) of the Code) that your Target Award has become a Potential Award for the Performance Period, but in no event later than March 15, 2011 (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 Vice President of Compensation and Benefits' office, 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 Committee. 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 2008 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 2008 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.

5.5. Means of Satisfying Code Section 409A. If any payment that would otherwise be made under this Award Agreement is required to be delayed by reason of Section 13, such payment shall be made at the earliest date permitted by Code section 409A. The amount of any delayed payment shall be the amount that would have been paid prior to the delay adjusted to include interest from the original payment date to the actual payment date, compounded daily, 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 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, 2012, 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 Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall amend Sections 1, 2, 3, 4, or 5 in a manner adverse to you or reduce the amount payable hereunder in a material manner without your written consent. For this purpose, a change in the amount payable hereunder that occurs solely by reason of a change in the date or form of payment 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 Committee 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.

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) (i) to the extent distributions to any key employee are required to be delayed six months.

Section 14. Post-Employment Covenants.

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

Section 15. 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. In order for this Award to be effective, you must execute and return this Award Agreement promptly. 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 and your agreement to the Post-Employment Covenants contained in Section 14 and Exhibit A.

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)
Cash Flow Performance Factor	§ 4.2
Cash Flow Performance Amount	§ 2.1(c)
Cell	§ 4.1 (c)
Change of Control	IPA
Committee	1 st ¶
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 Factors	§ 4
Peer Performance Group	§ 3.1
Percentile Ranking	§ 3.2(b)
Performance Period	§ 1¶
Phantom Stock Account	§ 5.2(c)(2)
Plan	1 st ¶
Potential Award	§ 2.1(c)
ROIC	§ 4.1(a)
ROIC Performance Factor	§ 4.1
ROIC Performance Amount	§ 2.1(b)
Share Units	IPA
Share-Based Awards	IPA
Stock	IPA
Target Award	2 nd ¶, § 1
Total Stockholder Return	IPA

Exhibit A

Post Employment Conduct Agreement
(LTIP Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of a Long Term Incentive Performance Award to me under the Award Agreement (the "LTIP") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the LTIP, I agree as follows:

1. Post Termination Activity.

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

- (i) Represent any client adversely to the Corporation;
- (ii) Reveal to any third party any information learned by me during the course of my employment with the Corporation except for information that is or becomes generally known;
- (iii) Encourage or solicit any present or future agents or employees of the Corporation to terminate their employment for the purpose of competing with the Corporation; or
- (iv) Whether as a lawyer or non-lawyer, accept a position (whether as agent, employer, part or sole owner or in any other capacity) with any person or entity whose interests are adverse to the Corporation's interests if that adverse position is related in any way to my present or past work with the Corporation.

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

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

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

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

(a) I agree, to the extent permitted by applicable law, including but not limited to any applicable rules governing attorney conduct, that upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

- (iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation.
- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have earned any of the LTIP, any cash paid to me, whether paid currently or deferred; and (ii) to the extent I have not earned the LTIP fully, all of my remaining rights, title or interest in the LTIP.

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

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

6. Definitions. Capitalized terms not defined in this PECA have the meaning given to them in the Plan, as applicable.

7. Miscellaneous.

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

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

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

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

This PECA is effective as of the acceptance by me of the award of an LTIP under the Award Agreement.

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

Dear Mr. Stevens:

The Management Development and Compensation Committee (the "Committee") of Lockheed Martin Corporation's Board of Directors has awarded to you options to purchase shares of Lockheed Martin Common Stock ("Stock") under the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan").

This letter is your Award Agreement and sets forth some of the terms and conditions of your award. Additional terms and conditions are contained in the Plan and in the Prospectus relating to the Plan of which the Plan document and this Award Agreement are a part. By accepting this Award Agreement electronically, you consent to electronic delivery of the Prospectus applicable to these Options. You should retain the Prospectus in your records.

The term "Options" as used in this Award Agreement refers only to the nonqualified stock options awarded to you under this Award Agreement. References to the "Corporation" include Lockheed Martin Corporation and its subsidiaries.

Your Award is not effective or enforceable until you properly acknowledge your acceptance of the Award by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office as instructed below as soon as possible. **Please note that by accepting the award you agree to be bound by the restrictions contained under the heading below "Post-Employment Covenants" and in Exhibit A attached to this Agreement.**

EXERCISE PRICE

The exercise price of the Options granted hereunder is \$106.87 per Option. Under certain circumstances set forth in the Plan and this Award Agreement, this exercise price may be subject to adjustment.

The Committee presently allows the exercise price of an Option to be paid in cash, by the tender of Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment, nor will fractional shares be issued. The Committee retains the discretion to, at any time, limit the method of payment to cash. If you elect to pay with Stock, you must have owned the shares tendered for at least six months. If Stock is tendered, it will be valued at its Fair Market Value on the date of tender.

VESTING/EXPIRATION/FORFEITURE

General Rule - An Option may not be exercised until it has vested, nor may an Option be exercised after its expiration or forfeiture. Subject to certain special rules discussed below, if you remain in the employ of the Corporation until the applicable date of vesting, the vesting schedule for your Options is as follows:

First Vesting Date: January 28, 2009 – One-Third
Second Vesting Date: January 28, 2010 – One-Third
Third Vesting Date: January 28, 2011 – One-Third

If the number of Options granted cannot be evenly divided by three into whole shares, the fractional shares will vest on the Third Vesting Date. If you leave the employ of the Corporation before the date on which an Option vests, that Option is forfeited.

Vested Options, except as otherwise provided in this letter, or in the Plan, or as may be restricted by law, may be exercised for a period ending on January 26, 2018. Options not exercised by that date will be forfeited.

You should make every effort to keep the Vice President of Compensation and Benefits' office informed of your current address so that we may communicate with you about your options and their current status. The Corporation cannot exercise the options for you, and so you must pay close attention to their terms and any impending expiration.

SPECIAL RULES AS TO VESTING

Retirement - If you retire before the First Vesting Date, you will forfeit all of the Options in accordance with the general rule set forth above. If you retire on or after the First Vesting Date, you will vest in the remaining Options on the Second Vesting Date and the Third Vesting Date as though you had remained in the employ of the Corporation through those dates. For the purposes of this provision, the term "retirement" means retirement from service under the terms of the Corporation's 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.

Death or Disability - Your Options will immediately vest and no longer be subject to the continuing employment requirement if:

- (i) you die while still employed by the Corporation; 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).

SPECIAL RULES AS TO EXPIRATION AND FORFEITURE

Death or Disability - Options will expire at the end of their remaining term on January 26, 2018.

Resignation, Lay-Off or Termination for Cause - If you resign or otherwise terminate, whether voluntarily or by action of the Corporation and in the latter case whether with or without "cause," unvested Options will be forfeited upon your termination. Vested Options will expire at the end of their remaining term or 30 calendar days following your resignation or termination, whichever is shorter. If you are laid off, your options will be unaffected, and will vest and be exercisable until the end of their remaining term, in accordance with the terms of the Plan.

Divestiture - 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 transfer of such employment to the other party to the divestiture, the special rules in this paragraph will apply. Following a divestiture, you will continue to vest in your unvested options as though you had remained in the employ of the Corporation. Your vested options will be exercisable until the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Divestiture Expiration Date"). If you die following divestiture but prior to the Divestiture Expiration Date, all unvested options will immediately vest as of the date of death and be exercisable by your beneficiary until the Divestiture Expiration Date. 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 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, one or more of the Corporation's subsidiaries or by a combination thereof.

LIMITATIONS ON EXERCISE

Notwithstanding any other provision herein, no Option may be exercised less than six months nor more than ten years after the date of grant. Further, from time to time, your ability to exercise Options which otherwise would be exercisable may be restricted, if in the opinion of counsel for the Corporation, this is necessary or advisable in order to ensure compliance with applicable Federal or state law, rules or regulations.

ASSIGNMENT/TRANSFERABILITY/BENEFICIARIES

Options may not be pledged, assigned or transferred except that Options may be transferred by will or by the laws of descent and distribution or you may provide that, upon your death, the Options are to be transferred to a beneficiary or beneficiaries that you designate. To designate a beneficiary or beneficiaries, please complete the Beneficiary Designation located at <http://www.etrade.com/stockplans> and return an originally executed copy to the Vice President of Compensation and Benefits' office (Mail Point 123).

During your lifetime, only you may exercise your Options. In the event of your death or disability, your Options may be exercised by a qualified representative of your estate, a properly designated beneficiary or beneficiaries or your guardian or authorized representative, as applicable.

TAX WITHHOLDING

When you exercise an Option, the Corporation will withhold applicable taxes as required by law. The Committee presently allows you to pay the withholding tax in cash, by tendering Stock or through a combination of Stock and cash. No fractional shares of Stock may be tendered in payment. The Committee retains the discretion to, at any time, limit the method of payment to cash. Unlike payment of the exercise price of the Options, if you elect to pay withholding taxes with Stock, you need not have owned the shares tendered for at least six months. Payment must be made at the time of exercise. To the extent that cash is not tendered, the Corporation will retain from the shares of Stock that you would otherwise receive upon exercise of the Option that number of shares sufficient to satisfy the withholding obligation. If Stock is tendered or is deemed to have been tendered, it will be valued at its Fair Market Value.

Withholding will be at the minimum rate prescribed by law. Therefore, you may owe taxes relating to the exercise in addition to the amount withheld by the Corporation. If you desire, you may request that tax be withheld at greater than the minimum rate.

Special Note for Section 16 Insiders - The Corporation's Section 16 Insiders have been informed of this fact by the Board of Directors. If you are a Section 16 Insider, your ability to satisfy your withholding obligations through the tender of Stock may be limited by the Federal securities laws. In these situations, having such treatment deemed to occur may have adverse consequences. The Corporation recommends that you consult with the Office of the General Counsel or the Office of the Corporate Secretary before entering into any transactions involving your Options or Stock.

CHANGE IN CONTROL

In the event of a change in control of the Corporation, as defined in Section 7 of the Plan, the vesting date of all outstanding options shall be accelerated so as to cause all outstanding options to become exercisable.

AMENDMENT AND TERMINATION OF THE PLAN OR AWARDS

As provided in Section 9 of the Plan, the Board of Directors may at any time amend, suspend or discontinue the Plan and the Committee may at any time amend this Award Agreement. Notwithstanding the foregoing, no such action by the Board of Directors or the Committee shall affect this Award Agreement or the award made hereunder in any manner adverse to you without your written consent.

ACCEPTANCE OF AWARD

No award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. You must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Point 123, 6801 Rockledge Drive, Bethesda MD 20817

Assuming prompt and proper acceptance of this Award Agreement as described, this award will be effective as of the date of grant. If you do not acknowledge acceptance of your award, it will not be effective and you will not be able to exercise the options.

POST-EMPLOYMENT COVENANTS

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

MISCELLANEOUS

For the purpose of calculating the expiration date of the Options, all Options will be deemed to expire on January 26, 2018 at the close of trading in Lockheed Martin Corporation common stock on the New York Stock Exchange (or, if the security is not so listed or if the principal market on which it is traded is not the New York Stock Exchange, such other reporting system as shall be selected by the Committee). If you are on leave of absence, for the purposes of the Plan, you will be considered to still be in the employ of the Corporation unless otherwise provided in an agreement between you and the Corporation.

Your participation in the Plan, anything contained in this Award Agreement, or the grant of Options does not confer upon you any right of continued employment or limit in any way the right of the Corporation to terminate your employment at any time.

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

Sincerely,

David Filomeo
(On behalf of the Management Development and Compensation
Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

Exhibit A

Post Employment Conduct Agreement
(Stock Option Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with a Grant Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of stock options to me under the Award Agreement (the "Options") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the Options, I agree as follows:

1. Restrictions Following Termination of Employment.

(a) Covenant Not To Compete - Without the express written consent of the Management Development and Compensation Committee of the Board of Directors of the Corporation, during the two-year period following the date of my termination of employment (the "Termination Date") with Lockheed Martin Corporation (the "Corporation"), I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6 below), whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case,

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

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

(c) Protection of Proprietary Information – Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the “Confidential or Proprietary Information” (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation’s Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, “Confidential or Proprietary Information” means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person’s or entity’s employees or agents in an unauthorized manner, might be detrimental to the person’s or entity’s interests. Confidential or Proprietary Information may include, but is not limited to:

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

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

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

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

- (iii) The Corporation determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Corporation) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Corporation's financial position or reputation.
- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have exercised any of the Options and continue to own the shares of Common Stock of the Corporation issued or issuable upon exercise of the Options, the shares of Common Stock so acquired upon exercise; (ii) to the extent I have exercised any of the Options and no longer own the shares of Common Stock of the Corporation issued or issuable upon exercise of the Options, cash in an amount equal to the fair market value of such shares on the date of the event set forth in Section 3(a) (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of Common Stock as finally reported by the New York Stock Exchange on such date), and (iii) to the extent I have not exercised the Options fully, all of my remaining rights, title or interest in the Options.

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

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

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

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

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

7. Miscellaneous.

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

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

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

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

This PECA is effective as of the acceptance by me of the award of stock options under the Award Agreement.

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

Dear Mr. Stevens:

The Management Development and Compensation Committee of the Board of Directors ("Committee") 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 and the Plan, to receive from Lockheed Martin Corporation ("Corporation") (i) one (1) share of the Corporation's common stock, par value \$1.00 per share, ("Stock"); and (ii) quarterly cash payments equivalent to any cash dividends paid to stockholders of the Corporation, each in accordance with the terms of this letter, the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan ("Plan"), and any rules and procedures adopted by the Committee.

This letter constitutes the Award Agreement for your RSUs and sets forth some of the terms and conditions of your Award under the Plan, as determined by the Committee. Additional terms and conditions 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 an employee during the Restricted Period set forth below. If you do not continue to perform services for the Corporation as an employee during the entire Restricted Period, 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 Vice President of Compensation and Benefits' office as instructed below as soon as possible. The Committee has authorized electronic means for the 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. **Acceptance of this Award Agreement constitutes your consent to any action taken under the Plan consistent with its terms with respect to this Award. Please note that by accepting the award you agree to be bound by the restrictions contained under the heading below "Post-Employment Covenants" and in Exhibit A attached to this Agreement.**

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). If your acknowledgement is not received, your Award will not be effective.

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 (either in paper or book entry form) 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 right to vote on any matter put to stockholder vote, to receive dividends, and to encumber, sell or otherwise transfer the shares. You should note, however, that, while the shares would thus be free of the restrictions imposed during the Restricted Period, your ability to sell 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 at <http://www.etrade.com/stockplans> and returning it to the Vice President of Compensation and Benefits' office at the address below.

If, at your death, a completed beneficiary designation form is not on file at the Vice President of Compensation and Benefits' 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 January 28, 2011 (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

At its first meeting after the Corporation finalizes the financial results for the year ending December 31, 2008, the Committee will multiply the number of RSUs awarded to you under this Award Agreement by the Fair Market Value of Stock on the Award Date (\$106.87) ("RSU Award Value"). The Committee will then compare your RSU Award Value to the product of 0.2% and the Corporation's Cash Flow for the year ending December 31, 2008 (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 (\$106.87).

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 2008 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 Committee based upon the comparable numbers reported on the Corporation's audited consolidated financial statements or, if audited financial statements are not available for the period for which Cash Flow is being determined, the 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 an Employee of the Corporation until the expiration or termination of the Restricted Period, which will occur on January 28, 2011, 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; 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 Corporation's 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 January 28, 2009, you will forfeit all of your RSUs in accordance with the general rule requiring continued employment during the Restricted Period. If you are laid off on or after January 28, 2009, your RSUs will continue to be subject to forfeiture to the extent of any Performance Shortfall certified by the Committee 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:

- (i) you will vest in one third (1/3) of your RSUs if your layoff is effective on or after the first anniversary of the Award Date (January 28, 2009), but before the second anniversary of the Award Date (January 28, 2010); and
- (ii) you will vest in two thirds (2/3) of your RSUs if your layoff is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2009, 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 January 28, 2009, your RSUs will continue to be subject to forfeiture to the extent of any Performance Shortfall certified by the Committee 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:

- (i) you will vest in one third (1/3) of your RSUs if your retirement is effective on or after the first anniversary of the Award Date (January 28, 2009), but before the second anniversary of the Award Date (January 28, 2010); and
- (ii) you will vest in two thirds (2/3) of your RSUs if your retirement is effective on or after the second anniversary of the Award Date (January 28, 2010) but before the third anniversary of the Award Date (January 28, 2011).

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 January 28, 2011, other than on account of death, disability, layoff, or retirement, (or Divestiture or Change in Control as described below) 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

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 Committee 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.

ACCEPTANCE OF AWARD

No Award is enforceable until you properly acknowledge your acceptance by completing the electronic receipt or returning an executed copy of this Award Agreement to the Vice President of Compensation and Benefits' office 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 delivery and acceptance of this Award Agreement. If you desire to accept this Award, you must acknowledge your acceptance and receipt of the Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.etrade.com/stockplans>
- By Mail: Mr. David Filomeo, Vice President of Compensation and Benefits, Lockheed Martin Corporation, Mail Stop 123, 6801 Rockledge Drive, Bethesda MD 20817

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

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from this internet site (<http://www.etrade.com/stockplans>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

POST-EMPLOYMENT COVENANTS

By accepting this Agreement through the procedure described above, you agree to the terms of the Post-Employment Covenants contained in Exhibit A to this Agreement.

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 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.

By executing this Award Agreement, you consent to receive copies of the Prospectus applicable to this RSU Award from this internet site (<http://www.etrade.com/stockplans>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

Sincerely,

David Filomeo
(On behalf of the Management Development and Compensation Committee)

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

Acknowledged by:

Signature

Date

Print Name

U.S. Social Security Number or Employee ID

Exhibit A

Post Employment Conduct Agreement
(RSU Grant)

This Post Employment Conduct Agreement (this "PECA") attached as Exhibit A to the Award Agreement with an Award Date of January 28, 2008 (the "Award Agreement") is entered into in consideration of, among other things, the grant of restricted stock units to me under the Award Agreement (the "RSUs") pursuant to the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "Plan"). By accepting the RSUs, I agree as follows:

1. Restrictions Following Termination of Employment.

(a) Covenant Not To Compete - Without the express written consent of the Management Development and Compensation Committee of the Board of Directors of the Corporation, during the two-year period following the date of my termination of employment (the "Termination Date") with Lockheed Martin Corporation (the "Corporation"), I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6 below), whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case,

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

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

(c) Protection of Proprietary Information - Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Corporation committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Corporation or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Corporation or others to which I had access or that I was responsible for creating or overseeing during my employment with the Corporation. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Corporation's Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Corporation for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Corporation shall be and remain the property of the Corporation. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

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

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

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

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

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

(a) I agree, upon demand by the Corporation, to forfeit, return or repay to the Corporation the "Benefits and Proceeds" (as defined below) in the event any of the following occur:

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

- (iv) The remedy provided in Section 3(a) shall not be the exclusive remedy available to the Corporation for any of the conduct described in Section 3(a) and shall not limit the Corporation from seeking damages or injunctive relief.
- (v) For purposes of this Section 3, "Benefits and Proceeds" means (i) to the extent I have earned any of the RSUs and continue to own the shares of Common Stock of the Corporation issued or issuable in respect of the RSUs, the shares of Common Stock so acquired; (ii) to the extent I have earned any of the RSUs and no longer own the shares of Common Stock of the Corporation issued or issuable in respect of the RSUs, cash in an amount equal to the fair market value of such shares on the date of the event set forth in Section 3(a) (which, unless otherwise determined by the Management Development and Compensation Committee of the Board of Directors of the Corporation, shall be equal to the closing price of the shares of Common Stock as finally reported by the New York Stock Exchange on such date), and (iii) to the extent I have not earned the RSUs fully, all of my remaining rights, title or interest in the RSUs.

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

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

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

- (a) "Restricted Company" means The Boeing Company, General Dynamics Corporation, Northrop Grumman Corporation, the Raytheon Company, United Technologies Corporation, Honeywell International Inc., BAE Systems Inc., L-3 Communications

Corporation, the Harris Corporation, Thales, EADS North America and (i) any entity directly or indirectly controlling, controlled by, or under common control with any of the foregoing, and (ii) any successor to all or part of the business of any of the foregoing as a result of a merger, reorganization, consolidation, spin-off, split-up, acquisition, divestiture, or similar transaction.

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

7. Miscellaneous.

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

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

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

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

This PECA is effective as of the acceptance by me of the award of RSUs under the Award Agreement.

Lockheed Martin Corporation
Severance Benefit Plan For Certain Management Employees
January 1, 2008

This document sets forth the terms of the Lockheed Martin Corporation Severance Benefit Plan for Certain Management Employees (the "Plan"). The Plan provides benefits to Eligible Employees who leave the employment of the Corporation as a result of an Executive Layoff Event and otherwise satisfy the eligibility requirements of the Plan. The Plan is intended to constitute an employee welfare benefit plan under the Employee Retirement Income Security Act of 1974 ("ERISA") that provides severance benefits to a select group of management or highly compensated employees.

1. **Definitions.** The following terms when capitalized have the following meaning:

- (a) **Affiliate** - Any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled (directly or indirectly) by the Company or by one or more of its Affiliates, or by a combination thereof.
- (b) **Annual Base Pay** - An amount equal to fifty-two (52) weeks of Base Pay.
- (c) **Base Pay** -The Employee's weekly salary at the time of the Employee's termination of employment. Base Pay shall not include management incentive compensation, overtime or any other additions to salary.
- (d) **Basic Severance Benefit** -The benefit payable under Section 5(a) of the Plan.
- (e) **Cause** - Any of the following: (i) Commission of a crime that the Company determines could harm the Company's reputation or financial prospects or could subject the Company to penalties or sanctions; (ii) A violation of any of the Company's corporate policy statements that involve compliance with

law which violation the Company determines could harm the Company's reputation or financial prospects; (iii) A violation of the Company's Code of Ethics and Business Conduct that the Company determines could harm the Company's reputation or financial prospects; (iv) Refusal to cooperate with the Company in a Company investigation; or (v) Any similar conduct with respect to which the Company determines in its sole discretion that the payment of a benefit under the Plan would not be in the Company's best interest.

- (f) **Claims Administrator** – The Committee, in the case of an Officer, and the Senior Vice President, Human Resources, or his or her delegate, in the case of any other Employee.
- (g) **Committee** – The Management Development and Compensation Committee of the Company's Board of Directors.
- (h) **Company** – Lockheed Martin Corporation. For the purposes of the Plan, the term "Company" shall include any successor entity (by merger or otherwise).
- (i) **Eligible Employee** – An Employee who satisfies the requirements for eligibility for coverage under Section 3 and who is not covered by any of the exceptions described in Section 4.
- (j) **Employee** – An individual who is employed by the Company and is treated on the Company's payroll records as a salaried employee of the Company. The term "Employee" includes an Officer but does not include anyone who is not a citizen or resident of the United States and whose duties are primarily performed outside the United States.
- (k) **Executive Layoff Event** – Termination of employment of an Eligible Employee that is (i) initiated by the Company for reasons other than for Cause; and (ii) designated by the Board of Directors in the case of an Officer, or the Senior Vice President, Human Resources in the case of any Employee other than an Officer, as an Executive Layoff Event. An Executive Layoff Event does not include a termination that is described in Section 4.

- (l) **Follow-on Benefits** – A payment equal to the cost to the Eligible Employee of continuing for one year his or her coverage under the Company’s medical, dental and vision plans under the plans and with the same level of coverage as elected by the Eligible Employee during open enrollment for the Plan Year in which the Executive Layoff Event occurs (but excluding flexible spending account plans). The amount will be equal to the cost charged Employees for coverage provided by the Company pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1987 (COBRA coverage).
- (m) **Full Bonus Equivalent** - An amount equal to an Eligible Employee’s Annual Base Pay multiplied by the target level assigned to the Eligible Employee under Paragraph B of Exhibit A to the Lockheed Martin Corporation 2006 Management Incentive Compensation Plan (Performance-Based) or any successor plan.
- (n) **Long Term Incentive Performance Award** – A cash award under the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan or any successor plan that measures performance over a three year cycle.
- (o) **Officer** – An Employee who is elected as an officer of the Company by the Board of Directors.
- (p) **Plan Administrator** - Lockheed Martin Corporation.
- (q) **Plan Year** – The 12-month period beginning on January 1 each year and ending on the following December 31.
- (r) **Prorated Bonus Equivalent** - An amount equal to (i) an Eligible Employee’s Base Pay multiplied by the target percentage assigned to the Eligible Employee under Paragraph B of Exhibit A to the Lockheed Martin Corporation 2006 Management Incentive Compensation Plan (2006) (or any successor plan), and (ii) then multiplying the product obtained under (i) by the number of full weeks for which the Eligible Employee was employed by the Company in the Plan Year in which the Executive Layoff Event occurs.
- (s) **Salaried Employee Plan** - The Severance Benefit Plan for Employees of Lockheed Martin Corporation or any successor plan that provides benefits in the case of a layoff or reduction in force to salaried employees of the Company or its Affiliates.

- (m) **Severance Benefit** - Benefits payable under the Plan which could be a Basic Severance Benefit or a Supplemental Severance Benefit.
- (n) **Supplemental Severance Benefit** – The benefit payable under Section 5(b) of the Plan.
- (o) **Years of Service** - The number of consecutive calendar months from (and including) the month of the Eligible Employee's date of hire through and including the month in which the applicable Employee's Executive Layoff Event occurs, divided by 12, subject to the following:
 - (i) Service Limited to Whole Years. Fractional Years of Service will be disregarded, so that only full Years of Service will be recognized. The only exception relating to fractional years of service pertains to Eligible Employees who have more than six months of service, but less than a full year of service, in which case the Years of Service will be calculated as one year.
 - (ii) Certain Periods of Leave. Time periods of leave during the Employee's employment that do not or would not qualify for credited service under the pension plan applicable to the Eligible Employee will be deducted from the total period of employment to calculate the Eligible Employee's Years of Service;
 - (iii) An Eligible Employee's Years of Service under the foregoing rules shall never exceed the actual number of full years worked by the Employee for the Company.

2. **Effective Date.** The Plan shall be effective with respect to Executive Layoff Events that occur and are announced on or after January 1, 2008.

3. **Eligibility for Coverage.** An Employee shall be eligible for coverage under the Plan if the Employee satisfies all of the following:

- (a) At the time of the Executive Layoff Event, the Employee is either
 - (i) an Officer,
 - (ii) an Employee who has been granted a Long Term Incentive Performance Award for which a performance cycle is still ongoing; or

- (iii) an Employee who is designated in writing by the Senior Vice President, Human Resources to participate in the Plan.
- (b) The Employee has not waived coverage under the Plan;
- (c) The Employee is not receiving a benefit under the Salaried Employee Plan and is not a party to another plan, agreement or arrangement providing severance or similar benefits on account of termination of employment;
- (d) The Employee is not disqualified for a Severance Benefit because the Employee's termination of employment is on account of one of the exceptions set forth in Section 4; and
- (e) The Senior Vice President, Human Resources determines in his or her sole discretion that the Employee's employment has or will terminate on account of Executive Layoff Event. In the case of an Officer, this determination will be made by the Committee in its sole discretion.

4. **Exceptions To Coverage As An Executive Layoff Event.**

Notwithstanding Section 3 or anything else to the contrary, an Employee's termination of employment will not be considered to have occurred on account of an Executive Layoff Event and the Employee will not be entitled to a Severance Benefit if:

- (a) the Employee is transferred to or assumes another position within the Company or with any Affiliate;
- (b) the Employee is transferred to, assumes, or is offered a job or position with (A) a purchaser of stock of the Company, or of assets of the Company, or of a business unit(s) of the Company, or of stock or other equity interests or assets of an Affiliate(s) or of a business unit(s) of an Affiliate; (B) the surviving entity following a merger or consolidation of the Company or an Affiliate(s) with another entity; (C) an entity serving as a contractor or a succeeding contractor (including a subcontractor or outsourcer) for business or functions performed by the Company; (D) an entity including but not limited to a joint venture, limited liability

company or partnership to whom control of a business unit, organization or function within the Company or a business unit of the Company or of an Affiliate, or contract is transferred, whether by a stock or asset sale or other means; or (E) an affiliate of any such purchaser, contractor, succeeding contractor, subcontractor, outsourcer or entity;

- (c) the Employee is terminated for Cause; or
- (d) the Employee terminates employment on his or her own initiative including retirement, resignation, failure to return from leave of absence or disability, or dies. If an Employee elects to retire concurrent with an Executive Layoff Event, then the Employee will not fall within this exception to coverage.

5. **Calculation of Severance Benefit.**

- (a) Basic Severance Benefit Applicable to all Eligible Employees. The Basic Severance Benefit payable to an Eligible Employee shall equal two weeks of the Eligible Employee's Base Pay.
- (b) Supplemental Severance Benefit. The following Supplemental Severance Benefits are in addition to the Basic Severance Benefit and are available only to Eligible Employees who within [45] calendar days of the Eligible Employee's termination of employment as a result of an Executive Layoff Event execute both (i) a valid and binding written release of the Company and its directors, officers and Employees of claims of any kind or nature in respect of the Employee's employment with the Company and any predecessor employer (and each of their affiliates) in the form supplied by the Company; and do not revoke any such release of claims within any revocation period provided for in the release of claims, and (ii) Post-Employment Conduct Agreement substantially in the form attached to the Plan as Exhibit A and as amended to reflect specific jurisdictional or other requirements.
 - i. For the Chief Executive Officer – a lump sum payment equal to the sum of 2.99 times Annual Base Pay plus 2.99 times Full Bonus Equivalent plus Follow-on Benefits.

- ii. For an Officer other than the Chief Executive Officer – a lump sum payment equal to the sum of Annual Base Pay plus Full Bonus Equivalent plus Follow-on Benefits.
 - iii. For an Eligible Employee who has received a Long Term Incentive Performance Award for which the performance period has not concluded or any other Eligible Employee and is not covered by Section 5(b)(i) or (ii) above – a lump sum payment equal to the sum of (a) the product of the number of full Years of Service credited to the Eligible Employee multiplied by the Eligible Employee’s weekly rate of Base Pay at the time of termination of employment, plus (b) the Eligible Employee’s Pro Rata Bonus Equivalent.
 - iv. In addition to the applicable amount specified in Section (b) (i), (ii), or (iii) above, an Eligible Employee who is receiving a Supplemental Severance Benefit also will be eligible to receive (a) outplacement services for one year; and (b) if the Eligible Employee relocated in order to fill the position held by the Eligible Employee at the time of the Executive Layoff Event, he or she will also be eligible for relocation services in accordance with CPS 538.
- (c) Timing of Payment of Severance Benefit - The amount of the Severance Benefit payable under Section 5(a) and Section 5 (b)(i), (ii) or (iii) above will be paid in a lump sum, less applicable tax withholdings as soon as practicable following the Eligible Employee’s termination of employment (and the expiration of any applicable revocation period thereunder without revocation of such release of claims) in the case of payment of a Basic Severance Benefit and execution of a release of claims following Executive Layoff Event in the case of payment of a Supplemental Severance Benefit, but in no event later than the March 15 immediately following the year in which the Eligible Employee’s Executive Layoff

Event occurs. Outplacement and relocation expenses paid as part of the Supplemental Severance Benefit will be provided by a third party provider selected by the Company. Outplacement or relocation expenses will be paid by the Company to the third party providing the services following billing to the Company and must be incurred no later than December 31 of the second year following the year in which the Eligible Employee's Executive Layoff Event occurred and paid by the Company no later than December 31 of the third year following the year in which the Eligible Employee's termination of employment occurred.

- (d) Maximum Benefit Payable – Notwithstanding anything in the Plan to the contrary, if the total amount of benefits, including Plan benefits, provided to an Eligible Employee would result in an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended, the Company, in its sole discretion, may reduce the benefits provided under the Plan so that the total payment will not result in an excess parachute payment to the Eligible Employee.

6. Further Conditions on Payment of Severance Benefit.

- (a) The Company retains the right to condition payment of a Basic Severance Benefit or Supplemental Severance Benefit upon the Eligible Employee maintaining fully satisfactory work performance until the effective date of the Eligible Employee's Executive Layoff Event as agreed to by the Company, including the Eligible Employee's faithful performance of any remaining obligations the Employee may owe to the Company such as prompt reimbursement to the Company for cash advances and debit balances and the return of all Company property.
- (b) In the event an Eligible Employee who is entitled to a Supplemental Severance Benefit becomes employed by the Company (or an Affiliate) prior to the first anniversary of his or her Executive Layoff Event, the Eligible Employee shall be obligated to repay to the Company an amount equal to the amount of the Employee's Supplemental Severance Benefit multiplied by a fraction, the numerator of which is the number of weeks (capped at 52) in the one-year period following the Employee's termination of employment during which the Employee is employed by the Company and the denominator of which is (i) fifty-two (52), in the case of an Officer; and (ii) twenty-six (26) in the case of any other Eligible Employee.

- (c) If an Eligible Employee dies after his or her termination of employment, but before payment of a Basic Severance Benefit is made, the Basic Severance Benefit will be paid to his or her estate. If an Eligible Employee dies after he or she has signed the release of claims and the release of claims is delivered to the Company within the time limit provided in Section 5(b) of the Plan, then the Supplemental Severance Benefit will be paid to his or her estate.
 - (d) The benefits under the Plan are in lieu of, and not in addition to, any other severance or similar benefits for which the Eligible Employee may be eligible under any Company plan, policy, agreement or arrangement (including but not limited to the Salaried Employee Plan). As a condition to receiving a benefit under the Plan, the Company may require that the Eligible Employee waive rights under all other plans, policies, agreements or arrangements providing severance or similar benefits or may reduce the amount payable under the Plan by the amount payable under any other such plan policy, agreement or arrangement.
7. **Administration.** The Company shall be the named fiduciary of the Plan and the Plan Administrator for purposes of ERISA. The Company shall be responsible for the overall operation of the Plan and shall have the fiduciary responsibility for the general operation of the Plan. The Company may appoint or employ such persons as it deems necessary to render advice with respect to any responsibility of the Company under the Plan. The Committee, with respect to Officers, and the Senior Vice President, Human Resources (or his or her delegate) with respect to all other Employees shall determine the eligibility of any Employee to participate in the Plan and the right of any Employee to any benefit and the amount of any benefit payable under the Plan to any individual. The Committee shall have the discretionary authority to interpret any term of the Plan.

8. Claims Procedure.

- (a) The Senior Vice President, Human Resources shall notify each Eligible Employee who has been determined to have incurred an Executive Layoff Event and who is eligible to receive benefits under the Plan and shall provide any forms required in connection with application for such benefits. If any Employee disagrees with determination of his or her benefits, the Employee may submit a written statement to the Senior Vice President, Human Resources describing the basis of the claim for benefits, together with any forms required in connection with application for a benefit, at any time within the 120 day period following the date on which the Employee claims to have become entitled to the Basic Severance Benefits or the Supplemental Severance Benefits.
- (b) The procedures when a claim under the Plan is wholly or partially denied are as follows:
 - (i) The Senior Vice President shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Senior Vice President shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Senior Vice President expects to render a decision.
 - (ii) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his or her duly authorized representative may request review of the denial of his or her claim by the Claims Administrator.

- (iii) In connection with review by the Claims Administrator, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits under the Plan to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.
- (iv) The Claims Administrator will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended by the Claims Administrator to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific

reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information “relevant” to the claimant’s claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant’s right to obtain information about such procedures, if any; and (6) a statement of the claimant’s right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review. In the event that the Claims Administrator must make a determination of disability in order to decide a claim, the Claims Administrator shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The Claims Administrator shall render a decision within a reasonable time (not to exceed 90 days) after the claimant’s request for review, rather than within 120 days as set forth in the above paragraph.

(v) In filing a claim or appeal under this Section 8, an Employee at his or her option may act through an authorized representative.

9. **Funding.** The Plan shall not be funded through a trust, insurance contract or otherwise, and all benefit payments from the Plan shall be made from the general assets of the Company. Accordingly, an Employee shall not have any claim against specific assets of the Company, and shall be only a general creditor, with respect to any rights he/she may have under the Plan.
10. **Amendment and Termination of Plan.** The Plan may be amended, in whole or in part, at any time by action of the Corporate Vice President, Human Resources or by any authorized delegate, without notice, except that any amendment that would change the eligibility requirements or the amount of benefits payable under the Plan must be approved by the Committee. The Plan may be terminated by action of the Committee at any time. Upon termination of the Plan, the Company shall have no further liability hereunder, and all Plan benefits (including any amounts payable to Employees who separated from service before the date of Plan termination) shall cease.

11. **No Assignment.** No Basic Severance Benefit or Supplemental Severance Benefit payable under the Plan may be assigned, transferred, pledged as a security for indebtedness or otherwise encumbered, or subjected to any legal process for the payment of any claim against an Employee.
12. **Relationship to Other Benefits.** An Employee's Basic Severance Benefit or Supplemental Severance Benefit shall not be taken into account to increase any benefits provided (or to continue coverage) under any other plan, policy, or arrangement of the Company or any Affiliate, except as otherwise expressly provided in writing in the other plan, policy, or arrangement, including accelerating vesting or other rights under the Lockheed Martin Corporation Amended and Restated Incentive Performance Award Plan (or any successor plan).
13. **Governing Law.** Except to the extent preempted by Federal law, the Plan shall be construed, administered and enforced according to the laws of the State of Maryland, without regard to its conflict of laws provisions. Notwithstanding anything herein to the contrary, payments under this Award Agreement shall be made at a time and in a manner that satisfies the requirements of Internal Revenue Code Section 409A.

The Plan has been approved by the Management Development and Compensation Committee and is effective as of January 1, 2008.

WITNESS:

LOCKHEED MARTIN CORPORATION:

Name

By: _____
Kenneth J. Disken
Senior Vice President, Human Resources

Date: January __, 2008

Date: January __, 2008

Board Mailing 01/17/08

Post-Employment Conduct Agreement
[Will vary by state and current legal and professional
requirements at time of termination]

This Post Employment Conduct Agreement dated [] (this "PECA"), together with the Release of Claims being entered into contemporaneous with this PECA, is entered into in consideration of the payment ("Severance Payment") to be made to me under the Lockheed Martin Corporation Severance Benefit Plan for Certain Management Employees ("Severance Plan"). By signing below, I agree as follows:

(a) Restrictions Following Termination of Employment.

(a) Covenant Not To Compete – Without the express written consent of the **[Chief Executive Officer/Senior Vice President, Human Resources]**¹ of the Company, during the **[two/one]**² - year period following the date of my termination of employment with the Company ("Termination Date"), I will not, directly or indirectly, be employed by, provide services to, or advise a "Restricted Company" (as defined in Section 6 below), whether as an employee, advisor, director, officer, partner or consultant, or in any other position, function or role that, in any such case,

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

¹ CEO for elected officers; SVP HR for others.

² Two years for elected officers; one year for others.

(b) Non-Solicit - Without the express written consent of the **[Chief Executive Officer/Senior Vice President, Human Resources]**¹ of the Company, during the **[two/one]**² -year period following the Termination Date, I will not (i) interfere with any contractual relationship between the Company and any customer, supplier, distributor or manufacturer of or to the Company to the detriment of the Company or (ii) induce or attempt to induce any person who is an employee of the Company to perform work or services for any entity other than the Company.

(c) Protection of Proprietary Information - Except to the extent required by law, following my Termination Date, I will have a continuing obligation to comply with the terms of any non-disclosure or similar agreements that I signed while employed by the Company committing to hold confidential the "Confidential or Proprietary Information" (as defined below) of the Company or any of its affiliates, subsidiaries, related companies, joint ventures, partnerships, customers, suppliers, partners, contractors or agents, in each case in accordance with the terms of such agreements. I will not use or disclose or allow the use or disclosure by others to any person or entity of Confidential or Proprietary Information of the Company or others to which I had access or that I was responsible for creating or overseeing during my employment with the Company. In the event I become legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or otherwise) to disclose any proprietary or confidential information, I will immediately notify the Company's Senior Vice President and General Counsel as to the existence of the obligation and will cooperate with any reasonable request by the Company for assistance in seeking to protect the information. All materials to which I have had access, or which were furnished or otherwise made available to me in connection with my employment with the Company shall be and remain the property of the Company. For purposes of this PECA, "Confidential or Proprietary Information" means Proprietary Information within the meaning of CPS 710 (a copy of which has been made available to me), including but not limited to information that a person or entity desires to protect from unauthorized disclosure to third parties that can provide the person or entity with a business, technological, or economic advantage over its competitors, or which, if known or used by third parties or if used by the person's or entity's employees or agents in an unauthorized manner, might be detrimental to the person's or entity's interests. Confidential or Proprietary Information may include, but is not limited to:

- (i) existing and contemplated business, marketing and financial business information such as business plans and methods, marketing information, cost estimates, forecasts, financial data, cost or pricing data, bid and proposal information, customer identification, sources of supply, contemplated product lines, proposed business alliances, and information about customers or competitors, or

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

(d) No disparagement - Following the Termination Date, I will not make any statements, whether verbal or written, that disparage or reasonably may be interpreted to disparage the Company or its stockholders, directors, officers, employees, agents, attorneys, representatives, technology, products or services with respect to any matter whatsoever.

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

2. Consideration and Release of Claims. I acknowledge and agree that the Severance Payment being made to me is in addition to the payments or benefits that otherwise are or would be owed to me by the Company and that the Severance Benefit being provided to me is in consideration for my entering into this PECA and the Release of Claims attached to this PECA. I acknowledge that the scope and duration of the restrictions in Section 1 are necessary to be effective and are fair and reasonable in light of the value of the payments being made to me. I further acknowledge and agree that as a result of the high level executive and management positions I have held within the Company and the access to and extensive knowledge of the Company's Confidential or Proprietary Information, employees, suppliers and customers, these restrictions are reasonably required for the protection of the Company's legitimate business interests.

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

(a) I agree, upon demand by the Company, to repay the Severance Payment to the Company in the event any of the following occur:

- (i) I breach any of the covenants in Section 1;
- (ii) The Company determines that either (a) my intentional misconduct or gross negligence, or (b) my failure to report another person's intentional misconduct or gross negligence of which I had knowledge during the period I was employed by the Company, contributed to the Company having to restate all or a portion of its financial statements filed for any period with the Securities and Exchange Commission; or
- (iii) The Company determines that I engaged in fraud, bribery or any other illegal act or that my intentional misconduct or gross negligence (including the failure to report the acts of another person of which I had knowledge during the period I was employed by the Company) contributed to another person's fraud, bribery or other illegal act, which in any such case adversely affected the Company's financial position or reputation.

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

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

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

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

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

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

7. Miscellaneous

(a) The Severance Plan, this PECA with the attached Release of Claims constitute the entire agreement governing the terms of the Severance Payment and supersede all other prior agreements and understandings, both written and oral, between me and the Company or any employee, officer or director of the Company concerning payments on account of my termination of employment.

(b) This PECA shall be governed by Maryland law, without regard to its provisions governing conflicts of law.

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

SIGNED this _____ day of _____, 2 ____.

(Signature)

(Printed Name)

(Title)

FOR LOCKHEED MARTIN CORPORATION:

(Signature)

(Printed Name)

(Title)

(Date)

LOCKHEED MARTIN CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
YEAR ENDED DECEMBER 31, 2007
(In millions, except ratio)

EARNINGS

Earnings before income taxes	\$4,368
Interest expense	352
Losses (undistributed earnings) of 50% and less than 50% owned companies, net	(57)
Portion of rents representative of an interest factor	53
Amortization of debt premium and discount, net	(6)
Adjusting earnings before income taxes	<u>\$4,710</u>

FIXED CHARGES

Interest expense	\$ 352
Portion of rents representative of an interest factor	53
Amortization of debt premium and discount, net	(6)
Capitalized interest	<u>—</u>
Total fixed charges	<u>\$ 399</u>

RATIO OF EARNINGS TO FIXED CHARGES

11.8

**CONSENT OF ERNST & YOUNG LLP,
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the following Registration Statements of Lockheed Martin Corporation:

- 1) Registration Statement Number 33-58067 on Form S-3, dated March 14, 1995;
- 2) Registration Statement Numbers: 33-58073, 33-58075, 33-58077, 33-58079, 33-58081, and 33-58097 on Form S-8, each dated March 15, 1995;
- 3) Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement Number 33-57645 on Form S-4, dated March 15, 1995;
- 4) Registration Statement Number 33-63155 on Form S-8, dated October 3, 1995;
- 5) Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement Number 33-58083, dated January 22, 1997;
- 6) Registration Statement Numbers: 333-20117 and 333-20139 on Form S-8, each dated January 22, 1997;
- 7) Registration Statement Number 333-27309 on Form S-8, dated May 16, 1997;
- 8) Registration Statement Number 333-37069 on Form S-8, dated October 2, 1997;
- 9) Registration Statement Number 333-40997 on Form S-8, dated November 25, 1997;
- 10) Registration Statement Number 333-58069 on Form S-8, dated June 30, 1998;
- 11) Registration Statement Number 333-69295 on Form S-8, dated December 18, 1998;
- 12) Registration Statement Number 333-92197 on Form S-8, dated December 6, 1999;
- 13) Registration Statement Number 333-92363 on Form S-8, dated December 8, 1999;
- 14) Post-Effective Amendments No. 2 and 3 on Form S-8 to the Registration Statement Number 333-78279, each dated August 3, 2000;
- 15) Registration Statement Number 333-43048 on Form S-3, dated August 4, 2000;
- 16) Registration Statement Number 333-56926 on Form S-8, dated March 12, 2001;
- 17) Registration Statement Number 333-84154 on Form S-8, dated March 12, 2002;
- 18) Registration Statement Number 333-105118 on Form S-8, dated May 9, 2003;
- 19) Registration Statement Numbers: 333-113769, 333-113770, 333-113771, 333-113772, and 333-113773 on Form S-8, each dated March 19, 2004;
- 20) Registration Statement Number 333-115357 on Form S-8, dated May 10, 2004;
- 21) Post-Effective Amendment No. 4 on Form S-3 to the Registration Statement Number 333-108333, dated November 3, 2004;
- 22) Registration Statement Number 333-127084 on Form S-8, dated August 1, 2005;
- 23) Registration Statement Number 333-138352 on Form S-4, dated November 14, 2006; and
- 24) Registration Statement Number 333-146963 on Form S-8, dated October 26, 2007.

of our reports dated February 26, 2008, with respect to the consolidated financial statements of Lockheed Martin Corporation and the effectiveness of internal control over financial reporting of Lockheed Martin Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2007.

/s/ Ernst & Young LLP

Baltimore, Maryland
February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes James B. Comey, Marian S. Block and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection, therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2007 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ E.C. "Pete" Aldridge, Jr.

E.C. "PETE" ALDRIDGE, JR.

Director

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

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/s/ Nolan D. Archibald

NOLAN D. ARCHIBALD

Director

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

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/s/ Marcus C. Bennett

MARCUS C. BENNETT

Director

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

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/s/ James O. Ellis, Jr.

JAMES O. ELLIS, JR.

Director

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

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/s/ Gwendolyn S. King
GWENDOLYN S. KING
Director

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

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/s/ James M. Loy

JAMES M. LOY

Director

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

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/s/ Douglas H. McCorkindale

DOUGLAS H. McCORKINDALE
Director

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

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/s/ Eugene F. Murphy

EUGENE F. MURPHY

Director

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

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/s/ Joseph W. Ralston

JOSEPH W. RALSTON

Director

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

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/s/ Frank Savage

FRANK SAVAGE

Director

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes James B. Comey, Marian S. Block and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection, therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2007 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith and all matters required by the Commission in connection with such Form 10-K.

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/s/ James M. Schneider
JAMES M. SCHNEIDER
Director

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes James B. Comey, Marian S. Block and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection, therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2007 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith and all matters required by the Commission in connection with such Form 10-K.

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/s/ Martin T. Stanislav

MARTIN T. STANISLAV

Vice President and Controller (Chief Accounting Officer)

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

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/s/ Anne Stevens

ANNE STEVENS

Director

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes James B. Comey, Marian S. Block and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection, therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2007 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Robert J. Stevens

ROBERT J. STEVENS

Director

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes James B. Comey, Marian S. Block and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection, therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2007 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ Bruce L. Tanner

BRUCE L. TANNER

Executive Vice President and Chief Financial Officer

February 28, 2008

POWER OF ATTORNEY
LOCKHEED MARTIN CORPORATION

The undersigned hereby constitutes James B. Comey, Marian S. Block and David A. Dedman, each of them, jointly and severally, his lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection, therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2007 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ James R. Ukropina

JAMES R. UKROPINA

Director

February 28, 2008

I, Robert J. Stevens, Chairman, President and Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Lockheed Martin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Robert J. Stevens

ROBERT J. STEVENS

Chairman, President and Chief Executive Officer

Date: February 28, 2008

I, Bruce L. Tanner, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Lockheed Martin Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Bruce L. Tanner

BRUCE L. TANNER

Executive Vice President and Chief Financial Officer

Date: February 28, 2008

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Annual Report of Lockheed Martin Corporation (the "Corporation") on Form 10-K for the period ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert J. Stevens, Chairman, President and Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Robert J. Stevens

ROBERT J. STEVENS

Chairman, President and Chief Executive Officer

Date: February 28, 2008

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Annual Report of Lockheed Martin Corporation (the "Corporation") on Form 10-K for the period ended December 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce L. Tanner, Executive Vice President and Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ Bruce L. Tanner

BRUCE L. TANNER

Executive Vice President and Chief Financial Officer

Date: February 28, 2008

A signed original of this written statement required by Section 906 has been provided to the Corporation and will be retained by the Corporation and furnished to the Securities and Exchange Commission or its staff upon request.