

**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, 2008

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 \$39.2 billion as of June 27, 2008.

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, 395,271,609 shares outstanding as of January 31, 2009.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of Lockheed Martin Corporation's 2009 Definitive Proxy Statement are incorporated by reference in Part III of this Form 10-K.

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**FORM 10-K**  
**For the Fiscal Year Ended December 31, 2008**  
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**PART I**

**ITEM 1. BUSINESS**

***General***

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

In 2008, 84% of our net sales were made to the U.S. Government, either as a prime contractor or as a subcontractor. Each of our business segments is heavily dependent on sales to the U.S. Government. 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 2008, 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](http://www.lockheedmartin.com). We make our website content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Form 10-K.

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

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

***Business Segments***

We operate in four principal business segments: Electronic Systems, Information Systems & Global Services (IS&GS), Aeronautics and Space Systems. For more information concerning our segment presentation, including comparative segment sales, operating profits and related financial information for 2008, 2007 and 2006, see Note 4 - Information on Business Segments beginning on page 73 of this Form 10-K.

***Electronic Systems***

Our Electronic Systems segment manages complex programs and designs, develops, and integrates hardware and software solutions to ensure the mission readiness of armed forces and government agencies worldwide. Global security solutions include advanced sensors, decision systems, and weapons for air-, land-, and sea-based platforms. We integrate land vehicles, ships, and fixed- and rotary-wing aircraft. Major lines of business include air and missile defense; tactical missiles; weapon fire control systems; surface ship and submarine combat systems; anti-submarine and undersea warfare systems; land, sea-based, and airborne radars; surveillance and reconnaissance systems; simulation and training systems; and integrated logistics and sustainment services. We also manage and operate the Sandia National Laboratories for the U.S. Department of Energy and are part of the consortium that manages the United Kingdom's Atomic Weapons Establishment.

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In 2008, net sales of \$11.6 billion at Electronic Systems represented 27% of our total net sales. Electronic Systems has three principal lines of business, and the percentage each contributed to its 2008 net sales is:



U.S. Government customers accounted for approximately 71% of the segment's total net sales in 2008.

### **Maritime Systems & Sensors**

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

During 2008, MS2 achieved program milestones and new order bookings consistent with Electronic Systems' growth strategy, which encompasses expanding core businesses; selling products developed for domestic customers internationally; pursuing adjacent market opportunities that leverage core engineering and program management skills; and engaging in investments, acquisitions, and joint ventures that strengthen capabilities and expand customer product offerings.

The Aegis Weapon System, among MS2's core programs, 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 test, and lifetime support for ships of the U.S. Navy and international customers. We test and integrate weapon systems for the U.S. Navy's Ticonderoga class cruiser and Arleigh Burke class destroyer, the Kongo class destroyer for Japan, the F100 and F105 class frigates for Spain, the Fridtjof Nansen class frigate for Norway, the King Sejong the Great 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. Our production workscope in 2008 included four international systems and three domestic systems.

In 2008, an updated version of the Aegis Ballistic Missile Defense (BMD) baseline software was completed and certified for shipboard installation and deployment. There are 21 U.S. Navy ships planned with Aegis BMD System technology with long-range surveillance and tracking capability. Successful ballistic missile intercept tests conducted during 2008 included the unprecedented intercept and destruction of an errant U.S. satellite falling to earth by the Aegis BMD System on a U.S. Navy cruiser.

In the international arena, the Government of Canada awarded us two long-term contracts for the Combat Systems Integration (CSI) design and build and the In-Service Support elements to modernize the Canadian Navy's 12 Halifax class frigates. The CSI contract calls for upgrading the command and control systems, redesigning the operations room, and reconfiguring the ship mast to accommodate a new radar suite. The In-Service Support contract will provide long-term support of the combat systems for the frigates and Iroquois class destroyers.

The U.S. Navy identified us as a sole source contractor for the proposed refurbishment and full-mission system upgrade of 12 maritime surveillance aircraft for the Taiwanese Navy under a foreign military sale (FMS) program. We are currently negotiating the terms of our contract with the U.S. Navy. Scheduled delivery of the upgraded aircraft is from June 2012 through February 2015.

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As part of our adjacent market strategy, MS2 pursued and was awarded the Fleet Automotive Support Initiative-Global contract by the Defense Logistics Agency to provide parts support for all of the U.S. military's land vehicles.

The U.S. Navy accepted delivery of the Littoral Combat Ship *Freedom* (LCS-1) in September 2008 following successful completion of builder's and acceptance trials, and commissioned the ship in Milwaukee, Wisconsin in November. The *USS Freedom* is the first in a new class of ships designed to provide the added flexibility of interchangeable modular mission packages and the ability to operate in coastal waters. Operational restrictions within the Great Lakes prevented the testing of the ship's weapons systems which are scheduled to be demonstrated in follow-on acceptance trials on the open sea in Spring 2009.

MS2 also completed two acquisitions during 2008. We acquired our former co-owner's interest in RLM Holdings Pty Ltd, headquartered in Adelaide, Australia in August 2008. We now own 100% of that business. The company specializes in systems engineering, software development, system integration, testing, and support of large, complex, leading-edge systems. In September 2008, we completed our acquisition of Aculight Corporation, based in Bothell, Washington. Aculight is focused on providing laser-based solutions for national defense and aerospace customers. The company has expertise in countermeasures, laser radar, high-power directed energy and other applications.

### ***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. We also provide sustainment and logistic services in support of fire control and tactical missile programs.

The PAC-3 missile is an advanced defensive missile designed to intercept incoming airborne threats. During 2008, we delivered a total of 141 missiles, including the first FMS PAC-3 test missile and ground support equipment for Germany. A fourth quarter award was received for 172 missiles, which includes 108 U.S. missiles and 64 missiles for FMS customers.

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 and we delivered our 500<sup>th</sup> Arrowhead system in 2008. We received awards in 2008 for Arrowhead Lot 5 from the U.S. Army and for international production which authorized 110 additional Arrowhead kits through November 2010. The U.S. Army also awarded us a contract for modernization of the day sensor assembly and legacy obsolescence replacement.

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 development phase of the program continues, with two successful test flights conducted in 2008 and ten successful flights achieved overall. Initial production effort is underway, with system fielding planned for 2010.

Among other 2008 accomplishments, in June we received the largest single award for Hellfire missiles in the program's history. In September, we were one of three contractors selected for the technology demonstration phase of the Joint Air to Ground Missile program by the U.S. Army, and we delivered our 5,000<sup>th</sup> guided Multiple Launch Rocket System missile in 2008.

### ***Platform, Training & Energy***

Our Platform, Training & Energy (PT&E) business integrates mission-specific applications for fixed- and rotary-wing platforms, including: provides 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 for the U.S. 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 that country's Atomic Weapons Establishment program.

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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 One, which includes test vehicles and pilot production aircraft. Flight tests continue on two test and one production aircraft at Naval Air Station Patuxent River, Maryland. Integration / second phase production work continues on two test and one production aircraft at our facility in Owego, New York. Work on Increment Two has remained stopped on all but a limited number of tasks at our customer’s request since December 21, 2007 as efforts with the U.S. Navy have been focused on identifying cost drivers, evaluating requirements, and analyzing funding profiles for the next phase of the program. As had been anticipated, the Secretary of the Navy notified Congress on January 28, 2009 that there is a Nunn-McCurdy breach, which occurs when projected program costs exceed certain defined thresholds. This notification initiates the process to achieve recertification for continuance of the VH-71 program.

In June 2008, the U.S. Navy awarded us a contract for the development of the Automatic Radar Periscope Detection and Discrimination system for the MH-60R helicopter. The system is an upgrade to the multi-mode radar to automatically detect, track and discriminate submarine periscopes from other small radar contacts. In July, we delivered the 11th and final aircraft to the U.S. Navy’s first operational MH-60R helicopter maritime strike squadron, the HSM-71 Raptors, ensuring the squadron is ready for its deployment with an aircraft carrier strike group. Designed primarily for anti-submarine and anti-surface warfare, the MH-60R is planned to replace the Navy’s current fleet of SH-60B and SH-60F Seahawk helicopters.

Among adjacent market initiatives, our tactical wheeled vehicle team was one of three chosen for the technology development phase of the Joint Light Tactical Vehicle (JLTV) program. The 27-month technology development contract will require us to supply multiple vehicle variants and assorted equipment that will undergo durability and performance testing by the U.S. Army and U.S. Marine Corps. The technology development phase is then planned to be followed by a development phase and, later, by a production contract. Internationally, our adaptive vehicle architecture was selected for consideration by the United Kingdom Ministry of Defence (MoD) for both the large and small variants required in its Operational Utility Vehicle System procurement.

Among other accomplishments in 2008, we graduated the 100,000<sup>th</sup> student from our C-130 air crew training system for our U.S. Air Force customer. The contract was signed for the United Kingdom’s Military Flight Training System, where we, operating through a joint venture, have been given the responsibility to provide flight training for all MoD flight platforms over a 25 year program. Also in 2008, the U.S. Marine Corps ordered nine combat convoy simulators to provide realistic battlefield training to be delivered within 12 months. We also were awarded a follow on, sole-source contract by the MoD to provide asset visibility, through tracking and managing the assets in a single database, for over 80,000 vehicles.

### **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, affordability, past performance and our ability to provide solutions to our customers’ requirements on a timely basis.

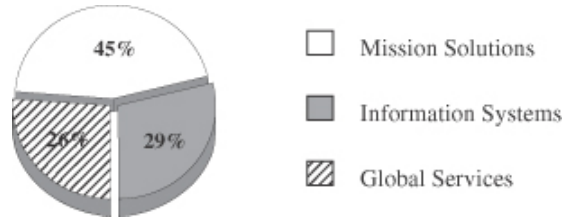
Regarding international sales, the purchasing government’s relationship with the U.S. and its industrial cooperation programs are also important factors in determining the outcome of competitions. It is common for international customers to require contractors to comply with their industrial cooperation 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 55 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 defense and civil government agencies in the U.S. and abroad.

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In 2008, net sales of \$11.6 billion at IS&GS represented 27% of our total net sales. IS&GS has three principal lines of business, and the percentage that each contributed to its 2008 net sales is:



In 2008, U.S. Government customers accounted for approximately 93% of the segment's total net sales.

### **Mission Solutions**

Mission Solutions provides intelligence, defense and civil agency customers with research, development, and engineering expertise to produce operational or business solutions. Mission Solutions provides systems that gather, process, assimilate, fuse and distribute data from ground, air, and space assets. We also provide complex systems integration to the DoD for real-time situational awareness. Key programs include: a classified customer portfolio; transformational communications systems (such as the Transformational Satellite Mission Operations Segment and the Warfighter Information Network-Tactical); mission and combat support solutions (such as the Global Command Support System and the Combatant Commanders Integrated Command & Control Systems); and mission critical civil agency programs (such as the U.S. Census, the En Route Automation Modernization for the Federal Aviation Administration (FAA), and the Transportation Worker Identification Credential program for the Transportation Security Administration).

In 2008, the DOD awarded IS&GS a contract to support diverse warfighter communications needs through software programmable radio technology. We also were awarded a contract to provide the FBI with a multimodal biometric identification system. In April, the GeoScout program successfully completed the test readiness review for the advanced geospatial intelligence processing portion of that contract. In June, under our contract with the National Archives & Records Administration (NARA), the electronic records archives system achieved initial operating capability which creates a foundation for a permanent archival system to preserve, manage, and provide access to electronic records created by the Federal Government.

### **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 and the FBI's Sentinel IT infrastructure program.

In July 2008, the FBI deployed the second segment of its Sentinel program to support the case management application capabilities to be developed in upcoming segments. The FBI also authorized us to begin the third segment of the Sentinel program.

In addition to these contract milestones, the DoD awarded IS&GS a modernization contract to provide operations and management, systems integration, applications and user support, and scientific and visualization support for DoD's four largest high performance computing centers. The Defense Threat Reduction Agency also awarded IS&GS a contract to provide standard but flexible information technology architecture.

### **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 the Orion crew exploration vehicle, other National Aeronautics and Space Administration (NASA) programs, and military space efforts; in-transit visibility and other asset management and logistics programs; and infrastructure and operational support contracts.



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Through our Pacific Architects and Engineers (PAE) subsidiary, Global Services provides management support infrastructure 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 in support of 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. Global Services also includes our wholly-owned subsidiary Savi Technology, which provides radio frequency identification solutions for both our government and commercial customers.

In April 2008, IS&GS completed the acquisition of the Eagle Group International LLC, based in Atlanta, Georgia. This acquisition extends our logistics and business process services offerings with the U.S. Army and also provides us with military health system expertise.

In June 2008, the DoD Defense Logistics Agency awarded us the Integrated Data Environment / Global Transformation Network Convergence contract to provide common integrated data services to enable development of applications for a cohesive solution for the management of supply chain, distribution and logistics information. In October 2008, NASA awarded us the facilities development and operations contract to provide support at the Johnson Space Center and other locations where astronaut and human spaceflight mission training is conducted.

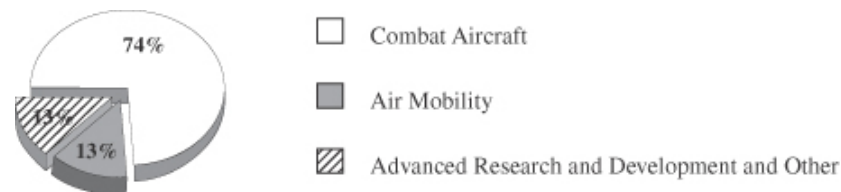
### **Competition**

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, affordability 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.

### **Aeronautics**

Aeronautics is engaged in the research, design, development, manufacture, integration, sustainment, support, and upgrade of advanced military aircraft, including combat and air mobility aircraft, unmanned air vehicles, and related technologies. Our customers include the military services and various government agencies of the United States and allied countries around the world.

In 2008, net sales at Aeronautics of \$11.5 billion represented 27% of our total net sales. Aeronautics has three principal lines of business, and the percentage that each contributed to its 2008 net sales is:



In 2008, U.S. Government customers accounted for approximately 81% 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 international multi-role 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.

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### *F-35*

The F-35 Lightning II is designed to be a superior, stealth multi-role 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 under a memorandum of understanding that provides a long-term business framework for partner aircraft production, sustainment, and future upgrades.

Since 2001, Aeronautics has been designing, testing and building the F-35 family of aircraft and sustainment systems to meet the joint and coalition requirements of our customers. 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).

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 STOVL attack aircraft for the United Kingdom Royal Air Force and Royal Navy.

Calendar-year 2008 marked the seventh full year of performance on the F-35 development contract. Testing of airworthiness and systems evaluation using the first CTOL aircraft continued in 2008 with its first deployment to Edwards Air Force Base, California in October and its transition from subsonic to supersonic flight in November. The first STOVL aircraft achieved first flight and entered the flight test program in June 2008 and is planned to fly in the STOVL mode in 2009. The first flight of the CV aircraft also is planned to occur in 2009. Production continues on the remaining development contract flight test aircraft (all variants) and both CTOL and STOVL production aircraft in Low Rate Initial Production (LRIP) Lots 1 and 2. In late 2008, the U.S. Congress approved full funding for the third LRIP lot which will include seven CTOL, seven STOVL, and an expected three international test airplanes (for the United Kingdom and the Netherlands) for a total of 17 aircraft. Advanced procurement funding for the fourth LRIP production lot of 30 U.S. airplanes was also approved, including funding for the CV configuration.

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*

In production since 1997, the F-22 Raptor has unmatched capabilities compared with any other fighter 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 2008, a total of 133 F-22s have been delivered to the U.S. Air Force, including 23 Raptors delivered during 2008. At December 31, 2008, there were 62 F-22s in backlog. In November 2008, we were awarded a Lot 10 advance procurement contract for four F-22 aircraft with an option for an additional 16 aircraft.

In June 2008, we began delivering F-22s to the fourth operational unit, the 8th Fighter Squadron at Holloman Air Force Base (AFB), New Mexico, and to the U.S. Air Force Weapons School at Nellis AFB, Nevada. Also in 2008, the Raptor completed its deployment to the Royal International Air Tattoo and Farnborough Air shows, its first international air show deployments. The Raptor also participated in its second "Red Flag" exercise, a large-scale force-on-force exercise designed to prepare joint forces to respond to crises around the world, and again demonstrated unique air dominance capabilities essential to ensuring the success of U.S. and coalition forces for decades to come. In 2008, the F-22 surpassed more than 50,000 accumulated flight hours while establishing new standards for capability and maturity.

Both the F-35 and F-22 are complementary 5<sup>TH</sup> 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. This allows them to survive in high threat environments characterized by the proliferation of multiple-fired surface to air missiles and advanced air-to-air weapons. While both aircraft provide significant capability advances over the legacy 4<sup>TH</sup> Generation aircraft, each is designed for unique mission capabilities. The requirements for

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additional F-22 aircraft are being discussed by the Administration, DoD, the U.S. Air Force, and Congress. The optimal numbers of F-22 and F-35 aircraft are dependent on the specific defense planning scenarios, as well as operational rotation requirements.

### *F-16*

The F-16 Fighting Falcon is a 4<sup>TH</sup> 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. From the program's inception in the mid-1970s through 2008, 4,417 F-16s have been delivered worldwide, representing 30 years of continuous production deliveries. In June 2008, an undefinitized contractual action was signed for the foreign military sales procurement of 24 new F-16 Block 50 aircraft to the Kingdom of Morocco, the 25<sup>TH</sup> country to purchase this aircraft. In 2008, a total of 28 F-16 aircraft were delivered worldwide. Backlog at year end was 103 F-16 aircraft, including the 24 aircraft for Morocco.

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 also have given the F-16 network-centric warfare capabilities.

### *Other Combat Aircraft*

We also participate in joint production of the F-2 fighter aircraft for Japan, and are a co-developer of the Korean 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 Hercules worldwide fleet, support of the existing C-5A/B/C Galaxy fleet, and development, modification, installation and support of the emerging C-5M Super Galaxy fleet.

### *C-130*

The C-130J Super Hercules is an advanced technology, tactical transport. It is a multi-mission platform designed primarily to support the military mission of tactical combat transport. It also has been modified to support electronic warfare, weather reconnaissance and sea surveillance missions, and as an aerial tanker. In 2008, we delivered 12 C-130Js, including 11 aircraft to the U.S. Government and one to the Royal Norwegian Air Force. A total of 257 C-130Js have been ordered, with 86 remaining in backlog at the end of 2008. The aircraft in backlog is a record high for the C-130J program that will support a planned increase in the production rate beginning in 2009. Orders received in 2008 included 34 aircraft for the U.S. Government, six for India and four for Qatar.

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 2,325 C-130s from the program's inception in 1954 through 2008. 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 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, Royal Danish Air Force and Royal Norwegian Air Force.

### *C-5*

The C-5M Super Galaxy is the product of two major modification programs to the C-5 Galaxy strategic airlifter: the C-5 Avionics Modernization Program (AMP) and the C-5 Reliability Enhancement and Re-Engining Program (RERP). In the first quarter of 2008, the DoD approved the RERP modification of 47 C-5Bs and two C-5Cs. Together, the AMP (111 aircraft) and RERP (49 aircraft) modification programs are expected to significantly extend the life and improve the reliability of the C-5 fleet. A total of 111 C-5 aircraft are currently in the U.S. fleet, operated by active duty U.S. Air Force, Air National Guard, and Air Force Reserve Command units.

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### ***Advanced Research and Development and Other***

We are involved in advanced development programs incorporating innovative design and rapid prototype applications. Our Advanced Development Programs (ADP) organization, known as the Skunk Works, is focused on future systems including next generation capabilities for both long-range strike and air mobility. We continue to explore technology advancement and insertion in existing aircraft, such as the F-35, F-22, F-16 and C-130. We also are involved in numerous network enabled activities that allow separate systems to work together to increase effectiveness and continue to invest in new technologies to maintain and enhance competitiveness in military aircraft design and development.

We have made unmanned air systems one focus of our ADP efforts, and are developing the operational concepts and enabling technologies to provide these assets to the DoD in a cost effective manner. In 2008, the Skunk Works was presented a 2007 National Medal of Technology and Innovation award by President George W. Bush for its inventiveness and contributions to the aerospace industry throughout its 65-year history.

### ***Global Sustainment***

The Global Sustainment enterprise objective is to ensure mission success throughout the life-cycle of Lockheed Martin aircraft. We provide a full range of logistics support, sustaining engineering, aviation upgrades, modifications, and maintenance, repair and overhaul (MRO) for all of our lines of aircraft, including the F-35, the F-22, the F-16, the C-130, the C-5, the P-3 Orion maritime patrol aircraft and the U-2 Dragon Lady high-altitude reconnaissance aircraft. 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 have developed the Autonomic Logistics and Global Sustainment (ALGS) solution for the F-35 Lightning II 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.

Our support of the F-22 continues to receive accolades from our DoD customer, winning the Contractor-Military Collaboration of the Year award for F-22 Sustainment at the Defense Logistics 2008 Conference in December and the 2008 Performance-Based Logistics (PBL) System Level award from the Under Secretary of Defense for Acquisition, Technology and Logistics, at the Aerospace Industries Association Fall Product Support Conference in September. Under the Follow-on Agile Sustainment for the Raptor (FASTeR) program, the DoD approved a plan for Lockheed Martin to perform as the product support integrator under a sole source 10-year performance based sustainment acquisition. The contract was awarded in February 2008; the 2009 FASTeR contract option was exercised by the U.S. Air Force in December 2008.

Under the Falcon 2020 program, we provide U.S. and international F-16 operators with avionics and structural upgrade kits to enable those customers to keep their fleets viable for the future. We also provide engineering services, technical publications, maintenance, supply chain support, and field support including support of military operations in Iraq and Afghanistan.

In Air Mobility, we continue as a key member of the C-130 Hercules team, which includes Rolls Royce and Marshall Aerospace, and which was awarded the Hercules Integrated Operational Support (HIOS) contract for the long-term support of the United Kingdom's fleet of C-130 aircraft. We continue our partnering agreement, signed in 2007, for the long-term support of Italy's C-130J fleet. We also offer center wing box modifications and avionics upgrades to customers who fly legacy versions of the Hercules in addition to the support and partnerships provided to sustain our newest tactical aircraft. We are partnered with the Warner Robins Air Logistics Center in the sustainment of C-130J aircraft under a long term sustainment program which has received high marks for its success. Sustainment activities for the C-5 Galaxy include the AMP and RERP modernization efforts previously discussed.

We have developed an aircraft service life extension program, including the production of new wings, for the existing fleet of P-3 aircraft, and are continuing work on the P-3 service life extension program for the Royal Norwegian Air Force which began in February 2007. In 2008, we received a contract from the U.S. Customs and Border Protection Agency to provide new wing kits for up to 14 aircraft and an award from the U.S. Navy to provide 13 sets of new production outer wings for its P-3 fleet. In November 2008, the Government of Canada awarded us the Aurora Service Life Extension Program contract for 10 CP-140 (P-3) life extension kits and installation support. The life extension kits are designed to add an estimated 20 to 25 additional years of service to this critical maritime patrol and reconnaissance resource.

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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 at the Donaldson Center in Greenville, South Carolina, we offer "nose-to-tail" aircraft maintenance, modifications and state-of-the-art upgrades, field team support and a full range of depot services and support to myriad customers worldwide. In mid-2008, we established a global supply chain service capability in Johnstown, Pennsylvania, a one-stop supply chain services provider supporting U.S. military, international government, and commercial customers with operational field sites and a knowledgeable, experienced staff. 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. Our Kelly Aviation Center, L.P. joint venture with Rolls-Royce provides 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 determines the results of different competitions, affordability 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.

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, and we have undertaken foreign offset agreements as part of securing some international business. For more information concerning offset agreements, see "Contractual Commitments and Off-Balance Sheet Arrangements" in Management's Discussion and Analysis beginning on page 55 of this Form 10-K.

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 from the proposed application of unmanned systems to traditionally manned missions.

With respect to tactical fighters, the F-16 remains a formidable competitor, especially on the basis of affordability, and our continued ability to update its capabilities with changes in sensor and weapons systems. 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 development phase of the program, 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. Currently available new aircraft compete with proposed new aircraft designs and new derivatives of commercial aircraft, as well as with upgrades to customers' existing platforms, to meet customer needs.

Historically, the U.S. and other governments have sought to maintain and sustain their aircraft as an internal military capability, but this is changing. As a result, demand for outsourced sustainment and logistics has increased. We compete with non-original equipment manufacturing third-party service providers for elements of the sustainment portfolio business.

### **Space Systems**

Space Systems is engaged in the design, research and development, engineering and production of satellites, strategic and defensive missile systems and space transportation systems. The Satellites 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

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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 2008, net sales of \$8 billion at Space Systems represented approximately 19% of our total net sales. Space Systems has three principal lines of business, and the percentage that each contributed to its 2008 net sales is:



In 2008, U.S. Government customers accounted for approximately 96% 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 orbit (GEO) 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 spacecraft and two HEO payloads, and the procurement of long lead material for the third geo-synchronous orbit spacecraft and third HEO payload. The two HEO payloads are on-orbit; one was declared operational in December 2008, and the second HEO is in initial on-orbit checkout and is scheduled to be declared operational in 2009.

The Mobile User Objective System (MUOS) program 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 system. The MUOS satellites are designed to be compatible with the existing system and associated legacy terminals and provide increased military communications availability. The program calls for the delivery of a constellation of five satellites and consolidated ground support equipment. We are currently under contract to build three space vehicles, procure long lead material for the fourth space vehicle, and develop the ground segment equipment.

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 four 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 three space vehicles, procure long lead material for the fourth space vehicle, and develop the ground segment equipment.

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. We were awarded the GPS III program contract, which includes two satellites, simulators and the development of a capability insertion program for future satellites. The GPS III program is a development contract intended to deliver major improvements in accuracy, assured service delivery, integrity, and flexibility for military and civil users.

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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. The U.S. Air Force is reassessing its requirements for the system and has recently delayed the planned award of the development contract.

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 2008, we delivered two commercial satellites and received two new commercial satellite contracts.

### ***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 126 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 missile defense targets hardware and software for the Missile Defense Agency (MDA), providing realistic test environments for the system being developed by the MDA to defend against all classes of ballistic missiles. 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.

### ***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. NASA has studies underway to determine the cost and feasibility of extending the program beyond 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 affordability, 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

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systems programs. Future competitions for government systems include initiatives for transformational communications, planetary exploration, and science.

### **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 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 of one or more of our programs, increased costs, or reduced award fees.

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

### **Government Contracts and Regulation**

Our businesses are heavily regulated in most of our fields of endeavor. We deal with numerous U.S. Government agencies and entities, including all 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 in other countries and regulate our international efforts.

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

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

Government contracts are conditioned upon the continuing availability of legislative 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.



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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.

### **Backlog**

At December 31, 2008, our total negotiated backlog was \$80.9 billion compared with \$76.7 billion at the end of 2007. Of our total 2008 year-end backlog, approximately \$47.2 billion, or 58%, 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 were to be 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 \$51.1 billion at December 31, 2008. 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 45 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 2008, \$1.2 billion in 2007 and \$1.1 billion in 2006. See "Research and development and similar costs" in Note 1 – Significant Accounting Policies on page 69 of this Form 10-K.

### **Employees**

At December 31, 2008, we had approximately 146,000 employees, over 90% of whom were located in the U.S. We have a continuing need for numerous skilled and professional personnel to meet contract schedules and obtain new and ongoing orders for our products. The majority of our employees possess a security clearance. The demand for workers with security clearances who have specialized engineering, information technology and technical skills within the aerospace, defense, and information technology industries is likely to remain high for the foreseeable future, while growth of the pool of trained individuals with those skills has not matched demand. As a result, we are competing with other companies with similar needs in hiring skilled employees. Management considers employee relations to be good.

Approximately 15% of our employees are covered by any one of approximately seventy 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. RISK FACTORS**

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 2008. 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 former President's budget request for fiscal year 2009, which reflected the continued commitment to modernize the Armed Forces and sustain current capabilities while prosecuting the war on terrorism. Future defense budgets and appropriations for our programs and contracts may be affected by possibly differing priorities of the new Administration, including budgeting constraints stemming from the economic recovery and stimulus plans.

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, and may be impacted by the changes in general economic conditions. Budget decisions made in this environment may have long-term consequences for our size and structure and that of the defense industry. We believe that our programs are a high priority for national defense, but 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. In this regard, we are pursuing a strategy in which we seek to expand and complement our existing products and services by moving into adjacent businesses in which we believe that our core competencies will enable us to successfully compete. We may seek to move into adjacent businesses through investments, acquisitions, joint ventures, or by developing our internal capabilities. If we are not successful in this effort, we may not be able to grow our sales and profitability at the rates we anticipate or may have deployed financial and management resources sub-optimally.

We provide a wide range of defense, homeland security and information technology products and services to the U.S. Government. Although we believe that this diversity makes it less likely that cuts in any specific contract or program will have a long-term effect 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 at a particular business site could require us to evaluate the continued viability of operating that site.

**Changes in global security strategy and planning may affect future procurement priorities and existing programs.**

We cannot predict whether potential changes in security, defense, and intelligence 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 34 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

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some instances, impose added costs on our business. A violation of specific laws and regulations could result in the imposition of fines and penalties, the termination of our contracts, or debarment from bidding on contracts.

In some instances, these laws and regulations impose terms or rights that are more favorable to the government than those typically available to commercial parties in negotiated transactions. For example, the U.S. Government may terminate any of our government contracts and, 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 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 subject to repayment. If an audit or investigation uncovers improper or illegal activities, we may be subject to civil or criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, and suspension or prohibition from doing business with the U.S. Government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us.

### **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,
  - explosive or other inherently dangerous components,
  - systems such as spacecraft, satellites, intelligence systems and homeland security applications that operate in extreme, high demand or high risk conditions;
- Designing, developing, integrating, producing, sustaining and supporting products to collect, archive, retrieve, fuse, distribute and analyze various types of information;
- Deploying employees in countries with unstable or competing governments, in areas subject to peacekeeping or humanitarian missions, in areas of armed conflict, at military installations, or accompanying armed forces in the field; and
- Training others to operate or repair advanced technology products or provide security or other homeland security-related services.

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 them 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.

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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, but 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 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 and may not be available to mitigate potential liability for products and services sold internationally. 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.

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, even if fully indemnified or insured, could negatively affect our reputation among our customers and the public, and make it more difficult for us to compete effectively. It also could affect the cost and availability of adequate insurance in the future.

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

Our backlog includes both cost reimbursable and fixed-price contracts. Cost reimbursable contracts generally have lower profit margins than fixed-price contracts. Production contracts mainly are fixed-price contracts, and developmental contracts generally are 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 is finally determined (particularly under award and incentive fee contracts).

Under fixed-price contracts, we receive a fixed price despite the actual costs we incur. We have to absorb any costs in excess of the fixed price. Under time and materials contracts, we are paid for labor at negotiated hourly billing rates and for certain expenses. Under cost reimbursable contracts, we are reimbursed for allowable costs and paid a fee, which may be fixed or performance based. However, if our costs exceed the contract target cost or are not allowable under the applicable regulations, we may not be able to obtain reimbursement for all costs and may have our fees reduced or eliminated. The failure to perform to customer expectations and contract requirements may result in reduced fees and affect our financial performance in that period. Under each type of contract, if we are unable to control costs, our operating results could be adversely affected. Cost overruns or the failure to perform on existing programs also may adversely affect our ability to keep existing programs and win future contract awards.

### **If our subcontractors or suppliers fail to perform their contractual obligations, our prime contract performance and our ability to win future business could be harmed.**

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. In addition, our subcontractors may be affected by the current economic environment and constraints on available financing to meet their performance requirements or provide needed supplies on a timely basis. A failure by one or more of our subcontractors to satisfactorily provide on a timely basis the agreed-upon supplies or perform the agreed-upon services may affect 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 affect our ability to compete for future contracts and orders. In addition, a delay in obtaining components and parts from our suppliers may affect our ability to meet our customers' needs and may affect our profitability.

### **We use estimates in accounting for many of our programs. Changes in our estimates may affect 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 sales and cost at completion is complicated and subject to many variables. For example, assumptions have to be made

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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 judgments and estimates are required, 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 38 and "Controls and Procedures" beginning on page 59, and "Sales and earnings" in Note 1 – Significant Accounting Policies on page 68 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 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. Changes may result in unanticipated effects on our results of operations or other financial measures.

### **The level of returns on postretirement benefit plan assets, changes in interest rates and other factors could affect our earnings and cash flows 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. In 2008, negative asset returns significantly and negatively affected our future benefit plan expense and requirements to fund the plans. Our benefit plan expense also may be affected by legislation and other government regulatory actions. For a discussion regarding how our financial statements may be affected by benefit plan accounting policies, see Management's Discussion and Analysis – "Critical Accounting Policies – Postretirement Benefit Plans" beginning on page 39 and Note 10 – Postretirement Benefit Plans beginning on page 82 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 potential for greater volatility 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 also is highly sensitive to changes in foreign national priorities and government budgets which may be further impacted by global economic conditions. Sales of military products are affected by defense budgets (both in the U.S. and abroad) and U.S. foreign policy.

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

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

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Some international customers require contractors to comply with industrial cooperation regulations and enter into industrial cooperation agreements, sometimes referred to as offset agreements. Offset agreements may require in-country purchases, manufacturing and financial support projects as a condition to obtaining orders or other arrangements. Offset agreements generally extend over several years and may provide for penalties in the event we fail to perform in accordance with offset requirements. See “Contractual Commitments and Off-Balance Sheet Arrangements” in Management’s Discussion and Analysis beginning on page 55 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, including potential exposure to regulatory sanctions resulting from the acquisition target’s previous activities. Future acquisitions, if funded by issuing stock or incurring indebtedness, 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. We believe that we have established appropriate procedures and processes to mitigate many of these risks, but there is no assurance that our integration efforts and business acquisition strategy will be successful.

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

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

### **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 currently are developing a comprehensive program to reduce the effects of our operations on the environment.

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

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Most of the laws governing environmental matters include criminal provisions. If we were to be convicted of a violation of the Federal Clean Air Act or the Clean Water Act, the facility or facilities involved in the violation could be placed by the 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 while so listed 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 the extent of the contamination, changing cost estimates, evolution of technologies used to remediate the site, and 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 “Critical Accounting Policies – Environmental Matters” in Management’s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 42 and in Note 13 – Legal Proceedings, Commitments and Contingencies on page 90 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, 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 13 – Legal Proceedings, Commitments and Contingencies beginning on page 90 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 Government Contracts and Regulation beginning on page 16, Risk Factors beginning on page 18, Management's Discussion and Analysis beginning on page 33, and Note 1 – Significant Accounting Policies beginning on page 67 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, 2008, we operated in 584 locations (including offices, manufacturing plants, warehouses, service centers, laboratories and other facilities) throughout the United States and internationally. Of these, we owned 45 locations aggregating approximately 29 million square feet and leased space at 539 locations aggregating approximately 27 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, 2008, our business segments occupied facilities at the following major locations that housed in excess of 500,000 square feet of floor space:

- **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.
- **Aeronautics**—Palmdale, California; Marietta, Georgia; Greenville, South Carolina; and Fort Worth and San Antonio, 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, 2008:

<i>(Square feet in millions)</i>	<i>Leased</i>	<i>Owned</i>	<i>Government Owned</i>	<i>Total</i>
Electronic Systems	10.7	10.2	6.3	27.2
Information Systems & Global Services	9.6	2.8	—	12.4
Aeronautics	3.5	5.0	15.2	23.7
Space Systems	1.8	8.6	4.7	15.1
Corporate activities	.9	2.8	—	3.7
Total	26.5	29.4	26.2	82.1

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 13 – Legal Proceedings, Commitments and Contingencies beginning on page 90 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 “Critical Accounting Policies – Environmental Matters” in Management’s Discussion and Analysis of Financial Condition and Results of Operations beginning on page 42, and in Note 13 – Legal Proceedings, Commitments and Contingencies beginning on page 90 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 2008.

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

Our executive officers are listed below, as well as information concerning their age at December 31, 2008, 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 (57), 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 (48), 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 from 2003 to 2005.

#### **Linda R. Gooden (55), Executive Vice President – Information Systems & Global Services**

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

#### **Ralph D. Heath (60), 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 (47), Executive Vice President – Electronic Systems**

Mr. Kubasik has served as Executive Vice President – Electronic Systems since September 2007. He previously served as Executive Vice President and Chief Financial Officer from August 2004 to August 2007, and Senior Vice President and Chief Financial Officer from February 2001 to August 2004.

#### **Joanne M. Maguire (54), Executive Vice President – Space Systems**

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

#### **John C. McCarthy (61), Vice President and Treasurer**

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

**Martin T. Stanislav (44), 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 (49), Executive Vice President and Chief Financial Officer**

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

**PART II**

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

At January 31, 2009, we had 38,956 holders of record of our common stock, par value \$1 per share. Our common stock is traded on the New York Stock Exchange, Inc. (NYSE) 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:

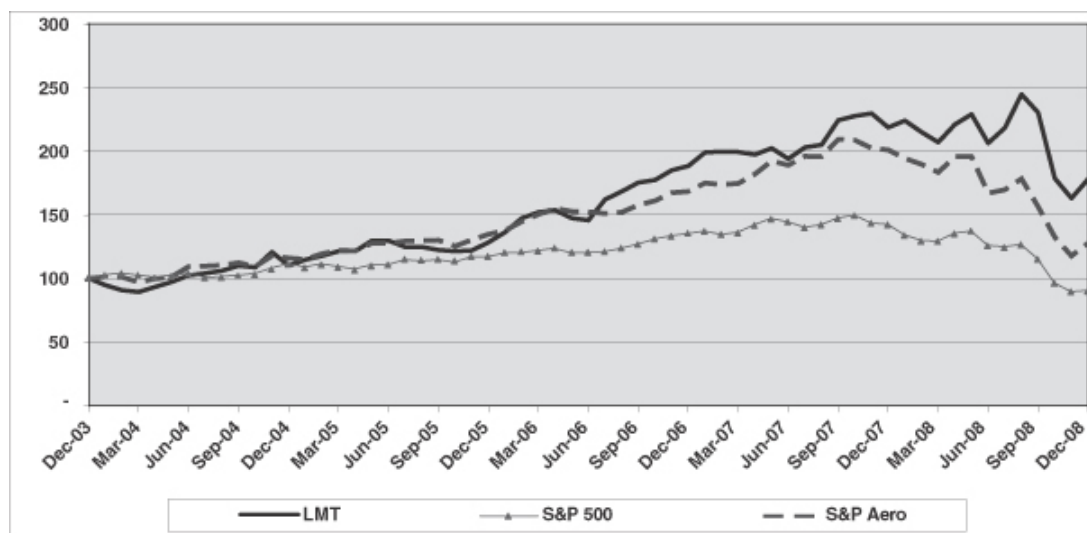
**Common Stock – Dividends Paid Per Share and Market Prices**

Quarter	Dividends Paid Per Share		Market Prices (High-Low)	
	2008	2007	2008	2007
First	\$ 0.42	\$ 0.00 <sup>(a)</sup>	\$ 110.25 – \$90.44	\$103.50 – \$91.08
Second	0.42	0.70 <sup>(a)</sup>	110.60 – 98.44	100.10 – 93.06
Third	0.42	0.35	120.30 – 97.80	108.75 – 88.86
Fourth	0.57	0.42	115.01 – 67.38	113.74 – 103.33
Year	\$ 1.83	\$ 1.47	\$120.30 – \$67.38	\$113.74 – \$88.86

<sup>(a)</sup> 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, 2003 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.

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**Issuer Purchases of Equity Securities**

The following table provides information about our repurchases of common stock during the three-month period ended December 31, 2008.

<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 <sup>(a)</sup></i>	<i>Maximum Number of Shares That May Yet Be Purchased Under the Program <sup>(b)</sup></i>
October	3,400,000	\$93.09	3,400,000	36,981,584
November	3,230,000	80.19	3,230,000	33,751,584
December	—	—	—	33,751,584

(a) We repurchased a total of 6,630,000 shares of our common stock during the quarter ended December 31, 2008 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 158 million shares of our common stock from time-to-time, including 30 million shares authorized for repurchase by our Board of Directors in September 2008. 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, 2008, we had repurchased a total of 124.3 million shares under the program.

**Equity Compensation Plan Information**

The following table provides information about our equity compensation plans that authorize the issuance of shares of Lockheed Martin common stock to employees and directors. The information is provided as of December 31, 2008.

<i>Plan category</i>	<i>Number of securities to be issued upon exercise of outstanding options, warrants, and rights</i>	<i>Weighted average exercise price of outstanding options, warrants, and rights</i>	<i>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)</i>
Equity compensation plans approved by security holders <sup>(a) (b) (c)</sup>	22,014,447	\$ 70.44	18,070,275
Equity compensation plans not approved by security holders <sup>(d)</sup>	1,785,750	—	3,214,250
<b>Total <sup>(b) (c) (d)</sup></b>	<b>23,800,197</b>	<b>\$ 70.44</b>	<b>21,284,525</b>

(a) As of December 31, 2008, there were 17,189,997 shares available for grant under the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (“IPA Plan”) as options, stock appreciation rights (“SARs”), Restricted Stock Awards (“RSAs”), or Restricted Stock Units (“RSUs”); there are no restrictions on the number of the available shares that may be issued in respect of SARs or stock units. As currently in effect, no more than 28% of shares authorized under the IPA Plan (12,460,000 shares) may be issued as RSAs. As of December 31, 2008, 2,890,882 shares have been granted as restricted stock under the IPA Plan (25,000 as RSAs and 2,865,882 as RSUs). Of the 17,189,997 shares available for grant on December 31, 2008, 4,469,650 and 1,605,530 shares are issuable pursuant to grants on January 26, 2009, of options and RSUs, respectively. Amounts in the third column of the table also include 880,278 shares that may be issued under the Lockheed Martin Corporation 1999 Directors Equity Plan (“Directors Equity Plan”) prior to January 1, 2009, and 3,559 shares that may be issued under the Lockheed Martin Corporation Directors’ Deferred Stock Plan (“Directors’ Deferred Stock Plan”), a plan that was approved by the stockholders in 1995; effective May 1, 1999, no additional shares may be awarded under the Directors’ Deferred Stock Plan. Effective January 1, 2009, awards will no longer be made under the Directors’ Equity Plan but will be made under a new plan approved by stockholders at the 2008 Annual Meeting, at which time, the stockholders approved the issuance of up to 600,000 shares for the new Directors’ Plan. Stock units payable in cash only under the IPA Plan, predecessors to the IPA Plan or other plans sponsored by the Corporation are not included in the table. For RSAs, shares are issued at the date of grant but remain subject to forfeiture; for RSUs, shares are issued once the restricted period ends and the shares are no longer forfeitable.

(b) At December 31, 2008, a total of 178,288 shares of Lockheed Martin common stock were issuable upon the exercise of the options assumed by the Corporation in connection with the COMSAT Corporation acquisition. The weighted average exercise price of those outstanding options was \$23.46 per share. The amounts exclude 2,996 stock grants held in a trust pursuant to the Deferred Compensation Plan for Directors of Lockheed Corporation. No further grants may be made under the assumed plans.

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- (c) The maximum number of shares of stock that may be subject to stock options, SARs, restricted stock, and stock units granted or issued under the IPA Plan in any calendar year is 1.6% of the Corporation's outstanding shares of stock on December 31 of the calendar year immediately preceding the date of grant of the award, calculated in a manner consistent with the method used for calculating outstanding shares for reporting in the Annual Report.
- (d) Employees may defer Management Incentive Compensation Plan ("MICP") and Long-Term Incentive Performance ("LTIP") amounts earned and payable to them to the Deferred Management Incentive Compensation Plan ("DMICP"). At the election of the employee, deferred amounts are credited as stock units at the closing price of our stock on the date the deferral is effective. Amounts equal to our dividend are credited as stock units at the time we pay a dividend. Following termination of employment, a number of shares of stock equal to the number of stock units credited to the employee's DMICP account are distributed to the employee. There is no discount or value transfer on the stock distributed. As a result, the phantom stock units also were not considered in calculating the total weighted average exercise price in the table.

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**ITEM 6. SELECTED FINANCIAL DATA**

**Consolidated Financial Data - Five Year Summary**

(In millions, except per share data and ratios)

	2008 <sup>(a)</sup>	2007 <sup>(b)</sup>	2006 <sup>(c)</sup>	2005 <sup>(d)</sup>	2004 <sup>(e)</sup>
<b>OPERATING RESULTS</b>					
Net Sales	\$42,731	\$41,862	\$39,620	\$37,213	\$35,526
Cost of Sales	38,082	37,628	36,186	34,676	33,558
	4,649	4,234	3,434	2,537	1,968
Other Income (Expense), Net	482	293	336	316	171
Operating Profit	5,131	4,527	3,770	2,853	2,139
Interest Expense	341	352	361	370	425
Other Non-Operating Income (Expense), Net	(88)	193	183	133	(50)
Earnings Before Income Taxes	4,702	4,368	3,592	2,616	1,664
Income Tax Expense	1,485	1,335	1,063	791	398
Net Earnings	\$ 3,217	\$ 3,033	\$ 2,529	\$ 1,825	\$ 1,266
<b>EARNINGS PER COMMON SHARE</b>					
Basic	\$ 8.05	\$ 7.29	\$ 5.91	\$ 4.15	\$ 2.86
Diluted	\$ 7.86	\$ 7.10	\$ 5.80	\$ 4.10	\$ 2.83
<b>CASH DIVIDENDS PER COMMON SHARE</b>					
	\$ 1.83	\$ 1.47	\$ 1.25	\$ 1.05	\$ 0.91
<b>CONDENSED BALANCE SHEET DATA</b>					
Cash and Cash Equivalents	\$ 2,168	\$ 2,648	\$ 1,912	\$ 2,244	\$ 1,060
Short-Term Investments	61	333	381	429	396
Other Current Assets	8,454	7,959	7,871	7,856	7,497
Property, Plant and Equipment, Net	4,488	4,320	4,056	3,924	3,599
Goodwill	9,526	9,387	9,250	8,447	7,892
Purchased Intangibles, Net	355	463	605	560	672
Prepaid Pension Asset	122	313	235	1,360	1,030
Other Assets	8,265	3,503	3,921	2,924	3,408
	\$33,439	\$28,926	\$28,231	\$27,744	\$25,554
Current Maturities of Long-Term Debt	\$ 242	\$ 104	\$ 34	\$ 202	\$ 15
Other Current Liabilities <sup>(f)</sup>	10,300	9,933	9,661	9,340	8,621
Long-Term Debt, Net	3,563	4,303	4,405	4,784	5,104
Accrued Pension Liabilities	12,004	1,192	3,025	2,097	1,660
Other Postretirement Benefit Liabilities	1,386	928	1,496	1,277	1,236
Other Liabilities <sup>(f)</sup>	3,079	2,661	2,726	2,177	1,897
Stockholders' Equity	2,865	9,805	6,884	7,867	7,021
Total	\$33,439	\$28,926	\$28,231	\$27,744	\$25,554
<b>COMMON SHARES AT YEAR-END</b>					
	393	409	421	432	438
<b>CASH FLOW DATA</b>					
Cash Provided by Operating Activities <sup>(g)</sup>	\$ 4,421	\$ 4,238	\$ 3,765	\$ 3,204	\$ 2,921
Cash Used for Investing Activities	(907)	(1,205)	(1,655)	(499)	(708)
Cash Used for Financing Activities	(3,938)	(2,300)	(2,460)	(1,511)	(2,166)
<b>RETURN ON INVESTED CAPITAL<sup>(h)</sup></b>					
	21.7%	21.4%	19.2%	14.5%	10.8%
<b>NEGOTIATED BACKLOG</b>					
	\$80,914	\$76,660	\$75,905	\$74,825	\$73,986

**Notes to Five Year Summary**

(a) 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 \$193 million, \$126 million after tax (\$0.31 per share).

(b) Includes the effects of items not considered in the assessment of the operating performance of our business segments 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

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(\$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 net earnings by \$105 million after tax (\$0.25 per share).

- (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 a charge of \$16 million, \$11 million after tax (\$0.03 per share), in other non-operating income (expense), net 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 tax benefits. On a combined basis, these items increased net 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), in other non-operating income (expense), net 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 net earnings by \$10 million after tax (\$0.02 per share).
- (f) In 2008, we reclassified certain amounts from other liabilities to other current liabilities. Prior year amounts have been reclassified to conform to the 2008 presentation. The amounts associated with the reclassification for the prior periods are as follows: \$166 million in 2007; \$142 million in 2006; \$114 million in 2005; and \$70 million in 2004.
- (g) In 2008, we reclassified the effect of exchange rate changes on cash held in foreign currencies on our Statement of Cash Flows from cash provided by operating activities to effect of exchange rate changes on cash and cash equivalents. Prior year amounts of cash provided by operating activities in the table above have been reclassified to conform to the 2008 presentation. The amounts associated with the effect of exchange rate changes on cash and cash equivalents for prior periods increased (decreased) cash provided by operating activities as follows: \$(3) million in 2007; \$(18) million in 2006; \$10 million in 2005; and \$(3) million in 2004.
- (h) We define return on invested capital (ROIC) as net earnings plus after-tax interest expense divided by average invested capital (stockholders' equity plus total 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 as one of the inputs in our evaluation of 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>	2008	2007	2006	2005	2004
Net earnings	\$ 3,217	\$ 3,033	\$ 2,529	\$ 1,825	\$ 1,266
Interest expense (multiplied by 65%) <sup>1</sup>	222	229	235	241	276
Return	\$ 3,439	\$ 3,262	\$ 2,764	\$ 2,066	\$ 1,542
Average debt <sup>2, 5</sup>	\$ 4,346	\$ 4,416	\$ 4,727	\$ 5,077	\$ 5,932
Average equity <sup>3, 5</sup>	8,236	7,661	7,686	7,590	7,015
Average benefit plan adjustments <sup>4, 5</sup>	3,256	3,171	2,006	1,545	1,296
Average invested capital	\$15,838	\$15,248	\$14,419	\$14,212	\$14,243
Return on invested capital	21.7%	21.4%	19.2%	14.5%	10.8%

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

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

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

<sup>4</sup> 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: 2008 = \$(7,253) million; 2007 = \$1,706 million; 2006 = \$(1,883) million; 2005 = \$(105) million; and 2004 = \$(285) million. As these entries are recorded in the fourth quarter, the value added back to our average equity in a given year is the cumulative impact of all prior year entries plus 20% of the current year entry value. The cumulative impact of benefit plan adjustments through December 31, 2003 was \$(1,239) million.

<sup>5</sup> 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 summarize some of the more important activities and events that occurred this year.

**Our Business**

Lockheed Martin is a global security company that principally is engaged in the research, design, development, manufacture, integration, and sustainment of advanced technology systems and products. We provide a broad range of management, engineering, technical, scientific, logistic, and information services. We serve both domestic and international customers with products and services that have defense, civil and commercial applications, with our principal customers being agencies of the U.S. Government. In 2008, 2007 and 2006, 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. Of the remaining 16% of net sales, approximately 13% related to sales to foreign government 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. Our main areas of focus are in defense, space, intelligence, homeland security, and government information technology.

We operate in four principal business segments: Electronic Systems, Information Systems & Global Services (IS&GS), Aeronautics, 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 33 through 59) – provides our management's view about industry trends, risks, uncertainties, accounting policies that we view as critical in light of our business, our results of operations (including discussion of the key performance drivers of each of our business segments), our financial position, cash flows, commitments and contingencies, important events, 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 60 through 62) 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, including 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 63 through 66) – include our Consolidated Statements of Earnings, Cash Flows and Stockholders' Equity for each of the last three years, and our Consolidated 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 67 through 96) – 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, 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 38 and page 68
Postretirement benefit plans	Page 39 and page 82
Environmental matters	Page 42, page 68 and page 91
Goodwill	Page 43 and page 68
Stock-based compensation	Page 43, page 70 and page 88
Discussion of business segments	Page 45 and page 73
Liquidity and cash flows	Page 51 and page 65
Capital structure and resources	Page 53, page 64, page 66 and page 87
Legal proceedings, commitments and contingencies	Page 55 and page 90
Income taxes	Page 70 and page 78

### Industry Considerations

#### U.S. Government Business

##### Budget Priorities

In these times of unprecedented economic uncertainty and market turmoil, developing and implementing spending, tax, and other initiatives to stimulate the faltering economy is at the forefront of the U.S. Government's activities. We expect the new Obama Administration's decisions regarding defense, homeland security, and other federal spending priorities, and the Congress' reaction to the Administration's proposals, to be balanced with the cost and impact of economic stimulus initiatives, particularly in the longer term. Spending priorities for fiscal year 2010 will be announced soon, with submission of a detailed President's Budget Request for Fiscal Year 2010 and beyond expected by late April or early May of 2009. Although we believe some priorities will change, many of the investments and acquisitions we have made have been focused on aligning our businesses to address what we believe are the most enduring national imperatives and critical mission areas. But the possibility remains that one or more of our programs could be reduced, extended, or terminated as a result of the Administration's assessment of priorities.

#### Department of Defense Business

The Department of Defense (DoD) has, for the past eight years, focused on sustainment of current military capabilities and modernization of our Armed Forces to deter and defeat current and future threats. The prior Administration primarily sought to fund the U.S. military missions in Iraq and Afghanistan and other unforeseeable contingency or peacekeeping operations through supplemental funding requests. This supplemental funding enabled the DoD to proceed with critical recapitalization and modernization programs in the "base" budget, rather than using base budget funds available for those programs to pay for the Iraq and Afghanistan missions and other unforeseen operations. While we expect to see continued support of such initiatives under the new Administration, other national priorities must also be addressed, most notably the current financial crisis. Initiatives to address economic stimulus will compete with other national priorities, such as defense and homeland security.

In this period of transition, we expect the new Administration to look broadly across current programs and examine existing resources as part of its assessment of national priorities. 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. The DoD base budget for fiscal year 2009 provided mid-single-digit growth above prior year levels. Current estimates for the budget for fiscal year 2010 provide for growth of about 2% to 3% over 2009 levels. The Administration's assessment likely will include focus on the level and composition of supplemental budget requests going forward. Although Congress has continued to express concern about the size of supplemental budget requests, funding for ongoing operations has not been significantly curtailed by Congress to date. We expect to see continuing pressure to reduce supplemental funding requests.

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We believe our broad mix of programs and capabilities continues to position us favorably to support the current and future needs of the DoD. For example, the need for more affordable logistics and sustainment, expansive use of information technology and knowledge-based solutions, and vastly improved levels of network and cybersecurity, all appear to be national priorities. To meet these changing dynamics, we have been growing our portfolio of expertise, diversifying our business, and expanding systems integration skills into adjacent businesses and programs that include surface naval vessels, rotary wing aviation and land vehicles.

We continue to produce the F-22 Raptor for the U.S. Air Force and will expand production of the C-130J Super Hercules tactical airlifter to meet U.S. Government and other demand. We also are preparing for increased production of the F-35 Lightning II Joint Strike Fighter for the U.S. Navy, Air Force, Marine Corps, and international partners. In the areas of space-based intelligence and information superiority, we have leadership positions on programs such as the Global Positioning Satellite program (GPS III), 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.

Our products are represented in almost every aspect of land, sea, air and space-based missile defense, including the Aegis Weapon System program, the Patriot Advanced Capability (PAC-3) missile program, the Terminal High Altitude Area Defense (THAAD) system, the Multiple Kill Vehicle (MKV) program, and the Medium Extended Air Defense System (MEADS). We continue to perform on contracts to develop and deliver essential munitions, missile, and other systems, such as Hellfire, Guided Multiple Launch Rocket Systems, and EQ-36 radar systems, 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, the VH-71 U.S. Presidential Helicopter, and the Joint Light Tactical Vehicle programs. We also have unmanned systems capabilities, including air, ground, and underwater systems.

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

We 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 and cost-effectiveness of the systems procured by our customers, and for improving global supply chain management. We also see opportunities to grow our business in providing global services and business process management for DoD needs.

Despite the anticipated modest increase in the 2010 defense budget, we believe our revenue growth will exceed expected growth in the DoD budget. We expect strong expansion in our F-35 program as we begin low rate production activities and in sales of information technology solutions. We expect continued growth in our core and adjacent businesses for both domestic and international customers, as we broaden our portfolio and remain committed to excellence in execution. Our revenues have historically not been dependent on supplemental funding requests.

Many of our 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 new Administration's budget reviews or in the Congressional process of annual appropriations.

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

Our experience in the defense arena, together with our core information technology and services expertise, has enabled us to provide products and services to a number of government agencies, including the Departments of Homeland Security, Justice, Commerce, Health and Human Services, 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), the National Archives, and the Library of Congress.

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.

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Our recent experiences with non-DoD agencies have reinforced our strategy of becoming the world's premier global security company. We have seen the global security environment becoming much more complex and dynamic. The very definition of security has continued to change. Over and above traditional military preparedness, we have seen and been a part of further expansion into more effective counter-terrorism and intelligence capabilities, international cooperation activities requiring more interoperable systems, and humanitarian, peace-keeping, and operational stabilization initiatives.

Consistent with our DoD business, more affordable logistics and sustainment, a more expansive use of information technology and knowledge-based solutions, and improved levels of network and cybersecurity, all appear to be priorities in our non-DoD business as well. Homeland security, critical infrastructure protection, and improved service levels for civil government agencies also appear to be high customer priorities.

The continuing strong emphasis on homeland security may increase demand for our capabilities in areas such as air traffic management, ports, waterways and cargo security, biohazard detection systems for postal equipment, employee identification and credential verification systems, information systems security, and other global security systems solutions. 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.

We have made disciplined acquisitions and investments to reinforce our presence and skills in the information sciences domain. We believe expanded access to continuous high quality situational awareness will remain essential in assuring clarity and reducing uncertainty in today's environment. The very need for this increased situational awareness will drive the linkage of increasingly robust communication systems, advanced sensing devices and the computers that control them. This capability will enable the meaningful sharing of information and networks will continue to grow in power and importance to accommodate these new linkages. We also believe the criticality of network security will result in increased demand for cybersecurity, and encryption security solutions. We expect to be well-positioned to meet these growing needs.

The prior Administration's budget proposal for fiscal year 2009 sought to limit overall growth in the civil agency budgets to one percent per year or less. Similar to spending in the area of defense, civil programs will also have to compete with resource requirements for economic stimulus. Though we expect to see relatively small increases in total non-defense discretionary spending in the near term, we believe our key programs will continue to be supported in the budgets of the various agencies with which we do business.

Similar to the risks inherent in our defense business, funding for our civil agency business is contingent on approval in annual appropriations 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 new 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 most 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 not available to mitigate 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 impractical.

### **Other Business Considerations**

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.

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.

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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.

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 believe the probability is remote that any of the claims, audits or investigations pending against us will have a material adverse effect on our business or our results of operations, cash flows or financial position.

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, and 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.

In some cases, we form joint ventures with one or more other contractors for the purpose of pursuing a bid for a particular contract and, if successful, the joint venture serves as the prime contractor under that contract. In those instances, the work under contract is performed by subcontractors to the joint venture including, but not limited to, the joint venture investors. We generally limit our exposure under these arrangements to our investment in the venture, which is typically not material, and to the performance of our obligations under the subcontract. In some cases, we guarantee contractual performance by the venture, but are generally cross-indemnified by the other venture participants to the extent of their contractual performance obligations.

We remain committed to growth in our sales to international customers. Those customers, similar to our U.S. Government customers, have been affected by the global economic crisis. We expect their decisions regarding defense and security spending will also compete with their own economic stimulus initiatives. We conduct business with foreign governments primarily through Electronic Systems and Aeronautics. Our international sales are composed of "foreign military sales" through the U.S. Government and direct commercial contracts. 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, Spain, Korea, Norway, and Australia). This segment also was awarded two contracts by the Canadian Government for the upgrade and support of combat systems on Halifax class frigates and Iroquois class destroyers. Electronic Systems produces the PAC-3 missile, an advanced defensive missile designed to intercept incoming airborne threats, for international customers including Japan, Germany, the Netherlands and the United Arab Emirates (UAE).

In Aeronautics, the U.S. Government and eight foreign government partners are working together on the design, testing, production and sustainment of the F-35 Lightning II. The F-16 Fighting Falcon has been selected by 25 countries, with 52 follow-on buys from 14 customers. We continue to expand the C-130J Super Hercules air mobility aircraft's international footprint with customers in nine countries including recent orders from India and Qatar. In global sustainment, we are leveraging our value as the original equipment manufacturer (OEM) for our major platforms and have set up new production capabilities to provide service life extension, including new wings and support for Norway's P-3 fleet and the recent awards from the U.S. and Canadian Governments to upgrade their P-3 aircraft.

IS&GS, through its subsidiary Pacific Architects and Engineers (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. In addition, IS&GS was awarded the contract to provide all data processing for the population census in England, Wales and Northern Ireland for the 2011 Census, including development of the related system.

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

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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.

### **Critical Accounting Policies**

#### **Contract Accounting / Revenue Recognition**

Approximately 80% of our net sales are derived from long-term contracts for design, development and production activities, which are accounted for under the provisions of American Institute of Certified Public Accountants' Statement of Position (SOP) No. 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*. Our remaining net sales are derived from contracts to provide other services that are not associated with design, development or production activities. We account for those contracts in accordance with the Securities and Exchange Commission's Staff Accounting Bulletin No. 104, *Revenue Recognition*. 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 development and low-rate initial production contracts, 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 award and incentive fee contracts, is finally determined.

Award fees and incentives 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. Those 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 scope and nature of the work required to be performed on many of our contracts, the estimation of total revenue and cost at completion is complicated and subject to many variables. Contract costs include material, labor and subcontracting costs, as well as an allocation of indirect costs. We have to make assumptions regarding labor productivity and availability, the complexity of the

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work to be performed, the availability of materials, the length of time to complete the contract (to estimate increases in wages and prices for materials), performance by our subcontractors, and the availability and timing of funding from our customer, among other variables. 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.

Products and services provided under long-term design, development and production contracts represent approximately 80% of our net sales for 2008. 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. When estimates of total costs to be incurred on a contract exceed total estimates of revenue to be earned, a provision for the entire loss on the contract is recorded in the period the loss is determined.

### ***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. The majority of our services contracts are in our IS&GS segment, including the Automated Flight Service Station contract to provide a network of air traffic facilities and related services, and the U.S. Army Corps of Engineers contract to provide information management and technology services. 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. Award fees and incentives related to performance on services contracts are recognized when they are fixed and determinable, generally at the date the amount is communicated to us by the customer.

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

The majority of our sales are driven by pricing based on costs incurred to produce products or perform services under contracts with the U.S. Government. Cost-based pricing is determined under the Federal Acquisition Regulation (FAR). The FAR provides guidance on the types of costs that are allowable in establishing prices for goods and services under U.S. Government contracts. For example, costs such as those related to charitable contributions, interest expense, and certain advertising and certain public relations activities 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 environmental costs we incur for groundwater treatment and soil remediation related to sites operated in prior years are allocated to our current operations as general and administrative costs under FAR provisions and supporting agreements reached with the U.S. Government.

We closely monitor compliance with and the consistent application of our critical accounting policies related to contract accounting. Business segment personnel evaluate our contracts through periodic contract status and performance reviews. Also, regular and recurring evaluations of contract cost, scheduling and technical matters are performed by management personnel independent from the business segment performing work under the contract. Costs incurred and allocated to contracts are reviewed for compliance with U.S. Government regulations by our personnel, and are subject to audit by the Defense Contract Audit Agency. 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, and we provide certain health care and life insurance benefits to eligible retirees (collectively, postretirement benefit plans – see Note 10). Our earnings may be negatively or positively impacted by the amount of expense or income we record for our postretirement benefit plans. This is

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particularly true with expense or income for defined benefit pension plans and retiree medical and life insurance 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 qualified defined benefit pension plans, but are eligible to participate in our defined contribution plan and 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 defined benefit pension plans and retiree medical and life insurance 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)*, FAS 87, *Employers' Accounting for Pensions*, and FAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. FAS 158 requires us to recognize on a plan-by-plan basis the funded status of our postretirement benefit plans as either an asset or liability on our Balance Sheet, with a corresponding adjustment to accumulated other comprehensive income (loss), net of tax, in stockholders' equity. The funded status is measured as the difference between the fair value of the plan's assets and the benefit obligation of the plan.

FAS 87 and FAS 106 require 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 regarding financial market and other economic conditions. Changes in key economic indicators can result in changes in the assumptions we use. The primary year-end assumptions used to estimate postretirement benefit plan expense or income for the following calendar year are the discount rate and the expected long-term rate of return on plan assets for all postretirement benefit plans; the rates of increase in future compensation levels for our defined benefit pension plans; and the health care cost trend rates for our retiree medical plans. The more subjective of these assumptions are 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 past and current market conditions, and make judgments about future market trends. 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 benefit obligation 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 results from cash flow models, quoted rates from long-term bond indices, and changes in long-term bond rates over the past year.

As part of our evaluation, we calculate the approximate average yields on securities that were selected to match our projected postretirement benefit plan cash flows. Our postretirement benefit plan cash flows are input into actuarial models that include data for corporate bonds rated AA or better. The available universe of bonds is adjusted to reflect call provisions, outstanding issue amount, and bonds that are considered "outliers" (*i.e.* bonds with yields too far above or below the mean of the available universe of bonds). As of December 31, 2008, three actuarial models calculated rates of 6.15%, 6.18%, and 6.72% for our qualified defined benefit pension plans. We also evaluated the annualized Merrill Lynch index for long-term AA corporate bonds (15+ years), which was 6.03% at the close of 2008. In general, these data points were 15 to 35 basis points lower than at December 31, 2007.

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 Lockheed Martin as of December 31, 2008 would be between 6.00% and 6.375%. We selected 6.125% as the discount rate for calculating our benefit obligations at December 31, 2008, compared to 6.375% used at the end of 2007.

The impact of the change in the discount rate, together with other factors such as the approximate (28)% actual return on plan assets resulting from downward market conditions in 2008, was a noncash, after-tax reduction to our stockholders' equity at December 31, 2008 of approximately \$7.25 billion. The negative return on plan assets accounted for over 90% of the decrease in stockholders' equity. In addition, the negative return on plan assets in 2008 and the change in the discount rate will increase 2009 pension expense to approximately \$1.04 billion, as compared to \$462 million in 2008, with approximately 85% of the increase being driven by the negative return on plan assets.

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 6.125% discount rate assumption at December 31, 2008, with all other assumptions held constant, would decrease or increase the amount of the qualified pension benefit obligation we recorded at the end of 2008 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 6.125% discount rate at December 31, 2008 that was used to compute 2009 expense for our qualified defined benefit pension plans had been 25 basis points higher or lower, with all other assumptions held constant, the amount of expense projected for 2009 would be lower or higher by approximately \$90



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million. The results of these scenarios should not be extrapolated to assess other scenarios beyond the 25 basis points, because there is not a direct correlation between a change in the discount rate and the changes in stockholders' equity and pension expense.

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 are reviewed over time and then combined with expectations for the future. At December 31, 2008, we concluded that 8.50% was a reasonable estimate for the expected long-term rate of return on plan assets assumption, consistent with the rate used at December 31, 2007.

U.S. Government Cost Accounting Standards (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. Funded amounts are recovered over time through the pricing of our products and services on U.S. Government contracts, and therefore are recognized in our net sales. The total funding requirement for our qualified defined benefit pension plans under CAS was \$590 million in 2008 which was recorded in our segments' results of operations. For 2009, we expect our funding requirements under CAS to decrease slightly. Additional funding requirements computed under the Internal Revenue Code (IRC) rules, as well as discretionary payments, are considered to be prepayments under the CAS rules to the extent the amounts exceed CAS funding requirements. These amounts would be recorded on our Balance Sheet and recovered in future periods.

In 2008, 2007 and 2006, we made discretionary prepayments of \$109 million, \$335 million and \$594 million to the Master Retirement Trust (the Master Trust) related to our qualified defined benefit pension plans. Prepayments reduce the amount of future cash funding that will be required under the CAS and IRC rules. The prepayments in prior years were used to fund required contributions in 2008. Based on our known requirements as of December 31, 2008, we would not expect to make any further required cash contributions to the Master Trust related to our qualified defined benefit pension plans in 2009 due to prepayments made in prior years. Due to other events which may occur in 2009, such as pending negotiations for certain collective bargaining agreements, we may decide to make cash contributions in 2009 of as much as \$50 million to \$100 million based on the outcome of those events. In addition, we may review options for using available cash for further discretionary contributions.

The Master Trust primarily supports our qualified defined benefit pension plans. Valuation of the assets in the Master Trust requires judgment relative to the determination of fair value as of December 31. While many of the asset values are based on quoted prices in active markets for identical assets (*e.g.*, stock of actively traded public companies), the trustee for the Master Trust uses various pricing sources to determine fair values for other assets where their value may be based on quoted prices for similar instruments or quoted prices for identical or similar instruments in inactive markets; or amounts derived from valuation models where all significant inputs are based on active markets that can be observed (*e.g.*, fixed income debt securities). For still other investments, values may be amounts derived from valuation models where one or more of the significant inputs into the model cannot be observed and which require the development of relevant assumptions (*e.g.*, private equity funds and investments in real estate partnerships). The trustee uses brokers, pricing agents, and other pricing sources to assist in the determination of the value for many of the assets, and works closely with their providers to evaluate the accuracy and timeliness of the pricing data they receive. We review the trustee's policies and procedures regarding pricing of investments, their selection of pricing sources, and the statements we receive from them, in our evaluation of the accuracy and reliability of the pricing data included in the statements.

Given the current financial environment, we also assess the potential for adjustment to the fair value of certain investments where there is a lag in the availability of data to support the investment's value (*e.g.*, private equity funds and real estate partnerships). In those cases, we may solicit preliminary valuation updates at year-end from the funds and partnerships. We use that information, and corroborating data from public markets, to determine if any adjustments should be recorded in the fair values. At December 31, 2008, private equity funds and real estate partnerships represented approximately 10% of the total fair value of the Master Trust.

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 had the effect of accelerating the required amount of annual pension plan contributions under the IRC that most companies are required to pay, beginning 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

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legislation also requires the CAS Board to modify its pension accounting rules by 2010 to better align the recovery of pension contributions on U.S. Government contracts with the new accelerated funding requirements. 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.

### **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 account for environmental remediation liabilities in accordance with SOP 96-1, *Environmental Remediation Liabilities*.

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 agreements exist, but do not quantify the extent and timing of our obligation. Environmental cleanup activities usually span many years, which makes estimating the costs more judgmental due to, for example, changing remediation technologies. To determine the costs related to cleanup sites, we have to assess the extent of contamination, 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, an amount at the low end of the range. Given the required level of judgment and estimation, it is likely that materially different amounts could be recorded if different assumptions were used or if circumstances were to change (*e.g.*, a change in environmental standards or a change in our estimate of the extent of contamination).

We perform quarterly reviews of environmental remediation sites and record liabilities and assets in the period it becomes probable that a liability has been incurred and the amounts can be reasonably estimated (see the discussion under "Environmental Matters" in Notes 1 and 13 to the financial statements). At the end of 2008, the total amount of liabilities recorded on our Balance Sheet for environmental matters was \$809 million. We have recorded assets totaling \$683 million at December 31, 2008 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 or that is determined to be unallowable for pricing under U.S. Government contracts has been expensed through cost of sales.

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

As disclosed above, we may record changes in the amount of environmental remediation liabilities as a result of our quarterly reviews of the status of our environmental remediation sites, which would result in a change to the corresponding environmental asset and a charge to earnings. For example, if we were to determine that the liabilities should be increased by \$100 million, the corresponding assets would be increased by approximately \$85 million, with the remainder recorded as a charge to earnings. This allocation is determined annually, based upon our existing and projected business activities with the U.S. Government.

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

If we are ultimately found to have liability at those sites where we have been designated a PRP, we expect that the actual costs of remediation will be shared with other liable PRPs. Generally, PRPs that are ultimately determined to be responsible parties are strictly liable for site cleanup and usually agree among themselves to share, on an allocated basis, the costs and expenses for investigation and remediation of hazardous materials. Under existing environmental laws, responsible

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parties are jointly and severally liable and, therefore, we are potentially liable for the full cost of funding such remediation. In the unlikely event that we were required to fund the entire cost of such remediation, the statutory framework provides that we may pursue rights of contribution from the other PRPs. The amounts we record do not reflect the fact that we may recover some of the environmental costs we have incurred through insurance or from other PRPs, which we are required to pursue by agreement and U.S. Government regulation.

### **Goodwill**

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. We consider a component of our business to be a reporting unit if it constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. 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. 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.

Our goodwill at December 31, 2008 amounted to \$9.5 billion. We completed our assessment of goodwill as of October 1, 2008 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 25% decrease in the estimated fair value of any of our reporting units at October 1, 2008 would not have resulted in a goodwill impairment charge.

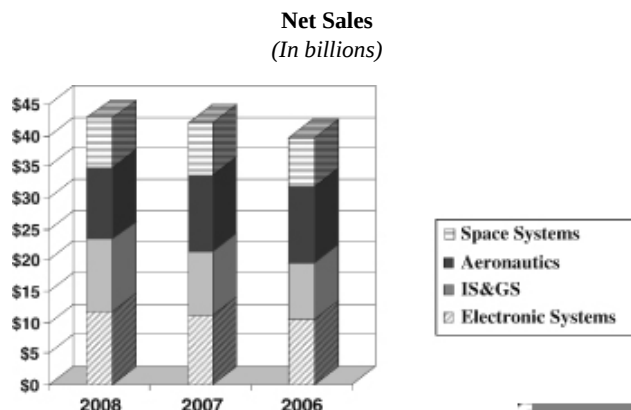
### **Stock-Based Compensation**

We account for our stock-based compensation under the provisions of FAS 123(R), *Share-Based Payment*. 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 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 2008. Compensation cost recognized in 2008, 2007, and 2006 totaled \$155 million, \$149 million, and \$111 million.

## Results of Operations

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



The following discussion of operating results provides an overview of our operations by focusing on key elements in our Statement of Earnings. The “Discussion of Business Segments” section which follows describes the contributions of each of our business segments to our consolidated net sales and operating profit for 2008, 2007 and 2006. 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 Electronic Systems, Aeronautics and Space Systems segments, while most of our services revenues are generated in our IS&GS segment.

For 2008, net sales were \$42.7 billion, a 2% increase over 2007. Net sales for 2007 were \$41.9 billion, a 6% increase over 2006. Net sales increased during 2008 in the Electronic Systems and IS&GS segments but declined in Aeronautics primarily due to fewer combat aircraft deliveries and at Space Systems due to both government and commercial satellite activities. Net sales increased during 2007 in all segments as compared to 2006. The U.S. Government is our largest customer, accounting for about 84% of our net sales in 2008, 2007, and 2006.

Other income (expense), net was \$482 million for 2008 compared to \$293 million in 2007. This increase was primarily due to higher equity earnings in affiliates, the recognition of the deferred gain from the 2006 sale of our ownership interest in Lockheed Khrunichev Energia International, Inc. (LKEI) and earnings associated with reserves related to various land sales that were no longer required. Other income (expense), net was \$293 million for 2007 compared to \$336 million in 2006. This decrease primarily was 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.

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.

Our operating profit for 2008 was \$5.1 billion, an increase of 13% compared to 2007. Our operating profit for 2007 was \$4.5 billion, an increase of 20% compared to 2006. Except for anticipated reductions at Aeronautics, operating profit increased in all business segments in 2008 as compared to 2007. Operating profit was favorably impacted by lower unallocated Corporate costs and the increase in other income (expense), net as discussed above. In 2007, operating profit increased across all business segments as compared to 2006 and was also favorably impacted by lower unallocated Corporate costs. Unallocated corporate costs in both 2008 and 2007 were favorably impacted by declines in the FAS/CAS pension adjustment, primarily due to the decline in FAS 87 expense.

Interest expense for 2008 was \$341 million, or \$11 million lower than 2007. This decrease mainly was driven by the August 2008 redemption of our \$1 billion of floating rate convertible debentures, offset by interest expense on the \$500

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million of new debt issued in the first quarter of 2008. Interest expense for 2007 was \$352 million, or \$9 million lower than 2006. This decrease was mainly driven by lower interest expense associated with the September 2006 debt exchange.

Other non-operating income (expense), net was an expense of \$88 million in 2008 compared to income of \$193 million in 2007 and income of \$183 million in 2006. The decrease in 2008 primarily was due to net unrealized losses on marketable securities held to fund certain non-qualified employee benefit obligations and lower interest income on invested cash balances. The increase in 2007 mainly was due to the \$16 million of debt exchange expenses recorded in 2006, as there were no comparable charges in 2007.

Our effective income tax rates were 31.6% for 2008, 30.6% for 2007, and 29.6% for 2006. The effective rates for all periods were lower than the statutory rate of 35% due to tax deductions for U.S. manufacturing activities, research and development (R&D) tax credits, and dividends related to our employee stock ownership plan. In addition, the rate for 2007 reflected a reduction in income tax expense of \$59 million recorded in the first quarter of 2007 arising from the closure of the IRS examination of the 2003 and 2004 tax years. The rate for 2006 reflected a reduction in income tax expense of \$62 million related to a refund claim for additional extraterritorial income (ETI) exclusion benefits in prior years recognized in the third quarter of 2006, and current year ETI tax benefits.

The increase in the 2008 effective tax rate when compared to 2007 primarily is due to the \$59 million benefit recorded in the first quarter of 2007. The increase in the 2007 effective tax rate when compared to 2006 primarily is the result of the elimination of the extraterritorial tax benefits in 2007, partially offset by additional tax benefits in 2007 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 Emergency Economic Stabilization Act of 2008 signed by the President on October 3, 2008 retroactively extends the R&D tax credit for two years, from January 1, 2008 to December 31, 2009, and increases the alternative simplified R&D credit rate from 12% to 14% for calendar year 2009. As a result, we recognized a tax benefit, which reduced our income tax expense in the fourth quarter of 2008 by \$36 million.

Net earnings increased as compared to the prior year for the sixth consecutive year. We reported net earnings of \$3.2 billion (\$7.86 per share) in 2008, \$3.0 billion (\$7.10 per share) in 2007, and \$2.5 billion (\$5.80 per share) in 2006. Both net earnings and earnings per share were affected by the factors discussed above. In addition, earnings per share has benefitted from the significant number of shares repurchased under our share repurchase program. The effect of those repurchases has been partially offset by common stock issued under our stock-based compensation and defined contribution plans.

### **Discussion of Business Segments**

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

Our Electronic Systems business segment manages complex programs and designs, develops, and integrates hardware and software solutions to ensure the mission readiness of armed forces and government agencies worldwide. 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 as a leading systems integrator both domestically and internationally. 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.

Our 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 space, air, and ground systems. It provides logistics, mission operations support, peacekeeping, and nation-building services for a wide variety of U.S. defense and civil government agencies. IS&GS' key programs and activities include the Transformational Communications MILSATCOM Mission Operations Segment (TMOS) program, the FAA En Route Automation Modernization (ERAM) program, the Joint Tactical Radio System (JTRS) program, the 2010 Decennial Response Integration System (DRIS) 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.

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

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technologies. Key Combat Aircraft programs include the F-35 Lightning II, F-22 Raptor, and F-16 Fighting Falcon fighter aircraft. The F-35 has completed the seventh year of development and has entered low rate initial production. Aeronautics has been producing F-22s since 1997, and delivered 23 to the U.S. Air Force in 2008, bringing the total deliveries to 133 through 2008. A total of 28 F-16s were delivered in 2008 worldwide, bringing the total deliveries to 4,417 through 2008. Key Air Mobility programs include the C-130J Super Hercules and the C-5 Super Galaxy. We delivered 12 C-130Js in 2008. A total of 257 C-130Js have been ordered with 171 delivered through 2008. In addition to aircraft production, Aeronautics provides logistics support, sustainment, and upgrade modification services for its aircraft. Sales at Aeronautics are expected to grow in 2009 primarily due to the projected increase in F-35 production activities and C-130J deliveries.

Our Space Systems business segment is engaged in the design, research and development, engineering, and production of satellites, strategic and defensive missile systems, and space transportation systems. Through ownership interests in two joint ventures, USA and ULA, 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. Because 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. The reconciling item "Unallocated Corporate income (expense), net" includes the FAS/CAS pension adjustment (see the discussion in "Discussion of Business Segments" under "Unallocated Corporate Income (Expense), Net"), 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.

This table shows net sales and operating profit of the business segments and reconciles to the consolidated total.

<i>(In millions)</i>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Net Sales</b>			
Electronic Systems	<b>\$ 11,620</b>	\$ 11,143	\$ 10,519
Information Systems & Global Services	<b>11,611</b>	10,213	8,990
Aeronautics	<b>11,473</b>	12,303	12,188
Space Systems	<b>8,027</b>	8,203	7,923
Total	<b>\$42,731</b>	\$41,862	\$39,620
<b>Operating Profit</b>			
Electronic Systems	<b>\$ 1,508</b>	\$ 1,410	\$ 1,264
Information Systems & Global Services	<b>1,076</b>	949	804
Aeronautics	<b>1,433</b>	1,476	1,221
Space Systems	<b>953</b>	856	742
Total business segments	<b>4,970</b>	4,691	4,031
Unallocated Corporate income (expense), net	<b>161</b>	(164)	(261)
Total	<b>\$ 5,131</b>	\$ 4,527	\$ 3,770

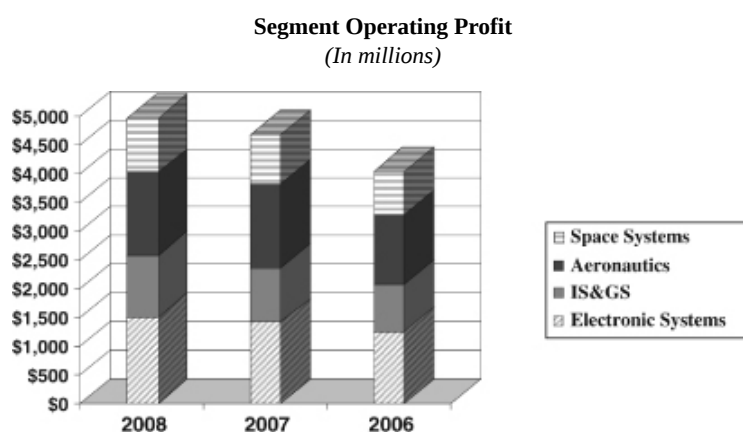
The following segment discussions also include information relating to negotiated backlog for each segment. Total negotiated backlog was approximately \$80.9 billion, \$76.7 billion, and \$75.9 billion at December 31, 2008, 2007, and 2006. These amounts included both funded backlog (unfilled firm orders for which funding has been both authorized and appropriated by the customer – Congress in the case of U.S. Government agencies) and unfunded backlog (firm orders for 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 \$51.1 billion at December 31, 2008.

The Aeronautics segment generally includes fewer programs that have much larger sales and operating results than programs included in the other segments. Due to the large number of comparatively smaller programs in the remaining segments, the discussion of the results of operations of those business segments generally focuses on lines of business within the segment rather than on specific programs. The following tables of financial information and related discussion of the results of operations of our business segments are consistent with the presentation of segment information in Note 4 to the

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financial statements. We have a number of programs that are classified by the U.S. Government and cannot be specifically described. The operating results of these classified programs are included in our consolidated and business segment results, and are subjected to the same oversight and internal controls as our other programs.

In our discussion 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 services 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. Performance generally refers to changes in contract profit booking rates. These changes on our contracts for products usually relate to profit recognition associated with revisions to total estimated costs at completion of the contracts that reflect improved (or deteriorated) operating or award fee performance on a particular contract. Changes in contract profit booking rates 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. Recognition of the inception-to-date adjustment in the current or prior periods may affect the comparison of segment operating results.



**Electronic Systems**

Electronic Systems' operating results included the following:

<i>(In millions)</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Net sales	<b>\$11,620</b>	\$11,143	\$10,519
Operating profit	<b>1,508</b>	1,410	1,264
Backlog at year-end	<b>22,500</b>	21,200	19,700

Net sales for Electronic Systems increased by 4% in 2008 compared to 2007. Sales increases in Missiles & Fire Control (M&FC) and Maritime Systems & Sensors (MS2) more than offset a decline in Platform, Training & Energy (PT&E). M&FC sales increased \$327 million mainly due to higher volume on fire control and tactical missile programs. MS2 sales grew \$201 million primarily due to higher volume on surface systems, undersea systems and radar systems activities. The \$51 million decline in PT&E mainly was due to lower volume on platform integration activities.

Net sales for Electronic Systems increased by 6% in 2007 compared to 2006. Sales increased in M&FC, MS2, and 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.

Operating profit for the segment increased by 7% in 2008 compared to 2007. In 2008, operating profit increases at M&FC and MS2 more than offset a decrease at PT&E. Operating profit increased \$82 million at M&FC mainly due to improved performance on air defense programs and higher volume on tactical missile and fire control programs. There was a \$80 million increase at MS2, which mainly was attributable to higher volume and improved performance on surface systems, undersea systems, and radar systems programs. PT&E's operating profit declined \$61 million primarily due to performance on platform integration activities.

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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.

The increase in backlog during 2008 over 2007 resulted primarily from increased orders for platform integration programs at PT&E and for certain tactical missile programs and fire control systems 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.

### Information Systems & Global Services

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

<i>(In millions)</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Net sales	<b>\$ 11,611</b>	\$10,213	\$ 8,990
Operating profit	<b>1,076</b>	949	804
Backlog at year-end	<b>13,300</b>	11,800	10,500

Net sales for IS&GS increased by 14% in 2008 compared to 2007. Sales increased in all three lines of business during the year. Global Services' sales increased \$568 million principally due to Pacific Architects and Engineers (PAE) programs, mission services and other international activities. Mission Solutions' sales increased by \$444 million primarily due to mission and combat support solutions activities, as well as by transportation and security solutions. There was a \$386 million increase in Information Systems, which mainly was due to higher volume on enterprise solutions and services activities.

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 Management Systems Designers, Inc. (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.

Operating profit for the segment increased by 13% in 2008 compared to 2007. Operating profit increased in all three lines of business during the year. Mission Solutions operating profit increased by \$46 million due to higher volume and improved performance on transportation and security solutions programs, as well as mission and combat support solutions activities. Global Services operating profit increased \$42 million primarily due to volume and improved performance on mission services programs and other international activities. In Information Systems, operating profit increased by \$24 million due to higher volume on information technology programs and a benefit from a contract restructuring during the first quarter of 2008, which more than offset declines in mission services activities.

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.

The increase in backlog during 2008 over 2007 was due to increased orders in Mission Solutions activities and Global Services programs. The increase in backlog during 2007 over 2006 was due to increased orders in Mission Support activities and Information Systems programs.

### Aeronautics

Aeronautics' operating results included the following:

<i>(In millions)</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Net sales	<b>\$ 11,473</b>	\$12,303	\$12,188
Operating profit	<b>1,433</b>	1,476	1,221
Backlog at year-end	<b>27,200</b>	26,300	26,900



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Net sales for Aeronautics decreased by 7% in 2008 compared to 2007. The decline in net sales was due to decreases in Combat Aircraft and Air Mobility, which more than offset increases in Other Aeronautics Programs. Combat Aircraft sales declined \$947 million due to lower volume on F-16, F-22 and F-35 programs. The \$74 million decrease in Air Mobility primarily was due to lower volume on other air mobility programs. There were 12 C-130J deliveries in both 2008 and 2007. The \$191 million increase in Other Aeronautics Programs mainly was due to higher volume in sustainment services activities.

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.

Operating profit for the segment decreased 3% in 2008 compared to 2007. Operating profit declines in Combat Aircraft partially were offset by increases in Other Aeronautics Programs and Air Mobility. In Combat Aircraft, operating profit declined \$86 million mainly due to lower volume on F-16 programs and lower volume and the decline in 2008 of the amount of favorable inception-to-date performance adjustments on the F-22 program. There was a \$34 million increase in Other Aeronautics Programs, which mainly was due to higher volume in sustainment services activities that partially was offset by a decrease in operating profit due to performance on a P-3 modification contract. In Air Mobility, operating profit increased \$13 million mainly due to higher volume and improved performance on C-130 support activities, which more than offset a decline on C-5 programs.

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.

Backlog increased in 2008 as compared to 2007 primarily due to increased orders on the C-130J and F-35 programs, which were partially offset by declines resulting from sales volume on the F-22 program. 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.

### Space Systems

Space Systems' operating results included the following:

<i>(In millions)</i>	2008	2007	2006
Net sales	\$ 8,027	\$ 8,203	\$ 7,923
Operating profit	953	856	742
Backlog at year-end	17,900	17,400	18,800

Net sales for Space Systems decreased 2% in 2008 compared to 2007. Sales declines in Satellites partially were offset by growth in Space Transportation. In Satellites, sales declined \$579 million due to lower volume in both commercial and government satellite activities. There were two commercial satellite deliveries during 2008, compared to four in 2007. Space Transportation sales increased \$427 million primarily due to higher volume on the Orion program.

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 ULA 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.

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Operating profit increased by 11% in 2008 compared to 2007. The increase in operating profit was due to Space Transportation, which partially was offset by a decline in Satellites. In Space Transportation, the \$135 million increase mainly was attributable to higher equity earnings on the ULA joint venture, volume on the Orion program, and the results from successful negotiations of a terminated commercial launch service contract in the first quarter of 2008. The improvement in ULA's earnings also reflects the absence in 2008 of a charge recognized in the third quarter of 2007 for asset impairment on the Delta II medium lift launch vehicles. In Satellites, operating profit declined by \$42 million during the year due to lower volume and performance on certain government satellite programs.

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.

The increase in backlog during 2008 as compared to 2007 was primarily due to increased orders on government satellite programs and on the Orion program. 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>	<i>2008</i>	<i>2007</i>	<i>2006</i>
FAS/CAS pension adjustment	\$ 128	\$ (58)	\$(275)
Items not considered in segment operating performance	193	71	230
Stock compensation expense	(155)	(149)	(111)
Other, net	(5)	(28)	(105)
	<b>\$ 161</b>	<b>\$ (164)</b>	<b>\$(261)</b>

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.

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>	<i>2008</i>	<i>2007</i>	<i>2006</i>
FAS 87 expense	\$(462)	\$(687)	\$(938)
Less: CAS expense and funding	(590)	(629)	(663)
FAS/CAS pension adjustment – income (expense)	<b>\$ 128</b>	<b>\$ (58)</b>	<b>\$(275)</b>

The FAS 87 expense decreased in 2008 compared to 2007, and in 2007 compared to 2006. The decrease in both periods was due to an increase in the discount rate and other factors such as the effects of the actual return on plan assets at the respective plan measurement dates through December 31, 2007 (see the related discussion in Critical Accounting Policies under the caption "Postretirement Benefit Plans").

Certain items are excluded from segment results as part of senior management's evaluation of segment operating performance consistent with the management approach permitted by 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

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performance of business segments. Therefore, for purposes of segment reporting, the following items were included in unallocated Corporate income (expense), net for 2008, 2007 and 2006:

<i>(In millions, except per share data)</i>	<i>Operating Profit</i>	<i>Net Earnings</i>	<i>Earnings Per Share</i>
<b>Year ended December 31, 2008</b>			
Recognition of deferred gain on LKEI and ILS	\$ 108	\$ 70	\$ 0.17
Elimination of reserves associated with various land sales	85	56	0.14
	\$ 193	\$ 126	\$ 0.31
<b>Year ended December 31, 2007</b>			
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
<b>Year ended December 31, 2006</b>			
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

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

### **Liquidity and Cash Flows**

Current economic and market conditions have placed material constraints on the ability of many companies to access capital in the debt and equity markets. Over the past few years, we have generated strong cash flows, and generally have funded our operations, debt service and repayments, capital expenditures, share repurchases, dividends, acquisitions, retirement plan funding, and discretionary funding needs from our cash from operations. We have accessed the capital markets on limited occasions, as needed including the issuance of \$500 million of debt securities in 2008. We also access the credit markets, as needed, to obtain letters of credit to support customer advance payments and for other trade finance purposes (*e.g.*, guaranteeing our performance on particular contracts).

At this time, our access to liquidity and capital resources generally has not been materially affected by the current credit environment. Our cash from operations continues to be sufficient to support our operations and anticipated capital expenditure needs. If market conditions continue to deteriorate, the cost or availability of future borrowings, if any, in the debt markets, the fees we pay under our credit facilities, or the cost or availability of providing letters of credit or other trade instruments to support our operating activities may be materially and adversely affected.

We have financing resources available (see discussion under Capital Structure and Resources) to fund potential cash outflows that are less predictable or more discretionary. Although credit from financial institutions is constrained, there are attractive interest rates available for credit worthy corporate issuers via the public debt markets. We believe that we have access to the credit markets, if needed for liquidity or general corporate purposes.

We have encountered some instances in which financial institutions participating in our standby credit facilities have less credit capacity or are seeking to reduce their credit exposures generally. This may result in the need to identify additional financial institutions to participate in existing credit facilities. In addition, it may be more difficult to structure financing for future long-term project finance and joint venture activities, especially in international markets.

Current market conditions raise increased concerns about counterparty risk. We are exposed to counterparty credit risk, as we engage in derivative transactions with financial institutions to hedge foreign currency exposures. In terms of supply chain management, our suppliers and subcontractors also may find it more difficult to access credit to support their operations. To date, we have not been materially adversely affected by counterparty credit defaults or subcontractor and supplier credit support difficulties.

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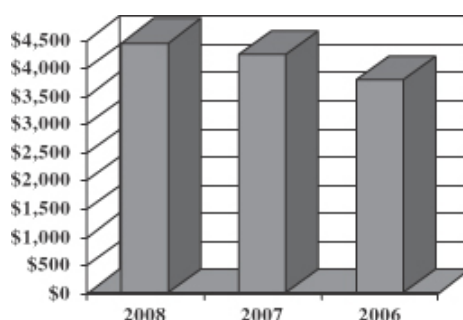
In 2008, we repaid \$1.1 billion in long-term debt, including the redemption of \$1 billion in principal amount of our convertible debentures. Over the past decade, we have reduced our long-term debt by over \$7.9 billion, from \$11.5 billion at year end 1999 to \$3.6 billion at year end 2008. Our currently scheduled debt maturities through 2012 total a relatively modest \$245 million.

Cash received from customers, either from the payment of invoices for work performed or for advances in excess of costs incurred, is our primary source of cash. We generally do not begin work on contracts until funding is appropriated by the customer. Billing timetables and payment terms on our contracts vary based on a number of factors, including the contract type. For example, contracts may be cost reimbursable, time and materials, or fixed price. We generally bill and collect cash more frequently under cost reimbursable and time and materials contracts, which together represent approximately 65% of the revenues we recorded in 2008, as we are authorized to bill as the costs are incurred or work is performed. In contrast to cost reimbursable contracts, for fixed price contracts, we generally do not bill until milestones, including deliveries, are achieved. A number of our contracts may provide for performance-based payments which allow us to bill and collect cash prior to completing the work. Fixed price contracts represented approximately 35% of the revenues we recorded in 2008.

The majority of our capital expenditures for 2008 and those planned for 2009 can be divided into the categories of facilities infrastructure, equipment, and information technology (IT). Expenditures for facilities infrastructure and equipment are generally incurred to support new and existing programs across all of our business segments. For example, we have projects underway in our Aeronautics business segment for facilities and equipment to support low rate production of the F-35 combat aircraft. In addition, we have several projects underway to modernize certain of our Space Systems facilities that are as much as 50 years old. We also incur capital expenditures for IT to support programs and general enterprise IT infrastructure.

We have a balanced cash deployment and disciplined growth strategy to enhance shareholder value and position ourselves to take advantage of new business opportunities when they arise. Consistent with that strategy, we have invested in our business (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 \$183 million to \$4.4 billion in 2008 as compared to 2007. The increase was primarily attributable to an increase in net earnings of \$184 million, lower postretirement benefit plan contributions of \$429 million, and a \$100 million dividend received from ULA. This increase was offset partially by a \$291 million decrease in cash provided by working capital and higher net tax payments of \$103 million compared to 2007. The decline in operating working capital was primarily due to an increase in inventories on Combat Aircraft programs at Aeronautics and a decrease in customer advances and amounts in excess of costs incurred on various programs in the Missiles & Fire Control line of business at Electronic Systems. 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 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. The decline in

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operating working capital was primarily due to an increase in receivables on various programs in the Maritime Systems & Sensors line of business at Electronic Systems.

### **Investing Activities**

*Capital expenditures* – Capital expenditures for property, plant and equipment amounted to \$926 million in 2008, \$940 million in 2007, and \$893 million in 2006. We expect our capital expenditures over the next three years to exceed 2008 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 \$233 million in 2008 for acquisition activities, including the acquisitions of businesses and investments in affiliates, compared with \$337 million in 2007 and \$1,122 million in 2006.

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.

### **Financing Activities**

*Share issuances, repurchases and dividends* – Cash received from the issuance of our common stock in connection with stock option exercises during the years ended December 31, 2008, 2007, and 2006 totaled \$250 million, \$350 million, and \$627 million. Those activities resulted in the issuance of 4.7 million shares, 7.1 million shares, and 13.6 million shares during the respective periods.

During 2008, 2007 and 2006, we used cash of \$2,931 million, \$2,127 million, and \$2,115 million for common share repurchase activity (see Note 11). Our share repurchase program authorizes the repurchase of up to 158 million shares of our common stock from time-to-time at management’s discretion, including 30 million of additional shares our Board authorized for repurchase in 2008. As of December 31, 2008, we had repurchased a total of 124.3 million shares under the program, and there remained approximately 33.7 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 \$737 million in 2008, \$615 million in 2007, and \$538 million in 2006. We have increased our quarterly dividend rate in each of the last three years. We declared quarterly dividends: in 2008 of \$0.42 per share during each of the first three quarters and \$0.57 per share for the last quarter; in 2007 of \$0.35 per share during each of the first three quarters and \$0.42 per share for the last quarter; and in 2006 of \$0.30 per share during each of the first three quarters and \$0.35 per share for the last quarter.

*Issuance and repayment of long-term debt* – In 2008 we issued \$500 million of long-term notes due in 2013. The notes have a fixed coupon interest rate of 4.12%. Cash provided from operations has been our principal source of funds to reduce our long-term debt. In 2008, we paid a total of \$1.0 billion representing the principal amount of our floating rate convertible debentures that were delivered for conversion or otherwise redeemed, and issued 5.0 million shares of our common stock to satisfy conversion obligations of \$571 million in excess of the principal amount (see Note 9). We also paid another \$103 million during 2008 related to other repayments of long-term debt based on scheduled maturities, compared to \$32 million in debt repayments in 2007. During 2006, we paid \$353 million to complete an exchange of debt and \$210 million related to scheduled debt repayments.

### **Capital Structure and Resources**

At December 31, 2008, we held cash and cash equivalents of approximately \$2.2 billion and short-term investments of \$61 million. Our long-term debt, net of unamortized discounts, amounted to \$3.6 billion. As of the end of 2008, our long-term debt bears interest at fixed rates and mainly is in the form of publicly-issued notes and debentures.

In 2008, we issued \$500 million of 4.12% notes due in 2013. In August 2008, all of our \$1.0 billion of floating rate convertible debentures were delivered for conversion or otherwise redeemed consistent with our announcement of their planned redemption, and we issued 5.0 million shares of our common stock to satisfy conversion obligations of \$571 million in excess of the principal amount (see Note 9).

In August 2006, we issued \$1.1 billion of 6.15% notes due 2036 (the Notes). The Notes were issued in exchange for certain other of our then outstanding debt securities, and cash consideration of \$343 million. The cash consideration of \$343 million is included in the Statement of Cash Flows in financing activities, and the Notes are included on our Balance Sheet

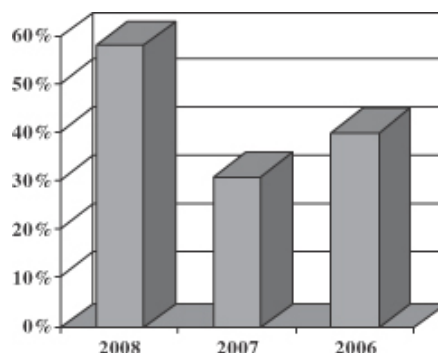
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net of the unamortized discount under the caption “Long-term Debt, Net.” The expenses associated with the exchange, net of state income tax benefits, totaled \$16 million and were recorded in other non-operating income (expense), net. They reduced net earnings in 2006 by \$11 million (\$0.03 per share).

Our stockholders’ equity amounted to \$2.9 billion at December 31, 2008, a decrease of \$6.9 billion from December 31, 2007. The decrease primarily was due to the annual remeasurement of the funded status of our postretirement benefit plans at December 31 under FAS 158 (see Note 10), which increased the accumulated other comprehensive loss by \$7.25 billion, the repurchase of 29 million common shares for \$2.9 billion, and payment of \$737 million of dividends during the year. These decreases partially were offset by net earnings of \$3.2 billion and employee stock activity of \$746 million. As we repurchase our common shares, we reduce common stock for the \$1 of par value of the shares repurchased, with the remainder of the purchase price over par value recorded as a reduction of additional paid-in capital. Due to the volume of repurchases made under our share repurchase program, additional paid-in capital was reduced to zero, with the remainder of the excess of purchase price over par value of \$2.1 billion recorded as a reduction of retained earnings.

Through our debt repayment activities, our long-term debt balance has declined \$2.4 billion over the last five years from \$6.2 billion at December 31, 2003. Our debt-to-total capital ratio was 57% at December 31, 2008, up from 31% at December 31, 2007. The increase from 2007 to 2008 primarily was attributable to the decrease in stockholders’ equity associated with postretirement benefit plans discussed above.

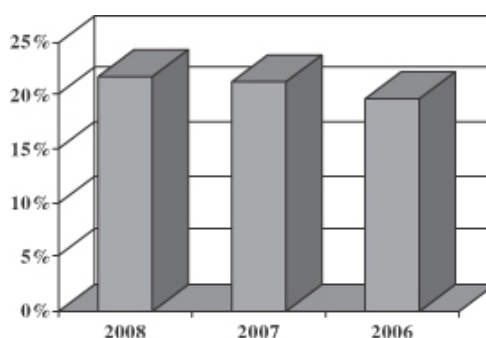
**Debt-to-Total Capital Ratio**



Return on invested capital (ROIC) improved by 30 basis points during 2008 to 21.7%. We define ROIC as net earnings plus after-tax interest expense divided by average invested capital (stockholders’ equity plus debt), after adjusting stockholders’ equity by adding back amounts related to postretirement benefit plans. We believe that reporting ROIC provides investors with greater visibility into how effectively we use the capital invested in our operations. We use ROIC as one of the inputs in our evaluation of multi-year investment decisions and as a long-term performance measure. We also use ROIC as a factor in evaluating management performance under certain of our incentive compensation plans.

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 31 of this Form 10-K for additional information concerning how we calculate ROIC.

**Return on Invested Capital Ratio**



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At December 31, 2008, we had in place a \$1.5 billion revolving credit facility with a group of banks which expires in June 2012. There were no borrowings outstanding under the facility at December 31, 2008. Borrowings under the credit facility would be unsecured and bear interest at rates based, at our option, on the Eurodollar rate or a bank defined Base Rate. Each bank's obligation to make loans under the credit facility is subject to, among other things, our compliance with various representations, warranties and covenants, including covenants limiting our ability and the ability of certain of our subsidiaries to encumber our assets, and a covenant not to exceed a maximum leverage ratio. The leverage ratio covenant excludes the adjustments recognized in stockholders' equity related to our postretirement benefit plans.

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, 2008. 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 Form S-3 on file with the Securities and Exchange Commission to provide for the issuance of an indeterminate amount of 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. We review changes in financial, market and economic conditions to manage the types, amounts and maturities of our indebtedness. We may at times refinance existing indebtedness, vary our mix of variable-rate and fixed-rate debt, or seek alternative financing sources for our cash and operational needs.

### **Contractual Commitments and Off-Balance Sheet Arrangements**

At December 31, 2008, 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 <sup>(a)</sup>	\$ 4,145	\$ 242	\$ 2	\$ 652	\$ 3,249
Interest payments	4,729	286	533	516	3,394
Other liabilities	2,039	234	649	213	943
Operating lease obligations	1,096	262	407	262	165
Purchase obligations:					
Operating activities	21,424	12,843	7,321	1,181	79
Capital expenditures	239	206	33	—	—
Total contractual cash obligations	\$33,672	\$ 14,073	\$8,945	\$2,824	\$ 7,830

<sup>(a)</sup> The total amount of long-term debt excludes the unamortized discount of \$340 million (see Note 9).

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. Interest payments include interest related to the outstanding debt through maturity.

Amounts related to other liabilities represent the contractual obligations for certain long-term liabilities recorded as of December 31, 2008. Such amounts mainly include expected payments under deferred compensation plans, non-qualified pension plans, environmental liabilities and business acquisition agreements. Obligations related to environmental liabilities represent our estimate of obligations for sites at which we are performing remediation activities, excluding amounts reimbursed by the U.S. Government in its capacity as a potentially responsible party. The amounts also include liabilities related to 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 \$20 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 related to customer contracts.

We also may enter into industrial cooperation agreements, sometimes referred to as offset agreements, as a condition to obtaining orders for our products and services from certain customers in foreign countries. These agreements are designed to enhance the social and economic environment of the foreign country by requiring the contractor to promote investment in the country. Offset agreements may be satisfied through activities that do not require us to use cash, including transferring technology, providing manufacturing and other consulting support to in-country projects, and the purchase by third parties (*e.g.*, our vendors) of supplies from in-country vendors. These agreements 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 historically 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, 2008, we had outstanding offset agreements totaling \$8.3 billion, primarily related to our Aeronautics segment, some of which extend through 2025. To the extent we have entered into purchase obligations at December 31, 2008 that also satisfy offset agreements, those amounts are included in the preceding table.

In connection with the formation of ULA, we and The Boeing Company (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, under which no amounts have been drawn.

At December 31, 2008, we and Boeing had made \$3 million in payments under our capital contribution commitments, and we expect to contribute the remaining commitment of \$22 million each to ULA in the first half of 2009. Prior to those contributions, we expect to receive a dividend from ULA in a like amount. 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, 2008, and that it will not be necessary to make payments under the cross-indemnities.

In 2008, we and Boeing received from ULA a dividend of \$100 million each. Prior to distribution of the dividend, we, Boeing and ULA entered into an agreement whereby, if ULA does not have sufficient cash resources and/or credit capacity to make payments under the inventory supply agreement it has with Boeing, both we and Boeing would provide to ULA, in the form of an additional capital contribution, amounts required for ULA to make such payments. Such capital contributions would not exceed the aggregate amount of dividends we received in 2008 and any others we may receive through June 1, 2009. We currently believe that ULA will have sufficient operating cash flows and credit capacity to meet its obligations such that we would not be required to make a contribution under this agreement.



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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, 2008, 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 <sup>(a)</sup></i>	<i>1-3 Years <sup>(a)</sup></i>	<i>3-5 Years <sup>(a)</sup></i>	<i>After 5 Years <sup>(a)</sup></i>
Standby letters of credit	\$ 2,680	\$ 2,245	\$ 350	\$ 64	\$ 21
Surety bonds	417	395	22	—	—
Guarantees	25	13	9	3	—
Total commitments	\$ 3,122	\$ 2,653	\$ 381	\$ 67	\$ 21

<sup>(a)</sup> Approximately \$2,157 million, \$141 million, \$23 million, and \$5 million of standby letters of credit in the “Less Than 1 Year,” “1-3 Years,” “3-5 Years,” and “After 5 Years” periods, and approximately \$42 million and \$3 million of surety bonds in the “Less Than 1 Year” and “1-3 Years” periods, are expected to renew for additional periods until completion of the contractual obligation.

Included in the table above is approximately \$145 million representing letter of credit amounts for which related obligations or liabilities are also recorded on the Balance Sheet, either as reductions of inventories, as customer advances and amounts in excess of costs incurred, or as other liabilities. Approximately \$1.8 billion of the standby letters of credit 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 LKEI and ILS (see Note 14), we were responsible for refunding customer advances to certain customers if launch services were not provided and ILS did not refund the advances. Our responsibility to refund the advances expired upon the successful completion of the final launch, which occurred in November 2008.

### **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 and investments in affiliates during the past several years. 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 \$233 million in 2008 for acquisition activities, including the acquisitions of businesses and investments in affiliates. Those activities included the acquisition of, among others, Eagle Group International, LLC, which provides logistics, information technology, training and healthcare services to the U.S. Department of Defense. We used approximately \$337 million in 2007 for acquisition activities, including an additional contribution of \$177 million related to our investment in ULA discussed below. Those activities also included 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. We used approximately \$1.1 billion in 2006 for acquisition activities including the acquisition of, among others, Pacific Architects and Engineers, Inc., a provider of services to support military readiness, peacekeeping missions, nation-building activities, and disaster relief services. In each year, the amounts used for acquisitions included certain payments related to businesses acquired in prior years.

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 2008, 2007 or 2006.

## Divestitures

There were no divestiture activities in 2008. During 2007 and 2006, 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 Khrunichev 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 14);
- 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).

On December 1, 2006, we completed the formation of ULA with Boeing (see Note 14). As part of ULA's formation, we contributed certain assets and liabilities related to our Atlas launch vehicle business. Our contribution, after completing working capital and conforming accounting adjustments and making an additional contribution of \$177 million in 2007, totaled \$367 million. We accounted for the transfer at net book value, with no gain or loss recognized. 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 as equity in net earnings (losses) of equity investees in other income (expense), net. Our investment in ULA totaled \$428 million and \$402 million at December 31, 2008 and 2007.

## Quantitative and Qualitative Disclosure of Market Risk

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

Our main exposure to market risk relates to interest rates, foreign currency exchange rates and market prices on certain equity securities. Our financial instruments that are subject to interest rate risk principally include fixed-rate long-term debt. Our long-term debt portfolio bears interest at fixed rates. The estimated fair value of our long-term debt instruments was approximately \$4.8 billion, compared with a carrying value of \$4.1 billion.

We use foreign currency 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 foreign currency exchange contracts hedge the fluctuations in cash flows associated with firm commitments or specific anticipated transactions contracted in foreign currencies. Related gains and losses on these contracts, to the extent they are effective hedges, are recognized in income at the same time the hedged transaction is recognized. To the extent the hedges are ineffective, gains and losses on the contracts are recognized in the current period. At December 31, 2008, the net fair value of foreign currency exchange contracts outstanding was an asset of \$52 million (see Note 15).

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

We maintain a Rabbi Trust which includes investments to fund certain of our non-qualified deferred compensation plans. As of December 31, 2008, investments in the Rabbi Trust totaled \$500 million and are reflected at fair value on our Balance Sheet in other assets. The Rabbi Trust holds investments in marketable equity securities that are exposed to price

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changes and investments in fixed income securities that are exposed to changes in interest rates. Changes in the value of the Rabbi Trust are recognized in our earnings, in the caption “Other Non-operating Income (Expense), Net.” During 2008, we recorded net unrealized losses totaling \$158 million related to the decrease in the value of the Rabbi Trust assets. A portion of the liabilities associated with the deferred compensation plans supported by the Rabbi Trust is also impacted by changes in the market price of our common stock and certain market indices. Changes in the value of the deferred compensation liabilities are recognized in the caption “Unallocated Corporate Costs.” The current portion of the deferred compensation plan liabilities is on our Balance Sheet in salaries, benefits, and payroll taxes, and the non-current portion of the liability is on our Balance Sheet in other liabilities. The resulting change in the value of the liabilities generally has the effect of partially offsetting the impact of changes in the value of the Rabbi Trust. During 2008, we recorded earnings of \$32 million related to the decrease in the value of the deferred compensation liabilities.

### **Recent Accounting Pronouncements**

There are a number of new accounting pronouncements and interpretations that will impact our financial statements and disclosures (see Note 1 under the caption “Recent Accounting Pronouncements”). We do not expect that any of those pronouncements or interpretations upon adoption will have a material impact on our results of operations, financial position or cash flows.

### **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.

We performed an evaluation of the effectiveness of our disclosure controls and procedures, including internal control over financial reporting, as of December 31, 2008. 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 this evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2008.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. During 2008, our management 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, 2008. Management’s report on our financial statements and internal control over financial reporting appears on page 60. 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 61.

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 58, under the caption “Derivative financial instruments” in Note 1 on page 70, and Note 9 on page 81 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, 2008. Ernst & Young LLP also assessed the effectiveness of the Corporation's internal control over financial reporting for the year ended December 31, 2008, 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 six 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, 2008, 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, 2008, 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, 2008 and 2007, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 of Lockheed Martin Corporation and our report dated February 24, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Baltimore, Maryland  
February 24, 2009

**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, 2008 and 2007, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. 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, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, 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)*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Lockheed Martin Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Baltimore, Maryland  
February 24, 2009

**Lockheed Martin Corporation**  
**Consolidated Statement of Earnings**

<i>(In millions, except per share data)</i>	<i>Year ended December 31,</i>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Net Sales</b>			
Products	<b>\$34,809</b>	\$35,267	\$33,863
Services	<b>7,922</b>	6,595	5,757
	<b>42,731</b>	41,862	39,620
<b>Cost of Sales</b>			
Products	<b>30,874</b>	31,479	30,572
Services	<b>7,147</b>	5,874	5,118
Unallocated Corporate Costs	<b>61</b>	275	496
	<b>38,082</b>	37,628	36,186
	<b>4,649</b>	4,234	3,434
Other Income (Expense), Net	<b>482</b>	293	336
<b>Operating Profit</b>	<b>5,131</b>	4,527	3,770
Interest Expense	<b>341</b>	352	361
Other Non-operating Income (Expense), Net	<b>(88)</b>	193	183
Earnings Before Income Taxes	<b>4,702</b>	4,368	3,592
Income Tax Expense	<b>1,485</b>	1,335	1,063
<b>Net Earnings</b>	<b>\$ 3,217</b>	\$ 3,033	\$ 2,529
<b>Earnings Per Common Share</b>			
Basic	<b>\$ 8.05</b>	\$ 7.29	\$ 5.91
Diluted	<b>\$ 7.86</b>	\$ 7.10	\$ 5.80

See accompanying Notes to Consolidated Financial Statements.

**Lockheed Martin Corporation**  
**Consolidated Balance Sheet**

<i>(In millions, except per share data)</i>	<i>December 31,</i>	
	<i>2008</i>	<i>2007</i>
<b>Assets</b>		
Current Assets		
Cash and Cash Equivalents	\$ 2,168	\$ 2,648
Short-term Investments	61	333
Receivables	5,296	4,925
Inventories	1,902	1,718
Deferred Income Taxes	755	756
Other Current Assets	501	560
Total Current Assets	10,683	10,940
Property, Plant and Equipment, Net	4,488	4,320
Goodwill	9,526	9,387
Purchased Intangibles, Net	355	463
Prepaid Pension Asset	122	313
Deferred Income Taxes	4,651	760
Other Assets	3,614	2,743
	\$33,439	\$28,926
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Accounts Payable	\$ 2,030	\$ 2,163
Customer Advances and Amounts in Excess of Costs Incurred	4,535	4,212
Salaries, Benefits and Payroll Taxes	1,684	1,544
Current Maturities of Long-term Debt	242	104
Other Current Liabilities	2,051	2,014
Total Current Liabilities	10,542	10,037
Long-term Debt, Net	3,563	4,303
Accrued Pension Liabilities	12,004	1,192
Other Postretirement Benefit Liabilities	1,386	928
Other Liabilities	3,079	2,661
Total Liabilities	30,574	19,121
Stockholders' Equity		
Common Stock, \$1 Par Value Per Share	393	409
Additional Paid-in Capital	—	—
Retained Earnings	11,621	11,247
Accumulated Other Comprehensive Income (Loss)	(9,149)	(1,851)
Total Stockholders' Equity	2,865	9,805
	\$33,439	\$28,926

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>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Operating Activities</b>			
Net earnings	\$ 3,217	\$ 3,033	\$ 2,529
Adjustments to reconcile net earnings to Net Cash Provided by Operating Activities			
Depreciation and amortization of plant and equipment	727	666	600
Amortization of purchased intangibles	118	153	164
Stock-based compensation	155	149	111
Excess tax benefits on stock-based compensation	(92)	(124)	(129)
Deferred income taxes	72	110	75
Changes in operating assets and liabilities:			
Receivables	(333)	(324)	94
Inventories	(183)	(57)	(530)
Accounts payable	(141)	(66)	217
Customer advances and amounts in excess of costs incurred	313	394	475
Other	568	304	159
Net Cash Provided by Operating Activities	<b>4,421</b>	<b>4,238</b>	<b>3,765</b>
<b>Investing Activities</b>			
Expenditures for property, plant and equipment	(926)	(940)	(893)
Acquisitions of businesses / investments in affiliates	(233)	(337)	(1,122)
Divestitures of businesses / investments in affiliates	—	26	180
Net proceeds from short-term investment transactions	272	48	48
Other	(20)	(2)	132
Net Cash Used for Investing Activities	<b>(907)</b>	<b>(1,205)</b>	<b>(1,655)</b>
<b>Financing Activities</b>			
Issuances of common stock	250	350	627
Excess tax benefits on stock-based compensation	92	124	129
Repurchases of common stock	(2,931)	(2,127)	(2,115)
Common stock dividends	(737)	(615)	(538)
Issuance of long-term debt and related costs	491	—	—
Repayments of long-term debt	(1,103)	(32)	(210)
Premium and transaction costs for debt exchange	—	—	(353)
Net Cash Used for Financing Activities	<b>(3,938)</b>	<b>(2,300)</b>	<b>(2,460)</b>
Effect of exchange rate changes on cash and cash equivalents	(56)	3	18
Net (decrease) increase in cash and cash equivalents	<b>(480)</b>	<b>736</b>	<b>(332)</b>
Cash and cash equivalents at beginning of year	<b>2,648</b>	<b>1,912</b>	<b>2,244</b>
<b>Cash and Cash Equivalents at end of year</b>	<b>\$ 2,168</b>	<b>\$ 2,648</b>	<b>\$ 1,912</b>

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 Income (Loss)	Other	Total Stockholders' Equity	Compre- hensive Income (Loss)
Balance at December 31, 2005	\$ 432	\$ 1,724	\$ 7,278	\$ (1,553)	\$ (14)	\$ 7,867	
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, net of tax of \$712 million	—	—	—	1,186	—	1,186	1,186
Reclassification adjustment related to available-for-sale investments, net of tax benefit of \$54 million	—	—	—	(92)	—	(92)	(92)
Other, net of tax benefit of \$18 million	—	—	—	(33)	—	(33)	(33)
Adjustment for adoption of FAS 158, net of tax benefit of \$1,696 million	—	—	—	(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 (loss):							
Postretirement benefit plans:							
Unrecognized amounts in 2007, net of tax of \$840 million	—	—	—	1,527	—	1,527	1,527
Reclassification adjustment for recognition of prior period amounts, net of tax of \$98 million	—	—	—	179	—	179	179
Other, net of tax of \$7 million	—	—	—	4	—	4	4
Balance at December 31, 2007	409	—	11,247	(1,851)	—	9,805	\$ 4,743
Net earnings	—	—	3,217	—	—	3,217	\$ 3,217
Common stock dividends declared (\$1.83 per share)	—	—	(737)	—	—	(737)	—
Repurchases of common stock	(29)	(796)	(2,106)	—	—	(2,931)	—
Stock-based awards and ESOP activity	8	738	—	—	—	746	—
Conversion of debentures	—	—	—	—	—	—	—
Other comprehensive income (loss):	5	58	—	—	—	63	—
Postretirement benefit plans:							
Unrecognized amounts in 2008, net of tax benefit of \$4,011 million	—	—	—	(7,299)	—	(7,299)	(7,299)
Reclassification adjustment for recognition of prior period amounts, net of tax of \$25 million	—	—	—	46	—	46	46
Foreign exchange translation adjustment	—	—	—	(74)	—	(74)	(74)
Other, net of tax of \$16 million	—	—	—	29	—	29	29
Balance at December 31, 2008	\$ 393	\$ —	\$ 11,621	\$ (9,149)	\$ —	\$ 2,865	\$ (4,081)

See accompanying Notes to Consolidated Financial Statements.

**Lockheed Martin Corporation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2008**

**Note 1 – Significant Accounting Policies**

**Organization** – Lockheed Martin Corporation is a global security company engaged in the research, design, development, manufacture, integration, operation and sustainment of advanced technology systems and products, and in providing 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 subsidiaries we control and other entities where we are the primary beneficiary. We eliminate intercompany balances and transactions in consolidation. Our receivables, inventories, customer advances and certain amounts in other current liabilities 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 and Current Liabilities.

We have reclassified certain amounts for prior years to conform with the 2008 presentation. We reclassified \$3 million and \$18 million in 2007 and 2006 related to the effect of exchange rate changes on cash held in foreign currencies on our Statement of Cash Flows from operating activities to effect of exchange rate changes on cash and cash equivalents. We have reclassified \$166 million in 2007 related to certain contract-related amounts from other liabilities to other current liabilities. We have reclassified \$42 million in 2007 related to certain contract-related amounts from customer advances and amounts in excess of costs incurred to other current liabilities.

**Use of estimates** – We prepare our consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP). In doing so, we are required to make estimates and assumptions, 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 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 (expense), 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 determined based on quoted prices in active markets for identical securities, or on quoted prices for similar instruments or quoted prices for identical or similar instruments in inactive markets.

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>2008</i>		<i>2007</i>	
	<i>Amortized Cost</i>	<i>Fair Value</i>	<i>Amortized Cost</i>	<i>Fair Value</i>
Corporate debt securities	\$ 62	\$ 58	\$ 91	\$ 90
U.S. Treasury and other securities	6	3	13	13
Government-sponsored enterprise securities	—	—	116	116
Commercial paper	—	—	115	114
	<b>\$ 68</b>	<b>\$ 61</b>	<b>\$ 335</b>	<b>\$ 333</b>

Approximately 33% of the securities in our portfolio had contractual maturities of one year or less at December 31, 2008. An additional 62% of the securities had contractual maturities of one to five years, with the remainder greater than five

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years. Proceeds from sales of marketable securities totaled \$28 million in 2008, \$53 million in 2007, and \$167 million in 2006. Gross gains and losses related to sales of marketable securities in 2008, 2007 and 2006, as well as net unrealized gains and losses at each year end, were not material.

**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, net** – 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 or if impairment indicators are present. Our evaluation includes comparing the fair value of a reporting unit, using a discounted cash flow methodology, to its carrying value including goodwill recorded by the reporting unit. 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 include purchased intangibles on our Balance Sheet net of accumulated amortization of \$2,098 million and \$2,105 million at December 31, 2008 and 2007. Less than 10% of the unamortized balance of purchased intangibles at December 31, 2008 is composed of intangibles with indefinite lives. Amortization expense related to these intangible assets was \$118 million, \$153 million, and \$164 million for the years ended December 31, 2008, 2007 and 2006, and we estimate amortization expense will be \$99 million in 2009, \$94 million in 2010, \$83 million in 2011, \$28 million in 2012 and \$22 million in 2013.

**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 the recorded liabilities, as the amount and timing of future cash payments are not fixed or cannot be reliably determined. We expect to include a substantial portion of environmental costs in net sales and cost of sales 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

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recorded sales. We record sales under certain long-term, fixed-price design, 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 design, development and production cost-reimbursement-type contracts as costs are incurred in the proportion that the 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. When estimates of total costs to be incurred on a contract exceed total estimates of revenue to be earned, a provision for the entire loss on the contract is recorded in the period the loss is determined. 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 and production activities either as services are performed or when a contractually required event has occurred, depending on the contract. The majority of our service contracts is in our Information Systems & Global Services 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. Award and incentive fees related to our performance on services contracts are recognized when they are fixed and determinable, generally at the date the amount is communicated to us by the customer.

**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 2008, 2007 and 2006, including costs related to bid and proposal efforts, totaled \$1,220 million in 2008, \$1,206 million in 2007 and \$1,051 million in 2006. Of those amounts, \$501 million, \$528 million and \$427 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, 2008 and 2007 for deferred costs related to various consolidation and restructuring activities 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 investees 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

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losses arising from issuances of stock by wholly-owned or majority-owned subsidiaries, or by equity method investees, in the current period in other non-operating 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 net of income taxes in accumulated other comprehensive income (loss) in the Statement of Stockholders' Equity. Investments classified as trading under FAS 115 are accounted for at fair value, with unrealized gains and losses recorded in other non-operating income (expense), net in the Statement of Earnings. 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 use derivative financial instruments to manage our exposure to fluctuations in interest rates and foreign currency 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 other current liabilities on the 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. Adjustments to reflect changes in fair values of derivatives that are not considered highly effective hedges are included 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 to 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.

Our foreign 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. The amounts of gains and losses recorded during the year related to our foreign currency exchange contracts were not material. At December 31, 2008, the net fair value of our outstanding foreign currency exchange contracts was an asset of \$52 million (see Note 15).

**Stock-based compensation** – Effective January 1, 2006, we adopted FAS 123(R), *Share-Based Payment*, and the related SEC rules included in Staff Accounting Bulletin (SAB) 107, *Share-Based Payment*, on a modified prospective basis (see Note 12). 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).

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

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

Accumulated other comprehensive income (loss) consisted of the following:

<i>(In millions)</i>	2008	2007
Postretirement benefit plan adjustments	<b>\$(9,059)</b>	\$(1,806)
Foreign exchange translation adjustments	<b>(108)</b>	(34)
Other, net	<b>18</b>	(11)
	<b>\$(9,149)</b>	\$(1,851)

**Recent accounting pronouncements** – In December 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*. The FSP increases disclosures for public companies about securitizations, asset-backed financings and variable interest entities. The provisions of this FSP are effective immediately

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and adoption did not have a material impact on our results of operations, financial position, cash flows, or financial statement disclosures.

In October 2008, the FASB issued FSP 157-3, *Determining the Fair Value of a Financial Asset in a Market that is Not Active*. FSP 157-3 clarifies the application of FAS 157 in an inactive market. The provisions of FSP 157-3 are effective immediately and adoption did not have a material impact on our results of operations, financial position or cash flows.

We adopted FAS 157, *Fair Value Measurements*, effective January 1, 2008, as it relates to financial assets and liabilities (see Note 15). FAS 157 defines fair value, establishes a market-based framework or hierarchy for measuring fair value and expands disclosures about fair value measurements. FAS 157 is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value, but does not require any new fair value measurements. The partial adoption of FAS 157 did not have a material impact on our results of operations, financial position or cash flows. The FAS 157 requirements for certain non-financial assets and liabilities have been deferred until the first quarter of 2009 in accordance with FASB FSP 157-2, *Effective Date of FASB Statement No. 157*. We do not expect the adoption of FAS 157 as it relates to certain non-financial assets and liabilities will have a material impact on our results of operations, financial position or cash flows.

We adopted 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, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)*, 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 10). The effect of adopting the statement on our financial condition at December 31, 2006 has been reflected in these financial statements. 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 June 2008, the FASB issued FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, which will be effective beginning with our first quarter 2009 financial reporting. The FSP provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and should be included in the computation of earnings per share pursuant to the two-class method. Upon adoption, retrospective adjustment to earnings per share data (including any amounts related to interim periods, summaries of earnings, and selected financial data) is required to conform to the provisions of the FSP. We do not expect the adoption of the FSP will have a material impact on our results or operations, financial position or cash flows.

In May 2008, the FASB issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*, which will be effective beginning with our first quarter 2009 financial reporting. The FSP requires retrospective application to all periods presented and does not grandfather existing debt instruments. The FSP changes the accounting for our previously outstanding \$1.0 billion in original principal amount of floating rate convertible debentures in that it requires that we bifurcate the proceeds from the debt issuance between a debt and equity component as of the August 2003 issuance date and through the August 2008 date that they were converted or redeemed. The equity component would reflect the value of the conversion feature of the debentures. We do not plan to adopt the provisions of the new rule relative to the floating rate convertible debentures we redeemed in August 2008, as the impact on our previously reported financial statements is not material.

In March 2008, the FASB issued FAS 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133*, which requires enhanced qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. FAS 161 is effective beginning with our first quarter 2009 financial reporting. We do not expect the adoption of FAS 161 will have a material impact on our results of operations, financial position or cash flows.

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In December 2007, the FASB issued FAS 141(R), *Business Combinations*, which is effective January 1, 2009. The new standard replaces existing guidance and significantly changes 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) is effective for businesses acquired after the effective date.

In December 2007, the FASB issued FAS 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*. This new standard requires all entities to report noncontrolling interests in subsidiaries as equity in the consolidated financial statements. FAS 160 is effective beginning with our first quarter 2009 financial reporting. We do not expect the adoption of FAS 160 will have a material impact on our results of operations, financial position or cash flows.

In December 2008, the FASB issued FSP 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*, which requires additional disclosures about assets held in an employer's defined benefit pension or other postretirement plan. The FSP replaces the requirement to disclose the percentage of the fair value of total plan assets with a requirement to disclose the fair value of each major asset category and for companies to consider providing additional disclosures about major asset categories based on the disclosure objectives in the FSP. Also, the FSP requires disclosure of the level within the fair value hierarchy in which each major category of plan assets falls, using the guidance in FAS 157. Furthermore, the FSP requires companies to reconcile the beginning and ending balances of plan assets with fair values measured using significant unobservable inputs (Level 3 in the hierarchy). The FSP is effective beginning with our 2009 annual consolidated financial statements. We do not expect the adoption of FSP 132(R)-1 will have a material impact on our results of operations, financial position, or cash flows.

### **Note 2 – 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.

As of August 15, 2008, all of the \$1.0 billion of floating rate convertible debentures had been delivered for conversion or were redeemed. Upon conversion of the debentures, we paid cash for the principal amount of the debentures relative to our conversion obligations, and satisfied the conversion obligations in excess of the principal amount by issuing 5.0 million shares of our common stock (see Note 9). FAS 128, *Earnings Per Share*, required that shares to be used to pay the conversion obligations in excess of the accreted principal amount be included in our calculation of weighted average common shares outstanding for the diluted earnings per share computation up to the date the convertible securities were converted. The number of shares included in the computation at December 31, 2007 and 2006 did not have a material impact on earnings per share.

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

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

<i>(In millions, except per share data)</i>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Net earnings for basic and diluted computations</b>	<b>\$3,217</b>	<b>\$3,033</b>	<b>\$2,529</b>
<b>Weighted average common shares outstanding</b>			
Average number of common shares outstanding for basic computations	399.7	416.0	428.1
Dilutive stock options, restricted stock and convertible securities	9.7	11.1	8.3
Average number of common shares outstanding for diluted computations	409.4	427.1	436.4
<b>Earnings per common share</b>			
Basic	<b>\$ 8.05</b>	<b>\$ 7.29</b>	<b>\$ 5.91</b>
Diluted	<b>\$ 7.86</b>	<b>\$ 7.10</b>	<b>\$ 5.80</b>



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### **Note 3 – Other Income (Expense), Net**

The components of other income (expense), net included the following:

<i>(In millions)</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
<b>Included in operating profit</b>			
Equity in net earnings of equity investees	\$289	\$203	\$130
Gain on sale of ownership interests in LKEI and ILS	108	—	—
Earnings from elimination of reserves associated with various land sales	85	—	—
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
Earnings from expiration of AES transaction indemnification	—	—	29
Gain on sale of Space Imaging's assets	—	—	23
Other activities, net	—	19	(24)
	<b>\$482</b>	<b>\$293</b>	<b>\$336</b>
<b>Included in other non-operating income (expense), net</b>			
Investment income (expense), net	\$ (88)	\$193	\$199
Debt-related expenses and charges	—	—	(16)
	<b>\$ (88)</b>	<b>\$193</b>	<b>\$183</b>

See Notes 9 and 14 for a discussion of certain transactions included in the table above.

### **Note 4 – Information on Business Segments**

We operate in four principal business segments: Electronic Systems, Information Systems & Global Services, Aeronautics, 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 income (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 12), 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 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, *Employers' Accounting for Pensions*, 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.

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

- **Electronic Systems** – Engaged in managing complex programs and designs, develops, and integrates hardware and software solutions to ensure the mission readiness of armed forces and government agencies worldwide. Global security solutions include advanced sensors, decision systems, and weapons for air-, land-, and sea-based platforms. The segment integrates land vehicles, ships, and fixed- and rotary-wing aircraft. Major lines of business include air and missile defense; tactical missiles; weapon fire control systems; surface ship and submarine combat systems; anti-submarine and undersea warfare systems; land, sea-based, and airborne radars; surveillance and reconnaissance systems; simulation and training systems; and integrated logistics and sustainment services. Electronic Systems also manages and operates the Sandia National Laboratories for the U.S. Department of Energy and is part of the consortium that manages the United Kingdom’s Atomic Weapons Establishment.
- **Information Systems & Global Services** – Engaged in providing federal services, Information Technology (IT) solutions and advanced technology expertise across a broad spectrum of applications and customers. Information Systems & Global Services 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 defense and civil government agencies in the U.S. and abroad.
- **Aeronautics** – Engaged in the research, design, development, manufacture, integration, sustainment, support and upgrade of advanced military aircraft, including combat and air mobility aircraft, unmanned air vehicles, and related technologies. Major products and programs include design, development, production and sustainment of the F-35 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 program; and support for the P-3 maritime patrol aircraft and U-2 high-altitude reconnaissance aircraft. We also produce major components for Japan’s F-2 fighter aircraft and are a co-developer of the Korean T-50 supersonic jet trainer aircraft. The Skunk Works advanced development organization provides next generation innovative system solutions using rapid prototype applications and advanced technologies.
- **Space Systems** – Engaged in the design, research and 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.

**Selected Financial Data by Business Segment**

<i>(In millions)</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
<b>Net sales</b>			
Electronic Systems	\$ 11,620	\$ 11,143	\$ 10,519
Information Systems & Global Services	11,611	10,213	8,990
Aeronautics	11,473	12,303	12,188
Space Systems	8,027	8,203	7,923
Total	\$ 42,731	\$ 41,862	\$ 39,620
<b>Operating profit <sup>(a)</sup></b>			
Electronic Systems	\$ 1,508	\$ 1,410	\$ 1,264
Information Systems & Global Services	1,076	949	804
Aeronautics	1,433	1,476	1,221
Space Systems	953	856	742
Total business segments	4,970	4,691	4,031
Unallocated Corporate income (expense), net <sup>(b)</sup>	161	(164)	(261)
Operating profit	\$ 5,131	\$ 4,527	\$ 3,770
<b>Intersegment revenue</b>			
Electronic Systems	\$ 625	\$ 595	\$ 579
Information Systems & Global Services	937	1,054	1,118
Aeronautics	147	147	164
Space Systems	203	150	140
Total	\$ 1,912	\$ 1,946	\$ 2,001
<b>Depreciation and amortization of plant and equipment</b>			
Electronic Systems	\$ 252	\$ 227	\$ 190
Information Systems & Global Services	66	68	65
Aeronautics	190	181	154
Space Systems	166	136	132
Total business segments	674	612	541
Corporate activities	53	54	59
Total	\$ 727	\$ 666	\$ 600
<b>Amortization of purchased intangibles</b>			
Electronic Systems	\$ 10	\$ 27	\$ 47
Information Systems & Global Services	44	55	46
Aeronautics	50	50	50
Space Systems	5	9	9
Total business segments	109	141	152
Corporate activities	9	12	12
Total	\$ 118	\$ 153	\$ 164
<b>Expenditures for property, plant and equipment</b>			
Electronic Systems	\$ 267	\$ 327	\$ 334
Information Systems & Global Services	80	75	74
Aeronautics	227	235	221
Space Systems	231	228	226
Total business segments	805	865	855
Corporate activities	121	75	38
Total	\$ 926	\$ 940	\$ 893

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

<i>(In millions)</i>	2008	2007	2006
<b>Assets <sup>(c)</sup></b>			
Electronic Systems	\$ 8,515	\$ 8,500	\$ 8,217
Information Systems & Global Services	7,593	7,477	7,054
Aeronautics	3,521	3,014	3,140
Space Systems	2,908	2,977	2,913
Total business segments	22,537	21,968	21,324
Corporate activities <sup>(d)</sup>	10,902	6,958	6,907
Total	\$33,439	\$28,926	\$28,231
<b>Goodwill</b>			
Electronic Systems	\$ 4,573	\$ 4,518	\$ 4,505
Information Systems & Global Services	4,334	4,265	4,141
Aeronautics	148	148	148
Space Systems	471	456	456
Total	\$ 9,526	\$ 9,387	\$ 9,250
<b>Customer advances and amounts in excess of costs incurred</b>			
Electronic Systems	\$ 2,002	\$ 1,801	\$ 1,374
Information Systems & Global Services	187	202	272
Aeronautics	2,132	1,833	1,816
Space Systems	214	376	394
Total	\$ 4,535	\$ 4,212	\$ 3,856

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

<i>(In millions)</i>	2008	2007	2006
Electronic Systems	\$ 36	\$ 58	\$ 29
Information Systems & Global Services	8	6	6
Aeronautics	21	25	17
Space Systems	224	134	78
Total business segments	289	223	130
Corporate activities	—	(20)	—
Total	\$289	\$ 203	\$130

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

<i>(In millions)</i>	2008	2007	2006
FAS/CAS pension adjustment	\$ 128	\$ (58)	\$ (275)
Items not considered in segment operating performance	193	71	230
Stock-based compensation	(155)	(149)	(111)
Other	(5)	(28)	(105)
Total	\$ 161	\$ (164)	\$ (261)

For information regarding the items not considered in management's evaluation of segment operating performance, see Notes 3 and 14 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, the prepaid pension asset, the deferred environmental asset and investments in a Rabbi Trust.

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

**Net Sales by Customer Category**

<i>(In millions)</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
<b>U.S. Government</b>			
Electronic Systems	\$ 8,247	\$ 8,196	\$ 8,006
Information Systems & Global Services	10,850	9,591	8,484
Aeronautics	9,268	9,597	9,578
Space Systems	7,685	7,681	7,185
Total	\$36,050	\$35,065	\$33,253
<b>Foreign governments <sup>(a) (b)</sup></b>			
Electronic Systems	\$ 3,039	\$ 2,672	\$ 2,362
Information Systems & Global Services	390	284	91
Aeronautics	2,043	2,531	2,581
Space Systems	15	13	11
Total	\$ 5,487	\$ 5,500	\$ 5,045
<b>Commercial and Other <sup>(b)</sup></b>			
Electronic Systems	\$ 334	\$ 275	\$ 151
Information Systems & Global Services	371	338	415
Aeronautics	162	175	29
Space Systems	327	509	727
Total	\$ 1,194	\$ 1,297	\$ 1,322
	<b>\$42,731</b>	<b>\$41,862</b>	<b>\$39,620</b>

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

<sup>(b)</sup> International sales, including export sales reflected in the “Foreign governments” and “Commercial and Other” categories, were \$5.9 billion, \$6.3 billion and \$5.6 billion in 2008, 2007 and 2006.

**Note 5 – Receivables**

Receivables consisted of the following components:

<i>(In millions)</i>	<i>2008</i>	<i>2007</i>
<b>U.S. Government</b>		
Amounts billed	\$1,698	\$1,718
Unbilled costs and accrued profits	2,590	2,329
Less customer advances and progress payments	(471)	(428)
	<b>3,817</b>	<b>3,619</b>
<b>Foreign governments and commercial</b>		
Amounts billed	487	333
Unbilled costs and accrued profits	1,127	1,144
Less customer advances	(135)	(171)
	<b>1,479</b>	<b>1,306</b>
	<b>\$5,296</b>	<b>\$4,925</b>

We expect to bill substantially all of the December 31, 2008 unbilled costs and accrued profits during 2009.

[Table of Contents](#)**Note 6 – Inventories**

Inventories consisted of the following components:

<i>(In millions)</i>	<i>2008</i>	<i>2007</i>
Work-in-process, primarily related to long-term contracts and programs in progress	\$ 4,631	\$ 4,039
Less customer advances and progress payments	(3,396)	(2,839)
	1,235	1,200
Other inventories	667	518
	\$ 1,902	\$ 1,718

Work-in-process inventories at December 31, 2008 and 2007 included general and administrative costs of \$434 million and \$303 million. For the years ended December 31, 2008, 2007 and 2006, general and administrative costs incurred and recorded in inventories totaled \$2,344 million, \$2,077 million and \$1,894 million, and general and administrative costs charged to cost of sales from inventories totaled \$2,213 million, \$2,103 million and \$1,863 million.

**Note 7 – Property, Plant and Equipment**

Property, plant and equipment consisted of the following components:

<i>(In millions)</i>	<i>2008</i>	<i>2007</i>
Land	\$ 109	\$ 112
Buildings	4,756	4,574
Machinery and equipment	6,034	5,619
	10,899	10,305
Less accumulated depreciation and amortization	(6,411)	(5,985)
	\$ 4,488	\$ 4,320

During the year ended December 31, 2008, we wrote off \$314 million of cost and accumulated depreciation related to certain plant and equipment that had been fully depreciated or amortized.

**Note 8 – Income Taxes**

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

<i>(In millions)</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Federal income taxes			
Current	\$ 1,385	\$ 1,199	\$ 979
Deferred	72	107	73
Total federal income taxes	1,457	1,306	1,052
Foreign income taxes			
Current	28	26	9
Deferred	—	3	2
Total foreign income taxes	28	29	11
Income tax expense	\$ 1,485	\$ 1,335	\$ 1,063

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 \$221 million for 2008, \$199 million for 2007, and \$113 million for 2006.

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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>	2008	2007	2006
Income tax expense at the U.S. federal statutory tax rate	<b>\$1,646</b>	\$1,528	\$1,257
Reduction in tax expense			
U.S. production activity benefit	<b>(67)</b>	(55)	(21)
Research tax credit	<b>(36)</b>	(30)	(9)
Tax deductible dividends	<b>(38)</b>	(32)	(29)
Closure of IRS examination	—	(59)	—
Extraterritorial income (ETI) exclusion benefit	—	—	(63)
Refund claims for additional ETI benefits	—	—	(62)
Other, net	<b>(20)</b>	(17)	(10)
Income tax expense	<b>\$1,485</b>	\$1,335	\$1,063

Income tax expense for 2008 included the impact of the Emergency Economic Stabilization Act of 2008, signed by the President on October 3, 2008, which retroactively extended the research and development tax credit from January 1, 2008 to December 31, 2009. As a result, we recognized a tax benefit, which reduced our income tax expense in the fourth quarter of 2008 by \$36 million (\$0.09 per share). In 2007, we closed IRS examinations which included resolution of uncertain tax positions associated with the 2003 and 2004 audit years and claims we filed for additional ETI 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 IRS for additional ETI tax 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 \$277 million and \$41 million at December 31, 2008 and 2007 are included in other current liabilities on the Balance Sheet.

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

<i>(In millions)</i>	2008	2007
Deferred tax assets related to:		
Contract accounting methods	<b>\$ 363</b>	\$ 465
Accrued compensation and benefits	<b>745</b>	683
Pensions <sup>(a)</sup>	<b>4,361</b>	526
Other postretirement benefit obligations <sup>(a)</sup>	<b>580</b>	437
Foreign company operating losses and credits	<b>34</b>	34
Gross deferred tax assets	<b>6,083</b>	2,145
Less: valuation allowance <sup>(b)</sup>	<b>30</b>	30
Net deferred tax assets	<b>6,053</b>	2,115
Deferred tax liabilities related to:		
Goodwill and purchased intangibles	<b>365</b>	365
Property, plant and equipment	<b>235</b>	180
Other	<b>63</b>	54
Deferred tax liabilities	<b>663</b>	599
Net deferred tax assets <sup>(c)</sup>	<b>\$5,390</b>	\$1,516

<sup>(a)</sup> The increase in the deferred tax balance for the postretirement benefit plans resulted from increases in accrued pension and other postretirement benefit liabilities calculated in accordance with FAS 158.

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

<sup>(c)</sup> Net deferred tax assets as of December 31, 2008 includes \$16 million of net foreign noncurrent deferred tax liabilities, which is included on the Balance Sheet in other liabilities.

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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. We have recorded liabilities for unrecognized tax benefits related to permanent and temporary tax adjustments which, exclusive of interest, totaled \$250 million and \$195 million at December 31, 2008 and 2007, and \$266 million at January 1, 2007, after the adjustment to the beginning balance of retained earnings. The change in the liability primarily resulted from the following:

<i>(In millions)</i>	<b>2008</b>	<b>2007</b>
Balance at January 1	<b>\$195</b>	\$266
Tax positions related to the current year	55	81
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
Decreases related to settlements with taxing authorities	—	(82)
Balance at December 31	<b>\$250</b>	\$195

The liability at the end of 2008 was recorded in other current liabilities on the Balance Sheet. Approximately \$150 million of the \$195 million of liabilities at the end of 2007 were recorded in other liabilities on the Balance Sheet, with the remainder recorded in other current liabilities. At December 31, 2008 and 2007, the amount of unrecognized tax benefits from permanent tax adjustments that, if recognized, would affect the effective tax rate, was \$238 million and \$180 million. Over the next year, it is expected that the IRS examination of our U.S. Federal income tax returns for 2005-2008 and certain non-domestic income tax issues will be resolved. Resolution of these matters is expected to change our unrecognized tax benefit balance, but due to the current stage of the examination, we are not able to estimate the impact on our consolidated results of operations, financial position or cash flows. The amount of net interest and penalties recognized as a component of income tax expense during the years ended December 31, 2008, 2007 and 2006, as well as the amount of interest and penalties accrued at December 31, 2008 and 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.

U.S. income taxes and foreign withholding taxes have not been provided on earnings of \$139 million and \$136 million that have not been distributed by our non-U.S. companies at December 31, 2008 and 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 \$16 million and \$11 million in 2008 and 2007.

Our federal and foreign income tax payments, net of refunds received, were \$1,234 million in 2008, \$1,131 million in 2007, and \$859 million in 2006. Included in these amounts are tax payments and refunds related to our divestiture activities.



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

<i>(In millions)</i>	<i>Interest Rate</i>	<i>2008</i>	<i>2007</i>
Notes due 6/15/2008	7.70%	\$ —	\$ 103
Notes due 12/1/2009	8.20%	241	241
Debentures due 4/15/2013	7.38%	150	150
Notes due 3/14/2013	4.12%	500	—
Debentures due 5/1/2016	7.65%	600	600
Debentures due 9/15/2023	7.00%	200	200
Notes due 6/15/2024	8.38%	167	167
Debentures due 6/15/2025	7.63%	150	150
Debentures due 5/1/2026	7.75%	423	423
Debentures due 12/1/2029	8.50%	317	317
Convertible Debentures due 8/15/2033	LIBOR – 0.25%	—	1,000
Debentures due 5/1/2036	7.20%	300	300
Notes due 9/1/2036	6.15%	1,079	1,079
Discount on Notes due 9/1/2036	N/A	(340)	(342)
Other	Various	18	19
		3,805	4,407
Less: Current maturities of long-term debt		242	104
		\$3,563	\$4,303

In June 2008, our Board of Directors authorized and we announced the planned redemption of any and all of our \$1.0 billion in original principal amount of floating rate convertible debentures that remained outstanding on August 15, 2008. Holders could elect to convert their debentures at any time prior to the close of business on August 14, 2008. Any debentures not delivered for conversion by the close of business on that date were no longer available for conversion and were redeemed at \$1,000 for each \$1,000 in principal amount on August 15, 2008.

As of August 15, 2008, all of the debentures had been delivered for conversion or were redeemed. The aggregate amount paid in cash subsequent to conversion of the debentures was \$1.0 billion, representing the principal amount of the debentures relative to our conversion obligations, which was equal to the original principal amount of the debentures. In addition, the conversion rate for the debentures from the time of our announcement in June through August 15 was 13.7998 shares of common stock for each \$1,000 in original principal amount of debentures, equating to a conversion price of \$72.46. The conversion obligations in excess of the principal amount, computed based on the closing price of our common stock over the cash settlement averaging period as defined in the indenture, totaled \$571 million, and resulted in the issuance of 5.0 million shares of our common stock. The issuance of the common shares for the conversion obligations was recognized in stockholders' equity as a \$5 million increase to common stock and a corresponding net decrease to additional paid-in capital. Also, a deferred tax liability of \$63 million attributable to interest deductions associated with the debentures was credited to additional paid-in capital upon conversion.

The debentures provided that if the price of our common stock exceeded 130% of the conversion price for a specified period of time as defined in the indenture agreement, the holders could elect to convert their debentures in the following calendar quarter. 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 could elect to convert them during the quarter ending March 31, 2008. The right to convert the debentures based on our stock price was 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% could elect, between March 1 and April 1, 2008, to have their debentures repaid on May 1, 2008. No such elections were made. We classified those debentures and the \$1.0 billion of convertible debentures 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.

In March 2008, we issued \$500 million of long-term notes. The notes have a fixed coupon interest rate of 4.12% and are due in 2013.

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

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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.

At December 31, 2008 and 2007, we had in place a \$1.5 billion revolving credit facility with a group of banks which expires in June 2012. There were no borrowings outstanding under the facility at December 31, 2008 and 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.

Our scheduled long-term debt maturities following December 31, 2008 are: \$242 million in 2009; \$1 million in 2010; \$1 million in 2011; \$1 million in 2012; \$651 million in 2013; and \$3,249 million thereafter. These amounts do not include the remaining \$340 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, 2008 and 2007, aggregated approximately \$4,782 million and \$5,701 million, compared with a carrying amount of approximately \$4,145 million and 4,749 million, excluding the \$340 million and 342 million unamortized discount. The fair values were estimated based on quoted market prices.

Interest payments were \$320 million in 2008, \$327 million in 2007, and \$337 million in 2006.

### **Note 10 – 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 at rates contained in the plan documents. Our matching obligations were \$351 million in 2008, \$327 million in 2007, and \$303 million in 2006, 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 Employee Stock Ownership Plan (ESOP) Fund. 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, 2008, the Salaried Savings Plan held 59.3 million issued and outstanding shares of our common stock, all of which were allocated to participant accounts.

Certain plans for hourly employees include an ESOP Fund. 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 new shares issued by us, or through cash contributed to the ESOP trust which was used by the trustee to purchase common stock either, as elected by the trustee, from participant account balance reallocations or in the open market, for allocation to participant accounts. This ESOP trust held 2.0 million issued and outstanding shares of our common stock at December 31, 2008, all of which were allocated to participant accounts.

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

Most of our employees hired on or before December 31, 2005 are covered by qualified defined benefit pension plans, and we provide certain health care and life insurance benefits to eligible retirees. We also sponsor nonqualified defined benefit pension plans to provide for benefits in excess of qualified plan limits. Non-union represented employees hired after January 1, 2006 do not participate in our qualified defined benefit pension plans, but are eligible to participate in our 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

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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.

We account for our defined benefit pension and retiree medical and life insurance plans using FAS 158, FAS 87, and FAS 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. FAS 158 requires us to recognize on a plan-by-plan basis the funded status of our postretirement benefit plans, with a corresponding noncash adjustment to accumulated other comprehensive income (loss), net of tax, in stockholders' equity. The funded status is measured as the difference between the fair value of the plan's assets and the benefit obligation of the plan. The adjustment to stockholders' equity at December 31, 2006 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.

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>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
<b>Change in benefit obligations</b>				
Benefit obligations at beginning of year	\$ 28,138	\$28,525	\$ 2,945	\$ 3,344
Service cost	823	862	43	51
Interest cost	1,741	1,631	180	189
Benefits paid	(1,474)	(1,418)	(368)	(385)
Medicare Part D subsidy	—	—	41	—
Actuarial losses (gains)	1,103	(1,482)	(178)	(370)
Amendments	89	18	10	(11)
Divestitures	1	2	—	—
Participants' contributions	—	—	139	127
Benefit obligations at end of year	\$ 30,421	\$28,138	\$ 2,812	\$ 2,945
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 27,259	\$25,735	\$ 2,017	\$ 1,848
Actual return on plan assets	(7,354)	2,607	(525)	102
Benefits paid	(1,474)	(1,418)	(368)	(385)
Medicare Part D subsidy	—	—	41	—
Our contributions	109	335	120	323
Participants' contributions	—	—	139	127
Divestitures and other	(1)	—	2	2
Fair value of plan assets at end of year	\$ 18,539	\$27,259	\$ 1,426	\$ 2,017
Unfunded status of the plans	\$ (11,882)	\$ (879)	\$ (1,386)	\$ (928)
<b>Amounts recognized in the Balance Sheet</b>				
Prepaid pension asset	\$ 122	\$ 313	\$ —	\$ —
Accrued postretirement benefit liabilities	(12,004)	(1,192)	(1,386)	(928)
Accumulated other comprehensive (income) loss (pre-tax) related to:				
Unrecognized net actuarial losses	12,574	1,934	723	224
Unrecognized prior service cost (credit)	467	458	(85)	(120)

The accumulated benefit obligation for all qualified defined benefit pension plans was \$26.9 billion and \$25.0 billion at December 31, 2008 and 2007.

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The following provides a reconciliation of benefit obligations and funded status related to our nonqualified defined benefit pension plans. We have set aside certain assets in a Rabbi Trust which we expect to be used to pay obligations under our nonqualified plans. Under the provisions of FAS 87, those assets may not be used to offset the amount of the benefit obligation similar to the qualified defined benefit pension and retiree medical and life insurance plans in the table above.

<i>(In millions)</i>	<i>Nonqualified Defined Benefit Pension Plans</i>	
	<i>2008</i>	<i>2007</i>
<b>Change in benefit obligations</b>		
Benefit obligations at beginning of year	\$ 610	\$ 641
Service cost	13	12
Interest cost	38	37
Benefits paid	(57)	(61)
Actuarial losses (gains)	43	(19)
Benefit obligations at end of year	\$ 647	\$ 610
Unfunded status of the plans (recognized in other liabilities)	\$ (647)	\$ (610)

The unrecognized net actuarial losses at those respective dates were \$309 million and \$287 million, and the unrecognized prior service costs were not material. The expense associated with these plans totaled \$71 million in 2008, \$73 million in 2007, and \$59 million in 2006. We also sponsor a small number of other postemployment plans and foreign benefit plans. The aggregate liabilities for the other postemployment plans were \$74 million in 2008 and \$92 million in 2007. The expense for the other postemployment plans, as well as the liabilities and expenses associated with the foreign benefit plans, were not material to our results of operations, financial position or cash flows.

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

The following postretirement benefit plan amounts were included in other comprehensive income (loss), net of tax, during the year ended December 31, 2008 and 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>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
<b>Actuarial gains (losses)</b>				
Qualified defined benefit pension plans	\$ (6,865)	\$ 1,304	\$ 1	\$ 108
Retiree medical and life insurance plans	(323)	211	1	14
Nonqualified defined benefit pension plans	(28)	12	13	15
Foreign benefit and other plans	(21)	5	(5)	—
	(7,237)	1,532	10	137
<b>Prior service credit (cost)</b>				
Qualified defined benefit pension plans	(58)	(12)	52	57
Retiree medical and life insurance plans	(6)	7	(16)	(15)
Nonqualified defined benefit pension plans	—	—	—	—
Foreign benefit and other plans	2	—	—	—
	(62)	(5)	36	42
	\$ (7,299)	\$ 1,527	46	\$ 179

The unrecognized actuarial gain or loss included in accumulated other comprehensive income (loss) at the end of 2008 and expected to be recognized in net pension cost during 2009 is a loss of \$303 million (\$196 million net of income tax benefits) for our qualified defined benefit pension plans, a loss of \$42 million (\$27 million net of income tax benefits) for our retiree medical and life insurance plans, and a loss of \$22 million (\$14 million net of income tax benefits) for our nonqualified defined benefit pension plans. The amounts of unrecognized actuarial gain or loss for the foreign benefit and

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other plans are not expected to be material. The prior service credit or cost included in accumulated other comprehensive income (loss) at the end of 2008 and expected to be recognized in net pension cost during 2009 is a cost of \$81 million (\$52 million net of income tax benefits) for our qualified defined benefit pension plans and a credit of \$23 million (\$15 million net of income taxes) for our retiree medical and life insurance plans. The amounts of prior service cost for the nonqualified, foreign and other plans are not expected to be material. No plan assets are expected to be returned to us in 2009.

The net pension cost as determined by FAS 87 and the net postretirement benefit cost as determined by FAS 106 include the following components:

<i>(In millions)</i>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Qualified defined benefit pension plans</b>			
Service cost	\$ 823	\$ 862	\$ 896
Interest cost	1,741	1,631	1,557
Expected return on plan assets	(2,184)	(2,063)	(1,930)
Recognized net actuarial losses	2	168	335
Amortization of prior service cost	80	89	80
Total net pension expense	\$ 462	\$ 687	\$ 938
<b>Retiree medical and life insurance plans</b>			
Service cost	\$ 43	\$ 51	\$ 57
Interest cost	180	189	191
Expected return on plan assets	(153)	(144)	(121)
Recognized net actuarial losses	1	21	46
Amortization of prior service credit	(25)	(24)	(23)
Total net postretirement expense	\$ 46	\$ 93	\$ 150

The actuarial assumptions used to determine the benefit obligations at December 31, 2008 and 2007 related to our postretirement benefit plans, as appropriate, are as follows:

	<i>Benefit Obligation Assumptions</i>	
	<b>2008</b>	<b>2007</b>
Discount rates	<b>6.125%</b>	6.375%
Rates of increase in future compensation levels	<b>5.000</b>	5.000

The decrease in the discount rate from December 31, 2007 to December 31, 2008 resulted in an increase in the projected benefit obligations of our qualified defined benefit pension plans at December 31, 2008 of approximately \$908 million.

The actuarial assumptions used to determine the net expense related to our postretirement benefit plans for the years ended December 31, 2008, 2007 and 2006, as appropriate, are as follows:

	<i>Postretirement Benefit Plan Cost Assumptions</i>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
Discount rates	<b>6.375%</b>	5.875%	5.625%
Expected long-term rates of return on assets	<b>8.50</b>	8.50	8.50
Rates of increase in future compensation levels	<b>5.00</b>	5.00	5.00

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 rate used in measuring the postretirement benefit obligation was 10.0% in 2008, and was assumed to ultimately decrease to 5.0% by the year 2016. A 10% rate was also used in 2007, and was 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

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change in the postretirement benefit obligation of 4.0% and (3.5)% at December 31, 2008, and a change in the 2008 postretirement service cost plus interest cost of 3.8% and (3.2)%. The medical trend rate for 2009 is 10.0% for pre-Medicare coverage and 9.5% for post-Medicare coverage.

For qualified defined benefit pension plans in which the accumulated benefit obligation (ABO) was in excess of the fair value of the plans' assets, the projected benefit obligation, ABO and fair value of the plans' assets are presented below. The increase from 2007 to 2008 primarily was driven by the negative return on plan assets during 2008.

<i>(In millions)</i>	<b>2008</b>	2007
Projected benefit obligation	<b>\$30,292</b>	\$3,045
Accumulated benefit obligation	<b>26,814</b>	3,045
Fair value of plan assets	<b>18,288</b>	3,041

The asset allocations of our plans at December 31, 2008 and 2007, by asset category, were as follows:

	<i>Defined Benefit Pension Plans</i>		<i>Retiree Medical and Life Insurance Plans</i>	
	<b>2008</b>	2007	<b>2008</b>	2007
Asset category:				
Equity securities	<b>49%</b>	61%	<b>56%</b>	59%
Debt securities	<b>36</b>	30	<b>40</b>	38
Other	<b>15</b>	9	<b>4</b>	3
	<b>100%</b>	100%	<b>100%</b>	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.

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

<b><i>Investment Groups</i></b>	<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, 2008, policies for the defined benefit pension plans target an asset mix of 57% in equity securities and 43% in debt and other securities.

Investment policies for all postretirement benefit 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.

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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 \$6 million (less than 0.03% of total plan assets) and \$14 million (less than 0.06% of total plan assets) at December 31, 2008 and 2007. Equity securities included in the assets of the retiree medical and life insurance plans included less than \$0.2 million (less than 0.01% of total plan assets) and \$1 million (less than 0.03% of total plan assets) of our issued and outstanding common stock at December 31, 2008 and 2007.

We generally refer to U.S. Government Cost Accounting Standards (CAS) and Internal Revenue Code rules in determining funding requirements for our defined benefit pension plans. In 2008, we made a discretionary prepayment of \$109 million related to our qualified defined benefit pension plans and \$120 million related to our retiree medical and life insurance plans which will reduce our cash funding requirements for 2009. Based on our known requirements as of December 31, 2008, we would not expect to make any further required cash contributions related to the qualified defined benefit pension plans or the medical and life insurance plans in 2009 due to prepayments made in 2008 and 2007. Due to other events which may occur in 2009, such as pending negotiations for certain collective bargaining agreements, we may decide to make cash contributions in 2009 of as much as \$50 million to \$100 million based on the outcome of those events. In addition, we may review options for further discretionary contributions.

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

<i>(In millions)</i>	<i>Qualified Pension Benefits</i>	<i>Retiree Medical and Life Insurance Plans</i>	
		<i>Payments</i>	<i>Subsidy Receipts<sup>(a)</sup></i>
2009	\$ 1,580	\$ 260	\$ 30
2010	1,630	270	40
2011	1,690	280	40
2012	1,770	280	40
2013	1,840	290	50
Years 2014 – 2018	10,620	1,350	230

<sup>(a)</sup> Amounts represent subsidy payments expected to be received under the Medicare Prescription Drug, Improvement and Modernization Act of 2003. Under that law, the U.S. Government makes subsidy payments to eligible employers to offset the cost of prescription drug benefits provided to plan participants. During 2008, we received \$41 million in subsidy payments.

### **Note 11 – Stockholders' Equity**

At December 31, 2008, our authorized capital was composed of 1.5 billion shares of common stock and 50 million shares of series preferred stock. Of the 395 million shares of common stock issued and outstanding, 393 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, 2008.

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, 2008, our Board of Directors has authorized a total of 158 million shares for repurchase under the program, including 30 million additional shares that were authorized in September 2008. As of December 31, 2008, we had repurchased a total of 124.3 million shares under the program, and there remained approximately 33.7 million shares that may be repurchased in the future.

During the years ended December 31, 2008, 2007 and 2006, we repurchased common shares under the program as follows:

- In 2008, we repurchased 29.0 million common shares for \$2,931 million in transactions that were executed and settled during the year;
- In 2007, we repurchased 21.6 million common shares for \$2,127 million in transactions that were executed and settled during the year; and
- 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.

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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 \$2,106 million and \$471 million recorded as a reduction of retained earnings in 2008 and 2007.

### **Note 12 – Stock-Based Compensation**

Effective January 1, 2006, we adopted FAS 123(R) and the related SEC rules included in SAB 107, on a modified prospective basis. During the years ended December 31, 2008, 2007 and 2006, we recorded non-cash compensation cost related to stock options and restricted stock totaling \$155 million, \$149 million and \$111 million, which is included in our Statement of Earnings within cost of sales. The net impact to earnings for the respective years was \$100 million (\$0.24 per share), \$96 million (\$0.22 per share) and \$70 million (\$0.16 per share).

### **Stock-Based Compensation Plans**

We had two stock-based compensation plans in place at December 31, 2008: 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 use the Black-Scholes option pricing model to estimate the fair value of stock options. 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 are granted 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 and the employees have no voting rights 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, 2008, inclusive of the shares reserved for outstanding stock options and RSUs, we had 39 million shares reserved for issuance under our stock option and award plans, of which 10.6 million shares were authorized in 2008. At December 31, 2008, 18 million of the shares reserved for issuance remained available for grant under the plans. We issue new shares upon the exercise of stock options or when restrictions on RSUs have been satisfied.



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In 2008, our stockholders approved a new plan for the Board of Directors (the 2009 Directors Equity Plan) which became effective January 1, 2009. The 2009 Directors Equity Plan replaces but provides comparable compensation to the Directors Plan, which was due to expire in May 2009. There are 0.6 million shares reserved for issuance under the New Directors Plan.

### 2008 Activity

#### Stock Options

The following table summarizes stock option activity during the year ended December 31, 2008:

	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, 2007	20,365	\$ 59.99		
Granted	3,581	106.88		
Exercised	(4,700)	52.80		
Terminated	(97)	75.64		
<b>Outstanding at December 31, 2008</b>	<b>19,149</b>	<b>70.44</b>	<b>6.3</b>	<b>\$ 380.8</b>
<b>Vested and unvested expected to vest at December 31, 2008</b>	<b>19,024</b>	<b>70.22</b>	<b>6.3</b>	<b>380.8</b>
<b>Exercisable at December 31, 2008</b>	<b>12,107</b>	<b>55.25</b>	<b>5.0</b>	<b>361.0</b>

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> )	2008	2007	2006
Weighted average grant-date fair value of stock options granted	\$19.31	\$23.99	\$17.64
Aggregate fair value of all the stock options that vested	78	86	103
Aggregate intrinsic value of all of the stock options exercised	263	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. 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, 2008, 2007, and 2006:

	2008	2007	2006
Risk-free interest rate	2.83%	4.83%	4.50%
Dividend yield	1.70%	1.70%	1.80%
Volatility factors	0.195	0.234	0.260
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, 2008:

	Number of RSUs / RSAs (In thousands)	Weighted Average Grant-Date Fair Value Per Share
Nonvested at December 31, 2007	2,280	\$ 76.60
Granted	882	106.88
Vested	(616)	64.63
Terminated	(82)	87.43
Nonvested at December 31, 2008	2,464	\$ 90.13

### **Summary of 2008 Activity**

As of December 31, 2008, we had \$138 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 \$248 million, \$350 million, and \$627 million for the years ended December 31, 2008, 2007, and 2006. In addition, we realized tax benefits of \$111 million, \$133 million, and \$137 million from stock-based compensation activities during 2008, 2007, and 2006. Consistent with FAS 123(R), we classified \$92 million, \$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.

### **Note 13 – 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.

#### **Legal Proceedings**

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

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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.

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.

On September 11, 2006, we and LMIMCo were named as defendants in a lawsuit filed in the U.S. District Court for the Southern District of Illinois, seeking to represent a class of purportedly similarly situated participants and beneficiaries in our Salaried Savings Plan and the Hourly Savings Plan (the Plans). Plaintiffs allege that we or LMIMCo caused the Plans to pay expenses that were higher than reasonable by, among other actions, permitting service providers of the Plans to engage in revenue sharing, paying investment management fees for the company stock funds, and causing the company stock funds to hold cash for liquidity thus reducing the return on those funds. The plaintiffs further allege that we or LMIMCo failed to disclose information appropriately relating to the fees associated with managing the Plans. In August 2008, plaintiffs filed an amended complaint, adding allegations that we or LMIMCo breached fiduciary duties under ERISA with respect to particular funds offered under our 401(k) plans. Plaintiffs have moved to certify a class in the matter, and we have opposed that motion. We dispute the allegations and are defending against them.

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. On September 23, 2008, the trial court dismissed the remaining first tier plaintiffs, ending the first round of individual trials. The first tier plaintiffs are pursuing their appellate remedies, and opposing counsel has asked the trial court to consider procedures for the litigation of the next round of individual plaintiffs.

### **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 make estimating liabilities a matter of judgment because of such factors as changing remediation technologies, assessments of the extent of contamination, and continually evolving regulatory environmental standards. We consider these and other factors in estimates of the timing and amount of any future costs that may be required for remediation actions, which 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 amount and timing of future cash payments are not fixed or cannot be reliably determined.

At December 31, 2008 and 2007, the aggregate amount of liabilities recorded relative to environmental matters was \$809 million and \$572 million. Approximately \$694 million and \$491 million are recorded in other liabilities on the Balance Sheet, with the remainder recorded in other current liabilities. A portion of environmental costs is eligible for future recovery in the pricing of our products and services on U.S. Government contracts. We have recorded assets totaling \$683 million and \$480 million at December 31, 2008 and 2007 for the estimated future recovery of these costs, as we consider the recovery probable based on government contracting regulations and our history of receiving reimbursement for such costs. Approximately \$585 million and \$411 million are recorded in other assets on the Balance Sheet, with the remainder recorded in other current assets.

We perform quarterly reviews of the status of our environmental sites and the related liabilities and assets. Based on the reviews completed during the year, we increased the liability by \$237 million and the asset deemed probable of recovery by \$203 million from the amounts recorded at December 31, 2007. We also recorded a charge for the year of \$34 million, net of state income tax benefits, for the portion of the increased liability that was not considered probable of future recovery. The majority of the increase reflects the estimated long-term costs of new treatment systems and remediation activities at two former operating facilities, in addition to increased estimated costs at other existing remediation sites.

We cannot reasonably determine the extent of our financial exposure in all cases at this time. There are a number of former operating facilities which we are monitoring or investigating for potential future remediation. In some cases, although

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a loss may be probable, it is not possible at this time to reasonably estimate the amount of any obligation for remediation activities because of uncertainties with respect to assessing the extent of the contamination or the applicable regulatory standard. We also are pursuing claims for contribution to site cleanup costs against other potentially responsible parties (PRPs), including the U.S. Government.

We 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 and Other Arrangements**

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 \$3.1 billion and \$3.3 billion at December 31, 2008 and 2007. Letters of credit and surety bonds are generally available for draw down in the event we do not perform.

### **Investment in United Launch Alliance**

In connection with the formation of United Launch Alliance, LLC (ULA) (see Note 14), 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, under which no amounts have been drawn.

At December 31, 2008, we and Boeing had made \$3 million in payments under our capital contribution commitments, and we expect to contribute the remaining commitment of \$22 million each to ULA in the first half of 2009. Prior to those contributions, we expect to receive a dividend from ULA in a like amount. 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, 2008, and that it will not be necessary to make payments under the cross-indemnities.

In 2008, we and Boeing received from ULA a dividend of \$100 million each. Prior to distribution of the dividend, we, Boeing and ULA entered into an agreement whereby, if ULA does not have sufficient cash resources and/or credit capacity to make payments under the inventory supply agreement it has with Boeing, both we and Boeing would provide to ULA, in the form of an additional capital contribution, the level of funding required for ULA to make such payments. Such capital contributions would not exceed the aggregate amount of the dividend we received in 2008 and any others we may receive through June 1, 2009. We currently believe that ULA will have sufficient operating cash flows and credit capacity to meet its obligations such that we would not be required to make a contribution under this agreement.

### **Note 14 – Acquisitions and Divestitures**

#### **Acquisitions**

We used cash in 2008, 2007, and 2006 for acquisition activities, including the acquisitions of businesses and investments in affiliates. The amounts used in each year also included certain payments related to acquisitions completed in years prior to the respective years. We have accounted 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.

We used approximately \$233 million in 2008 for acquisition activities including the acquisition of, among others, Eagle Group International, LLC, which provides logistics, information technology, training, and healthcare services to the U.S. Department of Defense. Purchase accounting adjustments recorded related to business acquisitions completed in 2008 included recording goodwill aggregating \$170 million, \$93 million of which will be amortized for tax purposes, and \$18 million of other intangible assets, primarily relating to the value of contracts we acquired.

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We used a total of approximately \$337 million in 2007 for acquisition activities, including an additional contribution of \$177 million related to our investment in ULA discussed below. Those activities also included 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. Purchase accounting adjustments recorded related to business acquisitions completed in 2007 included recording goodwill 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.

We used a total of approximately \$1.1 billion in 2006 for acquisition activities including the acquisition of, among others, 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; and Aspen Systems Corporation, an information management company that delivers a range of business process and technology solutions. Purchase accounting adjustments in 2006 included recording goodwill aggregating \$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 years ended December 31, 2008, 2007, and 2006.

## **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 were responsible to refund advances to certain customers if launch services were not provided and ILS did not refund the advances. Due to this continuing involvement with those customers of ILS, many of the risks related to this business had not been transferred and we had not recognized this transaction as a divestiture for financial reporting purposes.

At December 31, 2007, we had deferred recognition of a gain that otherwise would have been recognized on the sale of our interests in LKEI and ILS, and had continued to include current assets totaling \$132 million and current liabilities totaling \$189 million on our Balance Sheet. The deferred gain and assets and liabilities were anticipated to be reduced as the launch services were provided. Our ability to realize the deferred gain was dependent upon Khrunichev providing the contracted launch services or, in the event the launch services were not provided, ILS' ability to refund the advance. In 2008, the remaining launch services for which we had potential responsibility to refund the advances were provided such that we were not required to repay advances. We recognized the previously deferred gain, net of state income taxes, of \$108 million, which increased net earnings by \$70 million (\$0.17 per share). As of December 31, 2008, no related assets or liabilities remained on our Balance Sheet.

### ***Land***

In the second quarter of 2008, we recognized, net of state income taxes, \$85 million in other income (expense), net, due to the elimination of reserves related to various land sales in California. Reserves were originally recorded at the time of each land sale in 2007 and prior years based on the U.S. Government's assertion that a significant portion of the sale proceeds should be allocated to the buildings and improvements on the properties, thereby giving the U.S. Government the right to

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share in the gains associated with the land sales. At the time the land sales occurred, we believed the value of the properties sold was attributable to the land versus the buildings and improvements. The dispute ultimately went to trial with the Armed Services Board of Contract Appeals (ASBCA), subsequent to which the ASBCA determined that our accounting for the land sales was in accordance with the Federal Acquisition Regulation and CAS. We reached a settlement with the U.S. Government in the second quarter of 2008, and the previously recorded reserves were no longer required. Resolution of this matter increased our net earnings by \$56 million (\$0.14 per share).

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).

### **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 eliminated the reserve. This resulted in an increase, net of state income taxes, of \$29 million in other income (expense), net, and increased net earnings by \$19 million (\$0.04 per share).

### **United Launch Alliance**

On December 1, 2006, we completed a transaction with Boeing that resulted in the formation of 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 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 4) since its activities are closely aligned with the operations of Space Systems. In October 2008, we received a \$100 million dividend payment from ULA, which was recorded as a reduction of our investment balance. Our investment in ULA totaled \$428 million and \$402 million at December 31, 2008 and 2007. See Note 13 for a description of our future funding commitments to ULA.

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

We adopted FAS 157 as of January 1, 2008 to account for our financial 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

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measurements. FAS 157 is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value, but does not require any new fair value measurements. The adoption of FAS 157 did not have a material impact on our results of operations, financial position or cash flows.

The fair-value hierarchy established in FAS 157 prioritizes the inputs used in valuation techniques into three levels as follows:

- Level 1 – Observable inputs – quoted prices in active markets for identical assets and liabilities;
- Level 2 – Observable inputs other than the quoted prices in active markets for identical assets and liabilities – includes quoted prices for similar instruments, quoted prices for identical or similar instruments in inactive markets, and amounts derived from valuation models where all significant inputs are observable in active markets; and
- Level 3 – Unobservable inputs – includes amounts derived from valuation models where one or more significant inputs are unobservable and require us to develop relevant assumptions. At December 31, 2008, we have no financial assets or liabilities that are categorized as Level 3. During 2008, we had no financial assets or liabilities that were transferred in or out of the Level 3 category.

The following table presents assets and liabilities measured and recorded at fair value on our Balance Sheet on a recurring basis and their level within the fair value hierarchy as of December 31, 2008:

<i>(In millions)</i>	Level 1	Level 2	Balance as of December 31, 2008
<b>Assets</b>			
Short-term investments <sup>(a)</sup>	\$ —	\$ 61	\$ 61
Rabbi Trust investments <sup>(b)</sup>	274	226	500
Derivative assets <sup>(c)</sup>	—	100	100
<b>Total assets</b>	<b>\$ 274</b>	<b>\$ 387</b>	<b>\$ 661</b>
Derivative liabilities <sup>(c)</sup>	—	48	48
<b>Net assets</b>	<b>\$ 274</b>	<b>\$ 339</b>	<b>\$ 613</b>

<sup>(a)</sup> Short-term investments are comprised of fixed income securities. The fair values of these securities are based on either quoted prices for similar securities or quoted prices for identical or similar securities in inactive markets and, therefore, are categorized as Level 2.

<sup>(b)</sup> We maintain a Rabbi Trust which includes investments to fund certain of our non-qualified deferred compensation plans. The Rabbi Trust is included in other assets. Investments in the trust that are categorized as Level 1 are marketable equity securities and fixed income securities with the U.S. Government, both of which are valued using quoted market prices and those categorized as Level 2 are fixed income securities which are valued based on either quoted prices for similar securities or quoted prices for identical or similar securities in inactive markets. Investments in the trust are classified as trading securities and, accordingly, changes in their fair values are recorded in other non-operating income (expense), net. Our net unrealized gains (losses) on the investments in the trust were \$(158) million, \$(13) million, and \$24 million for the years ended December 31, 2008, 2007, and 2006.

<sup>(c)</sup> Derivative assets and liabilities relate to foreign currency exchange contracts used to manage our exposure to fluctuations in foreign currency exchange rates, and which most qualify for hedge accounting treatment. The balances are included in other current assets and other current liabilities. These foreign currency exchange contracts hedge the fluctuations in cash flows associated with firm commitments or specific anticipated transactions contracted in foreign currencies. The contracts are categorized as Level 2 since they are valued based on observable market prices, but are not exchanged in an active market.

### Note 16 – Leases

We rent certain equipment and facilities under operating leases. Our total rental expense under operating leases was \$371 million, \$338 million, and \$310 million for 2008, 2007 and 2006.

Future minimum lease commitments at December 31, 2008 for all operating leases that have a remaining term of more than one year were \$1.1 billion (\$262 million in 2009, \$223 million in 2010, \$184 million in 2011, \$148 million in 2012, \$114 million in 2013 and \$165 million in later years). Certain major plant facilities and equipment are furnished by the U.S. Government under short-term or cancelable arrangements.

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

<i>(In millions, except per share data)</i>	2008 Quarters <sup>(a)</sup>			
	First <sup>(c)</sup>	Second <sup>(d)</sup>	Third <sup>(e)</sup>	Fourth <sup>(f)</sup>
Net sales	\$ 9,983	\$ 11,039	\$ 10,577	\$ 11,132
Operating profit	1,178	1,363	1,242	1,348
Net earnings	730	882	782	823
Basic earnings per share	1.80	2.21	1.97	2.08
Diluted earnings per share <sup>(b)</sup>	1.75	2.15	1.92	2.05

<i>(In millions, except per share data)</i>	2007 Quarters <sup>(a)</sup>			
	First <sup>(g)</sup>	Second <sup>(h)</sup>	Third	Fourth
Net sales	\$ 9,275	\$ 10,651	\$ 11,095	\$ 10,841
Operating profit	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 <sup>(b)</sup>	1.60	1.82	1.80	1.89

- (a) It is our practice to close the books and records on the Sunday prior to the end of the calendar quarter to align our financial closing with our business processes. This practice only affects interim periods, as our fiscal year ends on December 31.
- (b) The sum of the quarterly earnings per share amounts for 2008 and 2007 do not equal the diluted earnings per share amount included on the Statement of Earnings, primarily due to the dilutive effects of our convertible debentures (see Note 2) and the timing of share repurchases during those years.
- (c) Net earnings for the first quarter of 2008 included a portion of the deferred gain recognized in connection with the transaction to sell our ownership interests in LKEI and ILS which increased net earnings by \$10 million (\$0.02 per share).
- (d) Net earnings for the second quarter of 2008 included a gain related to the elimination of reserves associated with various land sales that occurred in prior years which increased net earnings by \$56 million (\$0.14 per share).
- (e) Net earnings for the third quarter of 2008 included a portion of the deferred gain recognized in connection with the transaction to sell our ownership interests in LKEI and ILS which increased net earnings by \$28 million (\$0.07 per share).
- (f) Net earnings for the fourth quarter of 2008 included the final portion of the deferred gain recognized in connection with the transaction to sell our ownership interests in LKEI and ILS which increased net earnings by \$32 million (\$0.08 per share).
- (g) 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.
- (h) 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).

**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 59 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 2009 Proxy Statement), and that information is incorporated by reference in this Form 10-K. Information concerning executive officers required by Item 401 of Regulation S-K is located under Part I, Item 4(a) of this Form 10-K. The information required by Item 405 of Regulation S-K is included under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2009 Proxy Statement, and that information is incorporated by reference in this Form 10-K. The information required by Items 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is included under the captions “Corporate Governance – Stockholder Nominees” and “Committees of the Board of Directors – Audit Committee” in the 2009 Proxy Statement, and that information is incorporated by reference in this Form 10-K.

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

#### ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 402 of Regulation S-K is included in the text and tables under the captions “Executive Compensation” and “Director’s Compensation” in the 2009 Proxy Statement and that information is incorporated by reference in this Form 10-K. The information required by Items 407(e)(4) and (e)(5) of Regulation S-K is included under the captions “Executive Compensation – Compensation Committee Interlocks and Insider Participation” and “Executive Compensation – Compensation Committee Report” in the 2009 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 headings “Securities Owned by Directors, Nominees and Named Executive Officers” and “Security Ownership of Certain Beneficial Owners” in the 2009 Proxy Statement, and that information is incorporated by reference in this Form 10-K. The information required by this Item 12 related to our equity compensation plans that authorize the issuance of shares of Lockheed Martin common stock to employees and directors, is included in Part II of this Form 10-K under the caption “Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.”

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

The information required by this Item 13 is included under the captions “Corporate Governance – Related Person Transaction Policy,” “Corporate Governance – Certain Relationships and Related Person Transactions of Directors, Executive Officers and 5 Percent Stockholders,” and “Corporate Governance – Director Independence” in the 2009 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 14 is included under the caption “Proposals You May Vote On – Proposal 2 – Ratification of Appointment of Independent Auditors” in the 2009 Proxy Statement, and that information is incorporated by reference in this Form 10-K.

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

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

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

	<u>Page</u>
<a href="#">Consolidated Statement of Earnings – Years ended December 31, 2008, 2007, and 2006</a>	63
<a href="#">Consolidated Balance Sheet – At December 31, 2008 and 2007</a>	64
<a href="#">Consolidated Statement of Cash Flows – Years ended December 31, 2008, 2007, and 2006</a>	65
<a href="#">Consolidated Statement of Stockholders' Equity – Years ended December 31, 2008, 2007, and 2006</a>	66
<a href="#">Notes to Consolidated Financial Statements – December 31, 2008</a>	67

The report of Lockheed Martin Corporation's independent registered public accounting firm with respect to internal control over financial reporting and their report on the above-referenced financial statements appear on pages 61 and 62 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 June 26, 2008).
- 3.2 Bylaws of Lockheed Martin Corporation, as amended and restated effective April 25, 2008 (incorporated by reference to Exhibit 3.2 of Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on April 25, 2008).
- 4.1 Indenture, dated May 16, 1996, among Lockheed Martin Corporation, Lockheed Martin Tactical Systems, Inc. and First Trust of Illinois, National Association as Trustee (incorporated by reference to Exhibit 4.A to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on May 20, 1996).
- 4.2 Indenture, dated as of August 30, 2006, between Lockheed Martin Corporation and The Bank of New York (incorporated by reference to Exhibit 99.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on August 31, 2006).
- 4.3 Indenture, dated as of March 11, 2008, between Lockheed Martin Corporation and The Bank of New York (incorporated by reference to Exhibit 4.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on March 12, 2008).
- See also Exhibits 3.1 and 3.2.
- No instruments defining the rights of holders of long-term debt that is not registered are filed because the total amount of securities authorized under any such instrument does not exceed 10% of the total assets of Lockheed Martin Corporation on a consolidated basis. Lockheed Martin Corporation agrees to furnish a copy of such instruments to the SEC upon request.
- 10.1 Lockheed Martin Corporation Directors Deferred Stock Plan, as amended (incorporated by reference to Exhibit 10.4 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
- 10.2 Lockheed Martin Corporation Directors Deferred Compensation Plan, as amended.
- 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).

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- 10.4 Martin Marietta Corporation Postretirement Death Benefit Plan for Senior Executives, as amended January 1, 1995 (incorporated by reference to Exhibit 10.9 to Lockheed Martin Corporation's Registration Statement on Form S-4 (File No. 033-57645) filed with the SEC on February 9, 1995), and as further amended September 26, 1996 (incorporated by reference to Exhibit 10 (ooo) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1996).
- 10.5 Martin Marietta Corporation Amended Omnibus Securities Award Plan, as amended March 25, 1993 (incorporated by reference to Exhibit 10.13 to Lockheed Martin Corporation's Registration Statement on Form S-4 (File No. 033-57645) filed with the SEC on February 9, 1995).
- 10.6 Martin Marietta Corporation Directors' Life Insurance Program (incorporated by reference to Exhibit 10.17 to Lockheed Martin Corporation's Registration Statement on Form S-4 (File No. 033-57645) filed with the SEC on February 9, 1995).
- 10.7 Lockheed Martin Supplementary Pension Plan for Employees of Transferred GE Operations, as amended.
- 10.8 Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation, as amended.
- 10.9 Lockheed Martin Corporation Supplemental Savings Plan, as amended.
- 10.10 Amendment to Terms of Outstanding Stock Option Relating to Exercise Period for Employees of Divested Business (incorporated by reference to Exhibit 10 (dd) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1999).
- 10.11 Lockheed Martin Corporation Postretirement Death Benefit Plan for Elected Officers, as amended June 28, 2007 (incorporated by reference to Exhibit 99.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on July 3, 2007).
- 10.12 Deferred Performance Payment Plan of Lockheed Martin Corporation Space & Strategic Missiles Sector (incorporated by reference to Exhibit 10 (ooo) to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 1997).
- 10.13 Lockheed Martin Corporation Directors Equity Plan, as amended and restated effective January 1, 2007 (incorporated by reference to Exhibit 10.1 to Lockheed Martin Corporation's Current Report on Form 8-K filed with the SEC on November 2, 2006).
- 10.14 Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, as amended.
- 10.15 Lockheed Martin Corporation 2006 Management Incentive Compensation Plan, as amended.
- 10.16 Deferred Management Incentive Compensation Plan of Lockheed Corporation and its Subsidiaries (incorporated by reference to Exhibit 10.3 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001).
- 10.17 Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan.
- 10.18 Five-Year Credit Agreement, dated as of July 15, 2004, among Lockheed Martin Corporation and the banks listed therein (incorporated by reference to Exhibit 10.1 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
- 10.19 Amendment to the Five-Year Credit Agreement, dated as of June 27, 2007, among Lockheed Martin Corporation and the banks named therein (incorporated by reference to Exhibit 10.1 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007).
- 10.20 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).
- 10.21 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).
- 10.22 Lockheed Martin Supplemental Retirement Plan, as amended.

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10.23	Form of the Lockheed Martin Corporation Long-Term Incentive Performance Award Agreement (2007-2009 Performance Period) under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.30 of Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2006).
10.24	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).
10.25	Lockheed Martin Corporation Nonqualified Capital Accumulation Plan, as amended.
10.26	Long-Term Performance Award Amendment (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).
10.27	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).
10.28	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).
10.29	Forms of Long-Term Incentive Performance Award Agreements (2008-2010 performance period), Forms of Stock Option Award Agreements and Forms of Restricted Stock Unit Award Agreements under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (incorporated by reference to Exhibit 10.39 to Lockheed Martin Corporation's Annual Report on Form 10-K for the year ended December 31, 2007).
10.30	Lockheed Martin Corporation Severance Benefit Plan For Certain Management Employees, as amended (incorporated by reference to Exhibit 10.7 to Lockheed Martin Corporation's Quarterly Report on Form 10-Q for the quarter ended June 29, 2008).
10.31	Lockheed Martin Corporation 2009 Directors Equity Plan (incorporated by reference to Appendix E to Lockheed Martin Corporation's Definitive Proxy Statement on Schedule 14A filed with the SEC on March 14, 2008).
10.32	Forms of Long-Term Incentive Performance Award Agreements (2009-2011 performance period), Forms of Stock Option Award Agreements and Forms of Restricted Stock Unit Award Agreements under the Lockheed Martin Corporation 2003 Incentive Performance Award Plan.
12	Computation of ratio of earnings to fixed charges for the year ended December 31, 2008.
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 10.17, 10.20 through 10.23 and 10.25 through 10.32 constitute management contracts or compensatory plans or arrangements.

**SIGNATURES**

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

**LOCKHEED MARTIN CORPORATION**

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

Date: February 26, 2009

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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 26, 2009
<u>/s/ Bruce L. Tanner</u> BRUCE L. TANNER	Executive Vice President and Chief Financial Officer	February 26, 2009
<u>/s/ E.C. "Pete" Aldridge, Jr.*</u> E.C. "PETE" ALDRIDGE, JR.	Director	February 26, 2009
<u>/s/ Nolan D. Archibald*</u> NOLAN D. ARCHIBALD	Director	February 26, 2009
<u>/s/ David B. Burritt*</u> DAVID B. BURRITT	Director	February 26, 2009
<u>/s/ James O. Ellis, Jr.*</u> JAMES O. ELLIS, JR.	Director	February 26, 2009
<u>/s/ Gwendolyn S. King*</u> GWENDOLYN S. KING	Director	February 26, 2009
<u>/s/ James M. Loy*</u> JAMES M. LOY	Director	February 26, 2009
<u>/s/ Douglas H. McCorkindale*</u> DOUGLAS H. MCCORKINDALE	Director	February 26, 2009
<u>/s/ Joseph W. Ralston*</u> JOSEPH W. RALSTON	Director	February 26, 2009
<u>/s/ Frank Savage*</u> FRANK SAVAGE	Director	February 26, 2009
<u>/s/ James M. Schneider*</u> JAMES M. SCHNEIDER	Director	February 26, 2009
<u>/s/ Anne Stevens*</u> ANNE STEVENS	Director	February 26, 2009
<u>/s/ James R. Ukropina*</u> JAMES R. UKROPINA	Director	February 26, 2009

\*By: /s/ JAMES B. COMEY

(JAMES B. COMEY, Attorney-in-fact\*\*)

February 26, 2009

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

**LOCKHEED MARTIN CORPORATION**  
**DIRECTORS DEFERRED COMPENSATION PLAN**

March 15, 1995

*As Amended December 7, 1995*

*As Amended April 24, 1996*

*As Amended February 27, 1997*

*As Amended December 3, 1998*

*As Amended February 24, 1999*

*As Amended October 24, 2002*

*As Amended October 24, 2003*

*As Amended and Restated Effective January 1, 2005*

*As Amended October 27, 2006*

*As Amended October 24, 2008*

*As Amended and Restated Effective January 1, 2009*

**ARTICLE I**

**PURPOSE**

The purpose of this Plan is to give each non-employee Director of Lockheed Martin Corporation the opportunity to be compensated for his or her service as a Director on a deferred basis. The Plan is also intended to establish a method of paying Director's compensation which will aid the Corporation in attracting and retaining as members of the Board persons whose abilities, experience and judgment can contribute to the success of the Corporation. In addition, by providing Directors with the option of accruing earnings based on the performance of Lockheed Martin Common Stock, the Plan is intended to more closely align the economic interests of Directors with the interests of stockholders generally.

The Plan was amended and restated, effective January 1, 2005, in order to comply with the requirements of Internal Revenue Code section 409A. This amendment and restatement of the Plan applies only to the portion of a Participant's Account Balance that is earned or becomes vested on or after January 1, 2005 (and any earnings attributable to that portion). The portion of a Participant's Account Balance that was earned and vested prior to January 1, 2005 (and any earnings attributable to that portion) shall be governed by the terms of the Plan in effect on December 31, 2004, which is attached hereto as Appendix A.

The Plan and Appendix A were amended and restated, effective as soon as administratively practicable on or after February 1, 2009, to change the interest option for calculating earnings and to provide for new investment options in which Participants may invest their Account Balances, whether earned and vested before or after January 1, 2005. The addition of the new investment options in Appendix A is not intended to constitute a material modification within the meaning of Code section 409A.

The Plan is hereby amended and restated to prospectively eliminate an investment option and make other clarifying changes.

## ARTICLE II

### DEFINITIONS

Whenever the following terms are used in this Plan, they shall have the meaning specified below, unless the context clearly indicates to the contrary:

*Account* means the bookkeeping account maintained by the Corporation on behalf of a participating Director which is credited with the Director's Deferred Compensation, including investment earnings credited under Section 4.2.

*Beneficiary* shall have the meaning specified in Section 7.2(b).

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

*Committee* means the Committee appointed to administer this Plan, as provided in Section 6.1 hereof.

*Corporation* means Lockheed Martin Corporation, a Maryland corporation and its successors.

*Deferred Compensation* means Director's Fees deferred pursuant to this Plan and investment earnings credited thereto under Section 4.2.

*Director* means a member of the Board of Directors of the Corporation who is eligible to receive compensation in the form of Director's Fees and who is not an officer or employee of the Corporation or any of its subsidiaries.

*Director's Fees* means the cash fees payable to a Director for services as a Director and for services on any Committee of the Board, including the amount of any retainer paid to a non-employee for services as Chairman of the Board.

*Effective Date* means the effective date referred to in Section 7.8.

*Election Form* means the form by which a Director elects to participate in this Plan.

*Plan* means the Lockheed Martin Corporation Directors Deferred Compensation Plan.

*Qualified Savings Plan* means the Lockheed Martin Corporation Salaried Savings Plan.



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## ARTICLE III

### PARTICIPATION

3.1 *Timing of Deferral Elections.* In order to defer Director's fees earned in any calendar year, a Director must make a deferral election by executing and filing an Election Form by December 31 of the year prior to the year in which the fees will be earned. In the case of a new Director, an election to defer Director's fees must be filed within 30 days after the commencement of the Director's term of office and shall apply only to fees for services after the date of such election. The deferral election shall specify the manner in which earnings (or losses) on the deferred amount shall accrue in accordance with Section 4.2 below. To the extent that a Director elects that any portion of a deferred amount shall accrue earnings (or losses) based on the Lockheed Martin Common Stock Investment Option, such an election shall be given effect only if (i) the election is irrevocably made at least six (6) months prior to the effective date of the allocation or (ii) the crediting of the deferred amount to the Lockheed Martin Common Stock Investment Option has been approved by the Board of Directors (or a committee thereof that is comprised of persons specified in Section 6.1). To the extent that a Director makes an election to have Deferred Compensation credited to the Lockheed Martin Common Stock Investment Option which is not in compliance with (i) or (ii) above, the amount elected to be deferred into the Lockheed Martin Common Stock Investment Option shall initially be allocated to the Interest Option until such time as the allocation to the Lockheed Martin Common Stock Investment Option would be in compliance with (i) or (ii) above, at which time the deferred amount shall automatically be reallocated.

3.2 *Terms of Deferral Elections.* A Director's deferral election for a calendar year shall specify the percentage (which may equal 100%) of the Director's Fees to be earned by the Director for that year which are to be deferred under this Plan and, with respect to fees deferred pursuant to that election, the method for crediting earnings (or losses) selected by the Director in accordance with Article IV and the manner of distribution in accordance with Section 5.1(a). A Director's deferral election shall be irrevocable during any calendar year in which it is in effect. A Director's election shall remain in effect and shall be deemed to have been made for a subsequent calendar year unless the Director files a revised election form by December 31 of the year preceding the year in which the applicable Director's Fees will be earned. If a Director files a change of election in accordance with Section 5.1(c), the manner of distribution elected under that Section will apply only to the Deferred Compensation for the calendar years listed on the Election Form.

## ARTICLE IV

### CREDITING OF ACCOUNTS

4.1 *Crediting of Director's Fees.* Director's Fees that a Director has elected to defer shall be credited to the Director's Account as of the first day of the month in which the Director's Fees would have been payable to the Director if no deferral election had been made under this Plan. The elected deferral percentage shall apply to all Director's Fees earned by the Director during a calendar year.

4.2 *Crediting of Investment Earnings.* Subject to the provisions of Section 3.1 above, as of each trading day (each day on which the New York Stock Exchange is open), a Director's Account shall be credited to reflect investment earnings (or losses) for each trading day, based on the Director's investment selections under this Section 4.2. A Director may elect to have his or her Account credited with investment earnings (or losses) for each trading day as if the Director's Account balance had been invested in the following:

(a) *Interest Option.* Interest at a rate equivalent to (i) 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, (ii) such other interest rate as is available to participants in the Lockheed Martin Corporation Deferred Management Compensation Plan as an interest option if the interest option under (i) is not an option under that plan, or (iii) if there is no rate under (i) or (ii) such other interest rate as is approved by the Board. Notwithstanding anything in the Plan to the contrary, Deferred Compensation credited to a Director's Account on or after July 1, 2009 may not be invested in the Interest Option. Deferred Compensation credited to the Interest Option prior to July 1, 2009 may remain credited to the Interest Option, until such amounts are transferred to the Lockheed Martin Common Stock Investment Option or the Investment Fund Option on or after July 1, 2009. No Deferred Compensation may be credited or reallocated to the Interest Option on or after July 1, 2009.

(b) *Investment Fund Option.* Earnings shall be credited to a Director's Account based on the market value and investment return of the investment options (including the Target Date Funds and core mutual funds (and successor funds), and excluding the Company Stock Fund, ESOP Fund, and Self-Managed Account) that are available to participants pursuant to the terms of the Qualified Savings Plan, provided that the Committee retains the discretion to add certain funds to, or to exclude certain funds from, the Investment Fund Option. Earnings (or losses) shall be credited to a Director's Account based on the investment option or options within the Investment Fund Option to which his or her Account has been allocated. The manner in which earnings (or losses) are credited under each of the investment options shall be determined in the same manner as under the Qualified Savings Plan.

(c) *Lockheed Martin Common Stock Investment Option*. Earnings (or losses) shall be credited as if such amount had been invested in Lockheed Martin Common Stock at the published closing price of the Corporation's Common Stock on the New York Stock Exchange on the last trading day preceding the day as to which such amount is deferred (or reallocated) into the Lockheed Martin Common Stock Investment Option; this portion of a Director's Account shall reflect any subsequent appreciation or depreciation in the market value of Lockheed Martin Common Stock based on the published closing price of the stock on the New York Stock Exchange on each trading day of each month and shall reflect dividends on the stock as if such dividends were reinvested in shares of Lockheed Martin Common Stock.

(d) A combination of (a), (b) and (c).

A Director's initial investment selections must be made by the date that the Director's initial deferral election takes effect. A Director may change his or her investment selections for all amounts credited to the Plan or separately with respect to amounts to be deferred in future periods to the Director's Account and amounts deferred in prior periods to the Director's Account, provided that any such change to the investment of amounts deferred in prior periods to the Director's Account that would result in an increase or decrease in the portion of the Director's Account allocated to the Lockheed Martin Common Stock Investment Option shall only be effective if it is made pursuant to an irrevocable written election made at least six months following the date of the Director's most recent "opposite way" election with respect to either the Plan or any other plan maintained by Lockheed Martin that provides for Discretionary Transactions (as defined in Rule 16b-3). Subject to the foregoing, a change of investment selections must be made by accessing the Qualified Savings Plan Web tool. Except as set forth above, the procedures (including restrictions) for directing the allocation and reallocation among the investment options shall be the same as the procedures (and restrictions) for making allocations and reallocations under the Qualified Savings Plan. Deferred Compensation credited to a Director's Account prior to July 1, 2009 may be credited or reallocated to the Interest Option prior to July 1, 2009. No Deferred Compensation may be credited or reallocated to the Interest Option on or after July 1, 2009.

*4.3 Account Balance as Measure of Deferred Compensation*. The Deferred Compensation payable to a Director (or the Director's Beneficiary) shall be measured by, and shall in no event exceed, the sum of the amounts credited to the Director's Account.

ARTICLE V

PAYMENT OF DEFERRED COMPENSATION

5.1 *Manner of Distribution.*

(a) *Rules for Initial Elections and subsequent changes in Elections.*

(i) Election for Commencement of Payment. At the time a Director completes an Election Form or files a change of election form, he or she shall elect from among the following options governing the date on which the payment of benefits shall commence:

- (A) Payment to begin on the January 15th or July 15th next following the date of the termination of a Director's status as a Director for any reason.
- (B) Payment to begin on January 15th of the year next following the year in which the Director's status as a Director terminates for any reason.
- (C) Payment to begin on the January 15th next following the date on which the Director has both terminated Director status for any reason and attained the age designated by the Director in the Election Form.

(ii) Election for Form of Payment. At the time a Director completes an Election Form or files a change of election form, he or she shall elect the form of payment of his or her Deferred Compensation from among the following options:

- (A) A lump sum.
- (B) Annual payments for a period of years designated by the Director which shall not exceed fifteen (15). The amount of each annual payment shall be determined by dividing the Director's Account at the end of the month prior to such payment by the number of years remaining in the elected installment period.

(b) *Cash-out of Small Benefits.* Notwithstanding the above, if the Account Balance of a Director who is entitled to begin payment equals \$10,000 or less, the Director's Account Balance shall be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits. In no event shall a distribution in accordance with the previous sentence be made after March 15<sup>th</sup> of the calendar year following the year in which the termination of the Director's status as a Director occurs.

(c) *Subsequent Change of Elections.* A Director may change any election as to the manner of distribution and file a new election choosing a lump sum or installment payments with respect to the payment of the Director's entire Account, or with respect to fees deferred for specific calendar years, by executing an election (on a form prescribed by the Company) within the time periods described in this Section 5.1(c). Any election under this Section 5.1(c) shall specify a time on which commencement of distribution will begin and the number of installments to be paid if any, under the options specified in Section 5.1(c). An election must be made prior to the Director's termination of service as a director. To constitute a valid election by a Director making a prospective change to a previous election, (i) the prospective election must be executed and delivered to the Company at least twelve (12) months before the date the first payment would be due under the Director's previous election, and (ii) the first payment must be delayed by at least sixty (60) months from the date the first payment would be due under the Director's previous election. In the event an election fails to satisfy the terms of this Section 5.1(c), such election shall be void and payment shall commence under the Director's previous valid election or, if none exists, shall be paid in a lump sum.

(d) *Valuation of Distributions.* Distributions shall be valued based on the closing price on the trading day that is four (4) business days prior to the date of the distribution.

5.2 *Commencement of Payments.* Subject to the provisions of Section 5.5 and except as provided in Sections 5.1(b) and 5.4, the payment of Deferred Compensation to a Director shall be made following a Director's termination as a Director in accordance with his or her deferral elections regardless of, whether the Director's termination is due to resignation, retirement, disability, death, or otherwise. Installment payments shall continue to be made in January of each succeeding year until all installments have been paid.

5.3 *Death Benefits.* Subject to the provisions of Section 5.5, in the event that a Director dies before payment of the Director's Deferred Compensation has commenced or been completed, the balance of the Director's Account shall be distributed to the Director's Beneficiary commencing in the January following the date of the Director's death in accordance with the manner of distribution (lump sum or annual installments as well as timing of commencement of distributions) elected by the Director for payments during the Director's lifetime.

5.4 *Emergency Withdrawals.* In the event of an unforeseen financial emergency prior to the commencement of distributions or after the commencement of installment payments, the Committee may approve a distribution to a Director (or Beneficiary after the death of a Director) of the part of the Director's Account Balance an amount which does not exceed the amount necessary to satisfy such emergency plus the amount necessary to pay taxes reasonably anticipated as a result of the distribution. This emergency distribution amount must take into consideration any amounts by which the hardship is or may be relieved through reimbursement or compensation by insurance or

by liquidation of the Director's (or Beneficiary's after the death of the Director) assets to the extent such liquidation would not cause a severe financial hardship. An emergency withdrawal will be approved only in a circumstance of severe financial hardship to the Director (or Beneficiary, as applicable) resulting from a sudden and unexpected illness or accident of the Director (or Beneficiary, as applicable) or of a dependant of the Director (or Beneficiary, as applicable), loss of property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Director (or Beneficiary, as applicable). The investment earnings shall be determined as if the withdrawal had been debited from the Director's Account in the first day of the month in which the withdrawal occurs.

5.5 *Corporation's Right to Withhold.* There shall be deducted from all payments under this Plan the amount of taxes, if any, required to be withheld under applicable federal or state tax laws. The Directors and their Beneficiaries will be liable for payment of any and all income or other taxes imposed on Deferred Compensation payable under this Plan.

5.6 *Section 16 Limitations on Distributions.* Notwithstanding anything contained herein to the contrary, no distribution of any portion of a Director's Account credited to the Lockheed Martin Common Stock Investment Option shall be made unless (i) the Board of Directors or Committee has approved the distribution or (ii) at least six months have passed from the date the Director's service on the Board has terminated.

## ARTICLE VI

### ADMINISTRATION, AMENDMENT AND TERMINATION

6.1 *Administration by Committee.* This Plan shall be administered by a Committee consisting of exclusively "non-employee directors" as that term is defined in Rule 16b-3 ("Rule 16b-3") promulgated by the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act"). The Committee shall act by vote of a majority or by unanimous written consent of its members. The Committee's resolution of any question regarding the interpretation of this Plan shall be subject to review by the Board, and the Board's determination shall be final and binding on all parties. Notwithstanding anything contained in the Plan or in any document issued under the Plan, it is intended that the Plan will at all times comply with the requirements of Internal Revenue Code section 409A and any regulations or other guidance issued thereunder, and that the provisions of the Plan will be interpreted to meet such requirements. If any provision of the Plan or any Deferral Agreement is determined not to conform to such requirements, the Plan and/or the Deferral Agreement, as applicable, shall be interpreted to omit such offending provision.

6.2 *Amendment and Termination.* This Plan may be amended, modified, or terminated by the Board at any time, except that no such action shall (without the consent of affected Directors or, if appropriate, their Beneficiaries or personal representatives) adversely affect the rights of Directors or Beneficiaries with respect to compensation earned and deferred under this Plan prior to the date of such amendment, modification, or termination, or result in the application of penalties under Code section 409A.

## ARTICLE VII

### MISCELLANEOUS

*7.1 Limitation on Directors' Rights.* Participation in this Plan shall not give any Director the right to continue to serve as a member of the Board or any rights or interests other than as herein provided. No Director shall have any right to any payment or benefit hereunder except to the extent provided in this Plan. This Plan shall create only a contractual obligation on the part of the Corporation as to such amounts and shall not be construed as creating a trust. The Plan, in and of itself, has no assets. Directors shall have only the rights of general unsecured creditors of the Corporation with respect to amounts credited to or payable from their Accounts.

#### *7.2 Beneficiaries.*

(a) *Beneficiary Designation.* Subject to applicable laws (including any applicable community property and probate laws), each Director may designate in writing the Beneficiary that the Director chooses to receive any payments that become payable after the Director's death, as provided in Section 5.3. A Director's Beneficiary designation shall be made on forms provided and in accordance with procedures established by the Corporation and may be changed by the Director at any time before the Director's death.

(b) *Definition of Beneficiary.* A Director's "Beneficiary" or "Beneficiaries" shall be the person or persons, including a trust or trusts, validly designated by the Director or, in the absence of a valid designation, entitled by will or the laws of descent and distribution to receive the amounts otherwise payable to the Director under this Plan in the event of the Director's death.

*7.3 Rights Not Assignable; Obligations Binding Upon Successors.* A Director's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest thereon, other than pursuant to Section 6.2, shall not be permitted or recognized. Obligations of the Corporation under this Plan shall be binding upon successors of the Corporation.

*7.4 Governing Law; Severability.* The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

7.5 *Annual Statements.* The Corporation shall prepare and send a statement to the Director (or to the Director's Beneficiary after the Director's death) showing the balance credited to the Director's Account as of December 31 of each year for which an Account is maintained with respect to the Director.

7.6 *Headings Not Part of Plan.* Headings and subheadings in this Plan are inserted for reference only and are not to be considered in the construction of this Plan.

7.7 *Consent to Plan Terms.* By electing to participate in this Plan, a Director shall be deemed conclusively to have accepted and consented to all of the terms of this Plan and to all actions and decisions of the Corporation, Board, or Committee with regard to the Plan. Such terms and consent shall also apply to and be binding upon each Director's Beneficiary or Beneficiaries, personal representatives, and other successors in interest.

7.8 *Effective Date.* This Plan shall become effective on March 15, 1995.

7.9 *Plan Construction.* It is the intent of the Corporation that this Plan satisfy and be interpreted in a manner that satisfies the applicable requirements of Rule 16b-3 so that Directors will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act and will not be subjected to avoidable liability thereunder. Any contrary interpretation shall be avoided.

This Plan has been amended and restated pursuant to resolution of the Board of Directors on February 26, 2009 effective as stated herein.



APPENDIX A  
Directors Deferred Compensation Plan

This Appendix A to the Directors Equity Plan shall govern the portion of a Director's Accounts that was earned and vested prior to January 1, 2005 (and any earnings attributable to that portion). This Appendix A shall not apply to the portion of a Director's Accounts that is earned or becomes vested on or after January 1, 2005 (and any earnings attributable to that portion).

**ARTICLE I**

**PURPOSE**

The purpose of this Plan is to give each non-employee Director of Lockheed Martin Corporation the opportunity to be compensated for his or her service as a Director on a deferred basis. The Plan is also intended to establish a method of paying Director's compensation which will aid the Corporation in attracting and retaining as members of the Board persons whose abilities, experience and judgment can contribute to the success of the Corporation. In addition, by providing Directors with the option of accruing earnings based on the performance of Lockheed Martin Common Stock, the Plan is intended to more closely align the economic interests of Directors with the interests of stockholders generally.

**ARTICLE II**

**DEFINITIONS**

Whenever the following terms are used in this Plan, they shall have the meaning specified below, unless the context clearly indicates to the contrary:

*Account* means the bookkeeping account maintained by the Corporation on behalf of a participating Director which is credited with the Director's Deferred Compensation, including investment earnings credited under Section 4.2.

*Beneficiary* shall have the meaning specified in Section 8.2(b).

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

*Committee* means the Committee appointed to administer this Plan, as provided in Section 7.1 hereof.

*Corporation* means Lockheed Martin Corporation, a Maryland corporation and its successors.

*Deferred Compensation* means Director's Fees deferred pursuant to this Plan and investment earnings credited thereto under Section 4.2. Deferred Compensation also includes the Lump Sum Retirement Benefit deferred pursuant to this Plan and investment earnings credited thereto under Section 4.2.

*Director* means, except as provided in Section 5.5, a member of the Board of Directors of the Corporation who is eligible to receive compensation in the form of Director's Fees and who is not an officer or employee of the Corporation or any of its subsidiaries.

*Director's Fees* means the cash fees payable to a Director for services as a Director and for services on any Committee of the Board, including the amount of any retainer paid to a non-employee for services as Chairman of the Board.

*Effective Date* means the effective date referred to in Section 8.8.

*Election Form* means the form by which a Director elects to participate in this Plan.

*Lump Sum Death Benefit* means the actuarial value of the \$100,000 death benefit provided to Directors prior to May 1, 1999.

*Lump Sum Retirement Benefit* means the value of the benefit earned under the Lockheed Martin Corporation Directors Retirement Plan as determined upon termination of that plan effective May 1, 1999.

*Plan* means the Lockheed Martin Corporation Directors Deferred Compensation Plan.

*Qualified Savings Plan* means the Lockheed Martin Corporation Salaried Savings Plan or any successor plan.

### **ARTICLE III**

#### **PARTICIPATION**

3.1 *Timing of Deferral Elections.* In order to defer Director's fees earned in any calendar year, a Director must make a deferral election by executing and filing an Election Form before the commencement of that calendar year. In the case of a new Director, an election to defer Director's fees must be filed within 30 days after the commencement of the Director's term of office and shall apply only to fees for services after the date of such election. The deferral election shall specify the manner in which earnings (or losses) on the deferred amount shall accrue in accordance with Section 4.2 below. To the extent that a Director elects that any portion of a deferred amount shall accrue earnings (or losses) based on the Lockheed Martin Common Stock Investment Option, such an election shall be given effect only if (i) the election is irrevocably made at least six (6) months prior to the effective date of the allocation or (ii) the crediting of

the deferred amount to the Lockheed Martin Common Stock Investment Option has been approved by the Board of Directors (or a committee thereof that is comprised of persons specified in Section 7.1). To the extent that a Director makes an election to have Deferred Compensation credited to the Lockheed Martin Common Stock Investment Option which is not in compliance with (i) or (ii) above, the amount elected to be deferred into the Lockheed Martin Common Stock Investment Option shall initially be allocated to the Interest Option until such time as the allocation to the Lockheed Martin Common Stock Investment Option would be in compliance with (i) or (ii) above, at which time the deferred amount shall automatically be reallocated.

3.2 *Terms of Deferral Elections.* A Director's deferral election for a calendar year shall specify the percentage (which may equal 100%) of the Director's Fees to be earned by the Director for that year which are to be deferred under this Plan and with respect to fees deferred pursuant to that election the method for crediting earnings (or losses) selected by the Director in accordance with Article IV and the manner of distribution in accordance with Section 5.1(b). A Director's deferral election shall remain in effect for each subsequent calendar year, unless the Director duly files a revised Election Form or written revocation of the election before the beginning of the subsequent calendar year. A Director's deferral election shall be irrevocable during any calendar year in which it is in effect. If a Director files a change of election in accordance with Section 5.1(d), the manner of distribution elected under that Section will remain in effect for deferrals in any subsequent year unless the Director duly files a revised Election Form.

#### ARTICLE IV

#### CREDITING OF ACCOUNTS

4.1 *Crediting of Director's Fees.* Director's Fees that a Director has elected to defer shall be credited to the Director's Account as of the first day of the month in which the Director's Fees would have been payable to the Director if no deferral election had been made under this Plan. The elected deferral percentage shall apply to all Director's Fees earned by the Director during a calendar year.

4.2 *Crediting of Investment Earnings.* Subject to the provisions of Section 3.1 above, as of each trading day (each day on which the New York Stock Exchange is open), a Director's Account shall be credited to reflect investment earnings (or losses) for each trading day, based on the Director's investment selections under this Section 4.2. A Director may elect to have his or her Account credited with investment earnings (or losses) for each trading day as if the Director's Account balance had been invested in the following:

(a) *Interest Option.* Interest at a rate equivalent to (i) 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, (ii) such

other interest rate as is available to participants in the Lockheed Martin Corporation Deferred Management Compensation Plan as an interest option if the interest option under (i) is not an option under that plan, or (iii) if there is no rate under (i) or (ii) such other interest rate as is approved by the Board. No amounts may be credited or reallocated to the Interest Option on or after July 1, 2009. Deferred Compensation credited to a Director's Account prior to January 1, 2005 may remain credited to, or may be reallocated to, the Interest Option until such amounts are transferred to the Company Stock Investment Option or the Investment Fund Option on or after July 1, 2009.

(b) *Investment Fund Option.* Earnings shall be credited to a Director's Account based on the market value and investment return of the investment options (including the Target Date Funds and core mutual funds (and successor funds), and excluding the Company Stock Fund, ESOP Fund, and Self-Managed Account) that are available to participants pursuant to the terms of the Qualified Savings Plan, provided that the Committee retains the discretion to add certain funds to, or to exclude certain funds from, the Fund Investment Option. Earnings shall be credited to a Director's Account based on the investment option or options within the Investment Fund Option to which his or her Account has been allocated. The manner in which earnings are credited under each of the investment options shall be determined in the same manner as under the Qualified Savings Plan.

(c) *Lockheed Martin Common Stock Investment Option.* Earnings (or losses) shall be credited as if such amount had been invested in Lockheed Martin Common Stock at the published closing price of the Corporation's Common Stock on the New York Stock Exchange on the last trading day preceding the day as to which such amount is deferred (or reallocated) into the Lockheed Martin Common Stock Investment Option; this portion of a Director's Account shall reflect any subsequent appreciation or depreciation in the market value of Lockheed Martin Common Stock based on the published closing price of the stock on the New York Stock Exchange on each trading day of each month and shall reflect dividends on the stock as if such dividends were reinvested in shares of Lockheed Martin Common Stock.

(d) A combination of (a), (b) and (c).

A Director's initial investment selections must be made by the date that the Director's initial deferral election takes effect. A Director may change his or her investment selections with respect to all amounts credited to the Director's Account, including amounts deferred in prior periods, provided that any such change that would result in an increase or decrease in the portion of the Director's Account allocated to the Lockheed Martin Common Stock Investment Option shall only be effective if it is made pursuant to an irrevocable written election made at least six months following the date of the Director's most recent "opposite way" election with respect to either the Plan or any other plan maintained by Lockheed Martin that provides for Discretionary Transactions (as defined in Rule 16b-3). Subject to the foregoing, a change of investment selections must be made by accessing the Qualified Savings Plan Web tool. Except as set forth above, the procedures (including restrictions) for directing the allocation and reallocation among the investment options shall be the same as the procedures (and restrictions) for making allocations and reallocations under the Qualified Savings Plan. No amounts may be credited or reallocated to the Interest Option on or after July 1, 2009.

4.3 *Account Balance as Measure of Deferred Compensation.* The Deferred Compensation payable to a Director (or the Director's Beneficiary) shall be measured by, and shall in no event exceed, the sum of the amounts credited to the Director's Account.

## ARTICLE V

### PAYMENT OF DEFERRED COMPENSATION

#### 5.1 *Manner of Distribution.*

(a) *Amounts deferred prior to October 24, 2003.* Subject to the provisions of Section 5.6 and 5.1(d), with respect to any fees deferred prior to October 24, 2003 a Director's Deferred Compensation shall be paid as a lump sum cash payment equal to the balance credited to the Director's Account on or about January 15<sup>th</sup> of the calendar year that next follows the date of the termination of the Director's status as a Director., Notwithstanding the foregoing, with respect to any fees deferred prior to October 24, 2003, a Director may elect to have the Director's Deferred Compensation distributed in annual installments commencing on or about January 15<sup>th</sup> of the calendar year that next follows the date of the termination of the Director's status as a Director and continuing over a maximum period of ten (10) years. The amount of each annual installment shall be determined by dividing the Director's Account balance (or the portion of the Account balance to which the installment election applies) on the December 31 preceding the payment date by the number of years remaining in the elected installment period.

#### (b) *Rules for Deferrals made (or changes in elections filed) on or after October 24, 2003.*

(i) Election for Commencement of Payment. At the time a Director completes an Election Form or files a change of election form, he or she shall elect from among the following options governing the date on which the payment of benefits shall commence:

- (A) Payment to begin on or about the January 15th or July 15th next following the date of the termination of a Director's status as a Director for any reason.
- (B) Payment to begin on or about January 15th of the year next following the year in which the Director's status as a Director terminates for any reason.

(C) Payment to begin on or about the January 15th next following the date on which the Director has both terminated Director status for any reason and attained the age designated by the Director in the Election Form.

(ii) Election for Form of Payment. At the time a Director completes an Election Form or files a change of election form, he or she shall elect the form of payment of his or her Deferred Compensation from among the following options:

(A) A lump sum.

(B) Annual payments for a period of years designated by the Director which shall not exceed fifteen (15). The amount of each annual payment shall be determined by dividing the Director's Account at the end of the month prior to such payment by the number of years remaining in the elected installment period. The installment period may be shortened, in the sole discretion of the Committee, if the Committee at any time determines that the amount of the annual payments that would be made to the Director during the designated installment period would be too small to justify the maintenance of the Director's Account and the processing of payments.

(c) *Deferral For Directors Fees Earned in 1996*. A Director may elect to have the Director's Deferred Compensation earned during the 1996 calendar year credited and paid as a lump sum under (a) or annual installments under (b) except that payment (or installments, as the case may be) will be made (or commence) on January 1, 1998, or as soon as practicable thereafter regardless of whether the Director has terminated service as a Director.

(d) *Timing and Change of Elections*. A Director may change any election as to the manner of distribution and file a new election choosing a lump sum or installment payments with respect to the payment of the Director's entire Account, or with respect to fees deferred for specific years or with respect to the specific benefits available under Article VI, by executing an election (on a form prescribed by the Company) within the time periods described in this Section 5.1(d). Any election under this Section 5.1(d) shall specify a time on which commencement of distribution will begin and the number of installments to be paid if any, under the options specified in Section 5.1(b). An election must be made prior to the Director's termination of service as a director. No election will be considered valid to the extent the election would (i) result in a payment being made within six months of the date of the election or (ii) result in a payment in the same calendar year as the election; in the event an election fails to satisfy the provisions set forth in this sentence, the first payment under the election will be delayed until the first January 15 or July 15 that is both (i) at least six months after the date of the election and (ii) in a calendar year after the date of the election. In addition, to constitute a valid

election, an election made under this Section 5.1(d) must be made (i) at least six months before the date the first payment would be due under the Director's previous election and (ii) in a different calendar year than the date the first payment would be due under the Director's previous election.

In the event an election fails to satisfy the terms of this Section 5.1(d), such election shall be void and payment shall commence under the Director's previous valid election or, if none exists, shall be paid in a lump sum.

(e) *Valuation of Distributions.* Distributions shall be valued based on the closing price on the trading day that is four (4) business days prior to the date of the distribution.

5.2 *Commencement of Payments.* Subject to the provisions of Section 5.6 and except as provided in Sections 5.1(a) and (c) and 5.4, the payment of Deferred Compensation to a Director shall be made following a Director's termination as a Director in accordance with his or her deferral elections regardless of, whether the Director's termination is due to resignation, retirement, disability, death, or otherwise. Installment payments shall continue to be made in January of each succeeding year until all installments have been paid.

5.3 *Death Benefits.* Subject to the provisions of Section 5.6, in the event that a Director dies before payment of the Director's Deferred Compensation has commenced or been completed, the balance of the Director's Account shall be distributed to the Director's Beneficiary commencing in the January following the date of the Director's death in accordance with the manner of distribution (lump sum or annual installments as well as timing of commencement of distributions) elected by the Director for payments during the Director's lifetime. However, upon good cause shown by a Beneficiary or personal representative of the Director, the Committee, in its sole discretion, may reject a Director's installment election and instead cause the Director's death benefits to be paid in a lump sum.

5.4 *Emergency Withdrawals.* In the event of an unforeseeable emergency prior to the commencement of distributions or after the commencement of installment payments, the Committee may approve a distribution to a Director (or Beneficiary after the death of a Director) of the part of the Director's Account balance that is reasonably needed to satisfy the emergency need. An Emergency withdrawal will be approved only in a circumstance of severe financial hardship to the Director (or Beneficiary after the death of the Director) resulting from a sudden and unexpected illness or accident of the Director (or Beneficiary, as applicable) or of a dependent of the Director (or Beneficiary, as applicable), loss of property due to casualty, or other similar extraordinary or unforeseeable circumstance arising from events beyond the control of the Director (or Beneficiary, as applicable). The investment earnings credited to the Director's Account shall be determined as if the withdrawal had been debited from the Director's Account on the first day of the month in which the withdrawal occurs.

5.5 *Status of Certain Directors.*

(a) For purposes of Section 5.2, a retired Director who continues to advise the Board of Directors under an Advisory Services Agreement shall be treated as an active Director for the period that he or she continues to serve under such agreement, if the Director so elects on or before April 25, 1996. An election under this Section 5.5 shall not otherwise alter the Director's rights under this plan. Once made, an election under this Section 5.5 shall be irrevocable.

(b) For the purposes of Article VI, a member of the Board of Directors who is not eligible for Director's Fees but who is eligible for a Lump Sum Retirement Benefit shall be eligible to defer such compensation pursuant to this Plan.

5.6 *Corporation's Right to Withhold.* There shall be deducted from all payments under this Plan the amount of taxes, if any, required to be withheld under applicable federal or state tax laws. The Directors and their Beneficiaries will be liable for payment of any and all income or other taxes imposed on Deferred Compensation payable under this Plan.

5.7 *Section 16 Limitations on Distributions.* Notwithstanding anything contained herein to the contrary, no distribution of any portion of a Director's Account credited to the Lockheed Martin Common Stock Investment Option shall be made unless (i) the Board of Directors or Committee has approved the distribution or (ii) at least six months have passed from the date the Director's service on the Board has terminated.

**ARTICLE VI**

**SPECIAL RULES FOR LUMP SUM RETIREMENT BENEFIT  
AND LUMP SUM DEATH BENEFIT**

6.1 *Deferral of Lump Sum Benefits.* The Lump Sum Retirement Benefit and the Lump Sum Death Benefit for each Director shall be credited to that Director's Account as of May 1, 1999. Subject to the provisions of Section 3.1 above, the Director's investment selections for deferred Director's Fees shall be the investment selection for a Director's Lump Sum Retirement Benefit and Lump Sum Death Benefit and as of the last day of each month, a Director's Account shall be credited to reflect investment earnings (or loss) for the month, based on the Director's investment selections under Section 4.2.

6.2 *Payment of Lump Sum Benefits.* The Lump Sum Retirement Benefit and the Lump Sum Death Benefit shall be distributed as part of a Director's Deferred Compensation in accordance with Article V. Subject to Section 5.7, a Director may also elect to receive the Lump Sum Death Benefit and the Lump Sum Retirement Benefit in a single lump sum payable on or about May 1, 2000, so long as prior to May 1, 1999, the



Director makes an irrevocable written election to receive the lump sum payment. Any lump sum payment made pursuant to this Section 6.2 shall include amounts credited as investment earnings with respect to the Lump Sum Retirement Benefit for the period from May 1, 1999 until April 30, 2000. Notwithstanding anything herein to the contrary, no portion of a Director's Lump Sum Retirement Benefit may be paid prior to May 1, 2000.

## **ARTICLE VII**

### **ADMINISTRATION, AMENDMENT AND TERMINATION**

7.1 *Administration by Committee.* This Plan shall be administered by a Committee consisting of exclusively "non-employee directors" as that term is defined in Rule 16b-3 ("Rule 16b-3") promulgated by the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act"). The Committee shall act by vote of a majority or by unanimous written consent of its members. The Committee's resolution of any question regarding the interpretation of this Plan shall be subject to review by the Board, and the Board's determination shall be final and binding on all parties.

7.2 *Amendment and Termination.* This Plan may be amended, modified, or terminated by the Board at any time, except that no such action shall (without the consent of affected Directors or, if appropriate, their Beneficiaries or personal representatives) adversely affect the rights of Directors or Beneficiaries with respect to compensation earned and deferred under this Plan prior to the date of such amendment, modification, or termination.

## **ARTICLE VIII**

### **MISCELLANEOUS**

8.1 *Limitation on Directors' Rights.* Participation in this Plan shall not give any Director the right to continue to serve as a member of the Board or any rights or interests other than as herein provided. No Director shall have any right to any payment or benefit hereunder except to the extent provided in this Plan. This Plan shall create only a contractual obligation on the part of the Corporation as to such amounts and shall not be construed as creating a trust. The Plan, in and of itself, has no assets. Directors shall have only the rights of general unsecured creditors of the Corporation with respect to amounts credited to or payable from their Accounts.

## 8.2 Beneficiaries.

(a) *Beneficiary Designation.* Subject to applicable laws (including any applicable community property and probate laws), each Director may designate in writing the Beneficiary that the Director chooses to receive any payments that become payable after the Director's death, as provided in Section 5.3. A Director's Beneficiary designation shall be made on forms provided and in accordance with procedures established by the Corporation and may be changed by the Director at any time before the Director's death.

(b) *Definition of Beneficiary.* A Director's "Beneficiary" or "Beneficiaries" shall be the person or persons, including a trust or trusts, validly designated by the Director or, in the absence of a valid designation, entitled by will or the laws of descent and distribution to receive the amounts otherwise payable to the Director under this Plan in the event of the Director's death.

8.3 *Rights Not Assignable; Obligations Binding Upon Successors.* A Director's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest thereon, other than pursuant to Section 7.2, shall not be permitted or recognized. Obligations of the Corporation under this Plan shall be binding upon successors of the Corporation.

8.4 *Governing Law; Severability.* The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

8.5 *Annual Statements.* The Corporation shall prepare and send a statement to the Director (or to the Director's Beneficiary after the Director's death) showing the balance credited to the Director's Account as of December 31 of each year for which an Account is maintained with respect to the Director.

8.6 *Headings Not Part of Plan.* Headings and subheadings in this Plan are inserted for reference only and are not to be considered in the construction of this Plan.

8.7 *Consent to Plan Terms.* By electing to participate in this Plan, a Director shall be deemed conclusively to have accepted and consented to all of the terms of this Plan and to all actions and decisions of the Corporation, Board, or Committee with regard to the Plan. Such terms and consent shall also apply to and be binding upon each Director's Beneficiary or Beneficiaries, personal representatives, and other successors in interest.

8.8 *Effective Date.* This Plan shall become effective on March 15, 1995.

8.9 *Plan Construction.* It is the intent of the Corporation that this Plan satisfy and be interpreted in a manner that satisfies the applicable requirements of Rule 16b-3 so that Directors will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act and will not be subjected to avoidable liability thereunder. Any contrary interpretation shall be avoided.

LOCKHEED MARTIN SUPPLEMENTARY PENSION PLAN  
FOR TRANSFERRED EMPLOYEES OF GE OPERATIONS

(Effective December 31, 2008)

ARTICLE I

PURPOSES OF THE PLAN

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

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

ARTICLE II

DEFINITIONS

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

1. **BENEFICIARY** — The person or persons designated by the Participant as his or her beneficiary under the Qualified Pension Plan. If no beneficiary is designated under the Qualified Pension Plan, or if no designated beneficiary survives the Participant, the Participant's estate shall be the beneficiary.
2. **BOARD** — The Board of Directors of Lockheed Martin Corporation.
3. **CODE** — The Internal Revenue Code of 1986, as amended.

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

5. COMPANY — Lockheed Martin Corporation and its subsidiaries.

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

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

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

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

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

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

12. YEAR — The calendar year.

ARTICLE IIISUPPLEMENTARY PENSION BENEFIT

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

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

2. Amount of Benefit.

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

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

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

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

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

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

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

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

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

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

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

compensation plan, the total amount of sales commissions (or other variable compensation earned unless such compensation is excluded by the Board or a committee thereof);

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

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

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

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

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

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

C. Early, Optional or Disability Retirement. Subject to the limitations in Section G and Section 1 of Article VII, the benefit payable to an eligible Employee who, after reaching age 60,

retires on an optional retirement date under the Qualified Pension Plan shall be computed in the manner provided by Section B (for an employee retiring on his or her normal retirement date) but taking into account only Credited Service and Average Annual Compensation to the actual date of optional retirement. The annual benefit payable to an eligible Employee who, after reaching age 55 (but before reaching age 60), retires under the early retirement provisions of the Qualified Pension Plan shall equal the amount in section B but taking into account only Credited Service and Average Annual Compensation to the Employee's actual termination of employment and reduced for early retirement using the early retirement reduction factor under Article V(2) of the Qualified Pension Plan.

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

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

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

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

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



E. Survivor Benefits. Subject to the requirements of Code section 409A, if a survivor benefit applies with respect to the past and future service annuity portion of an Employee's Annual Pension payable under the Qualified Pension Plan, such survivor benefit shall automatically apply to any benefit which he or she may be eligible under this Plan. The Employee's benefit shall be adjusted and paid in the same manner as such pension payable under the Qualified Pension Plan is adjusted and paid on account of such survivor benefit. Payments to the survivor shall commence as soon as administratively practicable (but not later than 90 days) following the later of: (1) the Employee's 55<sup>th</sup> birthday, or (2) the Employee's date of death.

F. Payments Upon Death.

Subject to the requirements of Code section 409A, if an eligible Employee dies in active Service, or following retirement with a benefit from this Plan, and a death benefit (other than a return of Employee contributions with interest including an Employee's Personal and Voluntary Pension Account) is payable to the beneficiary or Surviving Spouse of such Employee under the Qualified Pension Plan, a death benefit shall also be payable to the beneficiary or Surviving Spouse under this Plan as follows:

- (1) Any such death benefit payable to a surviving spouse under this Plan shall equal 50% of the Employee's Annual Retirement Income under this Plan reduced by (1) 100% of the Employee's preretirement surviving spouse benefit payable or other lump sum benefit under the Qualified Pension Plan, (2) 25% of the Employee's Annual Estimated Social Security Benefit, (3) the Employee's Personal Pension Account benefit, and (4) the benefit payable under the Lockheed Martin Corporation Supplemental Retirement Plan. Payments to the surviving spouse shall commence as soon as administratively practicable (but no later than 90 days) after the later of: (1) the Employee's 55<sup>th</sup> birthday, or (2) the Employee's date of death.
- (2) Any such death benefit payable to a surviving spouse under this Plan shall take into account only Credited Service and Average Annual Compensation to the earlier of the Employee's death or termination of employment and will be reduced for early retirement using the early retirement reduction factors under Article V(2) of the Qualified Pension Plan.
- (3) Subject to the requirements of Code section 409A, any such benefit payable to a surviving spouse shall be paid as soon as administratively practicable (but no later than 90 days) after the later of: (1) the Employee's 55<sup>th</sup> birthday, or (2) the Employee's date of death and will be paid in accordance with the payment provisions of the RIP or KAPL Annex of the Qualified Pension Plan. If benefits from the Qualified Pension Plan are paid under the payment provisions of the RIP or KAPL Annex of the Qualified Pension Plan, then benefits from this Plan will be paid in the same payment form.

G. Limitations on Benefits.

(a) Notwithstanding any provision of this Plan to the contrary, if the sum of:

- (1) The annual benefit (calculated before applying any reductions for early retirement or additions for any supplements payable under the Qualified Pension Plan, and prior to any calculation for disability retirement reductions) otherwise payable to an Employee under this Plan;
- (2) The Employee's Annual Pension Payable under the Qualified Pension Plan (including the Personal Pension Account Annuity) (calculated as a five-year certain annuity);
- (3) 100% of the Annual Estimated Social Security Benefit before any adjustment for less than 35 years of Pension Benefit Service;
- (4) the Employee's annual benefit under the Lockheed Martin Corporation Supplemental Retirement Plan; and

to the extent the Committee so determines, the benefit payable under any other pension plan contract, or policy of the Plan Sponsor (whether qualified or non-qualified), or government program attributable to periods of service for which Credited Service is granted by the Committee for the determination of the benefit under this Plan or is credited by the Qualified Pension exceeds 60% of his or her Annual Average Compensation, the benefit payable under this Plan shall be reduced by the amount of the excess, to the extent permitted by Code section 409A.

(b) Notwithstanding any provision in this Plan to the contrary, the amount of the benefit payable and any death benefit payable to or on behalf of any Employee who is or was an Officer of the Company on the date of his termination of employment or death, whichever is earlier, shall be determined according to such general rules and regulations as a Committee appointed by the Board of Directors may adopt, subject to the limitation that any such benefit or death benefit may not exceed the amount which would be payable under this Plan in the absence of such rules and regulations.

H. Adjustments Following Retirement. If the Pension payable under the Qualified Pension Plan to any Employee is increased following the Employee's retirement as a result of a general increase in the Pensions payable to retired employees under that plan, no such increase will be made under this Plan.

I. Non-duplication of Benefits. Benefits under this Article III are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension

Plan with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan and further reduced by the benefit payable from the Lockheed Martin Corporation Supplemental Retirement Plan, then reduced by the Grandfathered 2004 Benefit, to the extent permitted by Code section 409A. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

ARTICLE IV

PAYMENT OF BENEFITS

1. Vesting. Except as provided in Article V, and subject to the Company's right to discontinue the Plan as provided in Article VI, a Participant shall have a non-forfeitable interest in benefits payable under this Plan to the same extent as benefits are vested under the applicable Qualified Pension Plan. As provided in Article V, if a Participant acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

2. Form of Payment. All elections under this Section 2 must be made in the form and manner prescribed by the Senior Vice President, Human Resources. No election made pursuant to this Section 2 may affect a payment due in the same calendar year in which the election is made or accelerate payment into the calendar year in which the election is made. No lump sum distributions are available under this Plan. Benefits under this Plan shall be paid in the form of an annuity commencing as soon as administratively practicable (but no more than 90 days) following the later of (i) the month in which the Participant terminates employment, or (ii) the month in which the Participant attains age fifty-five (55). Notwithstanding the foregoing sentence, benefits paid to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(2)(B)(i), shall not commence before the later of (i) six (6) months following the month in which the Participant terminates employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of termination of employment or attainment of age fifty-five (55), as applicable, and the payment date.

Selection of Annuity Form. Prior to his termination of employment, a Participant may elect to receive benefits in any actuarially equivalent annuity form that is available under the applicable Qualified Pension Plan on the date of the Participant's election that has been designated by the Senior Vice President, Human Resources as available for election under this Plan. If the Participant has not validly elected an annuity form before his termination of employment (i) an unmarried Participant shall be deemed to have elected payment in the form of a monthly annuity for the life of the Participant with no further payments to anyone after his or

her death, and (ii) a married Participant shall be deemed to have elected payment in the form of a reduced monthly annuity for the life of the Participant with, after the Participant's death, a 50% survivor annuity for the life of the Participant's spouse. Actuarial adjustments shall be based on the factors set forth in the Qualified Pension Plan.

**Cash-out of Small Benefits.** Notwithstanding the above, if the Value of the sum of the benefits payable to a Participant or Beneficiary under this Plan does not exceed \$10,000, all such benefits will be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits. For purposes of this Section, Value shall be determined as of the Participant's termination of employment or attainment of age fifty-five (55), as applicable, and shall mean the present value of a Participant's or Beneficiary's benefits, excluding the Grandfathered 2004 Benefit, based (i) for terminations prior to January 1, 2008 upon the applicable mortality table and applicable interest rate in Code section 417(e)(3)(ii), or (ii) for terminations on or after January 1, 2008, upon the applicable mortality table and applicable interest rate under Code section 417(e)(3), as amended by the Pension Protection Act of 2006, for the calendar month preceding the Plan Year in which the termination of employment or attainment of age fifty-five (55) occurs. Notwithstanding the foregoing sentence, benefits paid under this Section 2. to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(a)(2)(B)(i), shall not commence before the later of (i) six (6) months following the month in which the Participant terminates employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of termination of employment or attainment of age fifty-five (55), as applicable, and the payment date.

No payment shall commence or be made under this Plan on account of a Participant's termination of employment unless the termination of employment constitutes a "separation from service" under Code section 409A(a)(2)(a)(i).

**Prospective Elections.** Participants may elect to further delay the commencement of benefits as provided in this Section 2.c. This Section 2.c. does not apply to Surviving Spouses or Beneficiaries. A new election under this section shall be made by executing and delivering to the Company an election in such form as prescribed by the Company. To constitute a valid election by a Participant making a prospective change to a previous election, (i) the prospective election must be executed and delivered to the Company at least twelve (12) months before the date the first payment would be due under the Participant's previous election, and (ii) the first payment must be delayed by at least sixty (60) months from the date the first payment would be due under the Participant's previous election, and (iii) such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company. In the event an election fails to satisfy the provisions set forth in this paragraph, such election shall be void and, if such an election is void, payment shall be made in accordance with the most recent election which was valid. Other changes in the form of benefit may be made only as determined by the Senior Vice President, Human Resources, of the Company in accordance with Code section 409A.

If a Participant participates in more than one supplemental pension plan sponsored by the Corporation, the Participant must make a single election with respect to the form of annuity that shall apply to his or her benefits under all such plans and with respect to prospective changes of payment under this Section 2 of Article IV.

Notwithstanding the above, for periods prior to January 1, 2009, (or such later date as may be provided by the Internal Revenue Service in guidance of general applicability), the Senior Vice President, Human Resources may provide alternative rules for elections with respect to the commencement of payment and form of payment, provided that such rules conform to Code section 409A and Internal Revenue Service guidance issued thereunder.

3. Deductibility of Payments. Subject to the provisions of Code section 409A in the event that the payment of benefits under Section 2 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the form and timing of distributions as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the payment method described in Section 2, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's accrued benefit under this Plan or to pay aggregate benefits less than the Participant's accrued benefit in the event that all or a portion thereof would not be deductible by the Company.

4. Change of Law. Notwithstanding anything herein to the contrary, if the Committee determines in good faith, based on consultation with counsel and in accordance with the requirements of Code section 409A, that the federal income tax treatment or legal status of this Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the benefits of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

5. Acceleration upon Change in Control.

Notwithstanding any other provision of the Plan, the accrued benefit of each Participant shall be one-hundred percent (100%) vested and distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

For purposes of this Plan, a Change in Control shall include and be deemed to occur upon the following events:

- (a) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.
- (b) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).
- (c) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.
- (d) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).
- (e) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

Notwithstanding the foregoing, no distribution shall be made solely on account of a Change in Control and prior to the benefit commencement date specified in Section 2 of Article V unless the Change in Control is both an event qualifying for a distribution of deferred compensation under Section 409A(a)(2)(A)(v) of the Code and an event qualifying under this Section 5.

This Section 5 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of benefits under this Plan in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

The Committee may cancel or modify this Section 5 at any time prior to a Change in Control. In the event of a Change in Control, this Section 5 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 5 shall not, for purposes of Section 5, be subject to cancellation or modification during the five year period

6. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. No benefit payments shall be made to the Participant until the withholding obligation for taxes under Code sections 3101(a) and 3101(b) has been satisfied with respect to the Participant.

7. Retiree Medical Withholding. A Participant may direct the Company to withhold from the Participant's benefit payments hereunder all or a portion of the amount that the Participant is required to pay for Company-provided retiree medical coverage.

## ARTICLE V

### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Plan be satisfied by payments out of such trust or trusts. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary or transfer of an interest in this Plan to a Participant's spouse, former spouse, or child incident to divorce under a Qualified Domestic Relations Order (which shall be interpreted and administered in accordance with Code sections 414(p)(1)(B) and 409A), provided that the form of payment designated in such order is an annuity as provided in Section 2(a) of Article V.

3. **Forfeiture.** If, following the date on which a Participant shall retire under this Plan, a Participant shall engage in the operation or management of a business, whether as owner, stockholder, partner, officer, employee, consultant, or otherwise, which at such time is in competition with the Company or any of its subsidiaries, or shall disclose to unauthorized persons information relative to the business of the Company or any of its subsidiaries which the Participant shall have reason to believe is confidential, or otherwise act, or conduct oneself, in a manner which the Participant shall have reason to believe is contrary to the best interest of the Company, or shall be found by the Committee to have committed an act during the term of the Participant's employment which would have justified the Participant being discharged for cause, the Participant's retirement benefit under this Plan shall terminate. Application of this Section will be at the discretion of the Committee.

**ARTICLE VI**

**AMENDMENT OR TERMINATION**

1. **Amendment.** The Board or its authorized delegate may amend, modify, suspend or discontinue this Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's accrued benefit or postponing the time when a Participant is entitled to receive a distribution of his accrued benefit unless each affected Participant consents to such change.

2. **Termination.** The Board reserves the right to terminate this Plan at any time and at such times that the Board reasonably determines in its discretion is appropriate and conforms to the requirements of Code section 409A, to pay all Participants their accrued benefits in a lump sum or to make other provisions for the payment of benefits (e.g. purchase of annuities) immediately following such termination or at such time thereafter as the Board may determine.

3. **Transfer of Liability.** The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement with the Company or its subsidiaries to assume all of the obligations of the Company under this Plan with respect to such Participant.

4. **Merger.** The Board reserves the right to merge all or part of this Plan with or into another plan, provided (1) such other plan preserves all of the obligations of the Company under this Plan with respect to such Participant and (2) each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger (if the Plan had then terminated).



ARTICLE VIIADMINISTRATION

1. The Committee. This Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and its delegates (including the Claims Administrator) shall have full discretion to construe and interpret the terms and provisions of the Plan, which interpretation or construction shall be final, conclusive and binding on all parties, including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. Notwithstanding anything contained in the Plan or in any document issued under the Plan, it is intended that the Plan will at all times conform to the requirements of Code section 409A and any regulations or other guidance issued thereunder, and that the provisions of the Plan will be interpreted to meet such requirements. If any provision of the Plan is determined not to conform to such requirements, the Plan shall be interpreted to omit such offending provision.

2. Delegation and Reliance. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose. In making any determination or in taking or not taking any action under this Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of the Plan or any Participant's rights under the Plan to achieve intended tax consequences, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee or the Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is wholly or partially denied by the Claims Administrator are as follows:

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.

- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under Federal law.
- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review. If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.

- (e) The Claims Administrator shall be the Lockheed Martin Corporation Pension Plans Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

**ARTICLE IX**

**GENERAL AND MISCELLANEOUS PROVISIONS**

1. This Plan shall not in any way obligate the Company to continue the employment of a Participant with the Company, nor does this Plan limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan by its terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any benefits accrued under this Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of Pension Plan Services, Human Resource Services. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Plan.

5. Each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Plan.

6. The provisions of this Plan shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this Plan shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This Plan and its operation, including the payment of cash hereunder, is subject to compliance with all applicable Federal and state laws, rules and regulations and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

**ARTICLE X**

**EFFECTIVE DATE**

This Plan, including any amendment and restatement of the prior plans, is generally effective December 31, 2008.

WITNESS

LOCKHEED MARTIN CORPORATION

/s/ Robin H. Villanueva

/s/ Kenneth J. Disken

Name: Robin H. Villanueva

By: Kenneth J. Disken

Senior Vice President, Human Resources

Date: 12-18-2008

Date: 12-18-2008

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

(Effective July 1, 2004)

ARTICLE IPURPOSES OF THE PLAN

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

The Lockheed Martin Supplementary Pension Plan for Transferred Employees of GE Operations (formerly known as the Martin Marietta Supplementary Pension Plan for Employees of Transferred GE Operations) and predecessor plan is amended, restated, effective July 1, 2004

The Plan was subsequently amended and restated effective January 1, 2005 in order to comply with the requirements of Code section 409A. The amendment and restatement applies only to the portion of a Participant's benefit that is earned or becomes vested on or after January 1, 2005. The portion of a Participant's benefit that was earned and vested prior to January 1, 2005 shall be governed by this Appendix A.

ARTICLE IIDEFINITIONS

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

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

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

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

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

5. COMPANY — Lockheed Martin Corporation and its subsidiaries.

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

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

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

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

10. YEAR — The calendar year.

### ARTICLE III

#### SUPPLEMENTARY PENSION BENEFIT

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

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

2. Amount of Benefit.

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

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

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

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

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

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



at retirement, a qualified domestic relations order(s), if any, or in connection with any other adjustment or supplement made pursuant to the Qualified Pension Plan or any other pension plan.

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

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

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

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

- (4) For persons then eligible for Incentive Compensation, the total amount of any Management Incentive Compensation Plan earnings, unless such Incentive Compensation is excluded by the Board or a committee thereof.
- (5) For persons who would then have been eligible for Incentive Compensation if they had not been participants in a Sales Commission Plan or other variable compensation plan, the total amount of sales commissions (or other variable compensation earned unless such compensation is excluded by the Board or a committee thereof);
- (6) For all other persons, the sales commissions and other variable compensation earned to the extent such earnings were then included under the Qualified Pension Plan, plus any amounts (other than salary and those mentioned in clauses (1) through (3) above) which were then included as compensation under the Qualified Pension Plan except any amounts which the Committee may exclude from the computation of "Compensation" and subject to the powers of the Committee with respect to payment of benefits.

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

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

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

D. Normal Retirement Benefit. Subject to the limitations in Section G, the benefit payable to an eligible Employee who retires on or after his or her normal retirement date under the Plan, shall be the excess, if any, of the employee's Annual Retirement Income, over the sum of

- (4) The Employee's Annual Pension Payable under the Qualified Pension Plan (including the Personal Pension Account Annuity and excluding any supplements payable under the Qualified Pension Plan) (calculated as a five-year certain annuity),
- (5) 1/2 of the Employee's Annual Estimated Social Security Benefit,
- (6) the benefit payable from the Lockheed Martin Corporation Supplemental Retirement Plan

E. Early, Optional or Disability Retirement. Subject to the limitations in Section G, the benefit payable to an eligible Employee who, after reaching age 60, retires on an optional retirement date under the Qualified Pension Plan shall be computed in the manner provided by Section B (for an employee retiring on his or her normal retirement date) but taking into account only Credited Service and Average Annual Compensation to the actual date of optional retirement. The annual benefit payable to an eligible Employee who, after reaching age 55 (but before reaching age 60) retires under the early retirement provisions of the Qualified Pension Plan shall equal the amount in section B but taking into account only Credited Service and Average Annual Compensation to the Employee's actual termination of employment and reduced for early retirement using the early retirement reduction factor under Article V(2) of the Qualified Pension Plan.

The annual benefit payable to an eligible Employee who has satisfied the eligibility requirements to receive a Disability Pension under the RIP II or KAPL Annex of the Qualified Pension Plan shall be computed in the manner provided by Section B (for an Employee retiring on his normal retirement date) taking into account only Credited Service and Average Annual Compensation to the actual date of disability retirement and not reduced for the Disability

Supplement in the RIP II or KAPL Annex of the Qualified Pension Plan. In the case of an eligible Employee whose date of retirement precedes the first day of the month after reaching age 60 the Plan benefit shall then be reduced by 12%.

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

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

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

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

G. Survivor Benefits. Subject to Section F.(b), if a survivor benefit applies with respect to the past and future service annuity portion of a Employee's Annual Pension payable under the Qualified Pension Plan, such survivor benefit shall automatically apply to any benefit which he or she may be eligible under this Plan. The Employee's benefit shall be adjusted and paid in the same manner as such pension payable under the Qualified Pension Plan is adjusted and paid on account of such survivor benefit.

H. Payments Upon Death.

(a) If an eligible Employee dies in active Service, or following retirement with a benefit from this Plan, and a death benefit (other than a return of Employee contributions with interest including an Employee's Personal and Voluntary Pension Account ) is payable to the beneficiary or Surviving Spouse of such Employee under the Qualified Pension Plan, a death benefit shall also be payable to the beneficiary or Surviving Spouse under this Plan as follows:

- (4) Any such death benefit payable to a surviving spouse under this Plan shall equal 50% of the Employee's Annual Retirement Income under this Plan reduced by (1) 100% of the Employee's preretirement surviving spouse benefit payable or other lump sum

benefit under the Qualified Pension Plan, (2) 25% of the Employee's Annual Estimated Social Security Benefit, (3) the Employee's Personal Pension Account benefit, and (4) the benefit payable under the Lockheed Martin Corporation Supplemental Retirement Plan. Payments to the surviving spouse shall commence on the later of: (1) the Employee's 55<sup>th</sup> birthday, or (2) the Employee's date of death.

- (5) Any such death benefit payable to a surviving spouse under this Plan shall take into account only Credited Service and Average Annual Compensation to the earlier of the Employee's death or termination of employment and will be reduced for early retirement using the early retirement reduction factors under Article V(2) of the Qualified Pension Plan.
- (6) Any such benefit payable to a surviving spouse shall be paid at the same time as the Qualified Pension Plan and will be paid in accordance with the payment provisions of the RIP II or KAPL Annex of the Qualified Pension Plan. If benefits from the Qualified Pension Plan are paid under the payment provisions of the RIP II or KAPL Annex of the Qualified Pension Plan, then benefits from this Plan will be paid in the same payment form.

(b) In lieu of the benefit otherwise payable to a beneficiary or surviving spouse under Section E. or paragraph (a) of this Section, an Employee may elect to have all or any portion of such benefit (or the equivalent value of all or any portion) paid to the beneficiary designated in the employee's election in any of the following forms:

- (1) An annuity for the spouse's remaining lifetime. If the beneficiary dies before the spouse, the remaining benefit shall be paid as provided in the employee's election. In the absence of any such provision, the equivalent value of the remaining payments shall be paid to the beneficiary's estate, if any, otherwise to the beneficiary's Personal Representative.
- (2) An annuity for the beneficiary's remaining lifetime. If any annuity otherwise payable under this item (2) is less than \$5,000 annually, the equivalent value shall be paid instead to the beneficiary in a lump sum.
- (3) A lump sum.

Any such election must be made in writing to the Qualified Pension Plan Administrator prior to the Employee's death, and becomes effective when the Qualified Pension Plan Administrator receives it. For purposes of this election, an Employee may designate as his beneficiary only his estate, his former spouse, or a member of his immediate family.

For the purpose of determining the benefit conversions required to provide the benefit payments referred to above, the interest rate assumption shall be the interest rate used by the Pension Benefit Guaranty Corporation at the beginning of the year in which

the Employee's death occurs, in valuing immediate annuities for terminating single employer trustee plans, and the mortality assumption shall be based on the UP-1984 Mortality Table.

I. Limitations on Benefits.

(a) Notwithstanding any provision of this Plan to the contrary, if the sum of:

- (5) The annual benefit (calculated before applying any reductions for early retirement or additions for any supplements payable under the Qualified Pension Plan, and prior to any calculation for disability retirement reductions) otherwise payable to an Employee under this Plan;
- (6) The Employee's Annual Pension Payable under the Qualified Pension Plan (including the Personal Pension Account Annuity) (calculated as a five-year certain annuity);
- (7) 100% of the Annual Estimated Social Security Benefit before any adjustment for less than 35 years of Pension Benefit Service;
- (8) the Employee's annual benefit under the Lockheed Martin Corporation Supplemental Retirement Plan; and

to the extent the Committee so determines, the benefit payable under any other pension plan contract, or policy of the Plan Sponsor (whether qualified or non-qualified), or government program attributable to periods of service for which Credited Service is granted by the Committee for the determination of the benefit under this Plan or is credited by the Qualified Pension exceeds 60% of his or her Annual Average Compensation, the benefit payable under this Plan shall be reduced by the amount of the excess.

(b) Notwithstanding any provision in this Plan to the contrary, the amount of the benefit payable and any death benefit payable to or on behalf of any Employee who is or was an Officer of the Company on the date of his retirement or death, whichever is earlier, shall be determined according to such general rules and regulations as a Committee appointed by the Board of Directors may adopt, subject to the limitation that any such benefit or death benefit may not exceed the amount which would be payable under this Plan in the absence of such rules and regulations.

J. Adjustments Following Retirement. If the Pension payable under the Qualified Pension Plan to any Employee is increased following the Employee's retirement as a result of a general increase in the Pensions payable to retired employees under that plan, no such increase will be made under this Plan unless the Committee makes such determination.

K. Non-duplication of Benefits. Benefits under this Article III are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan and further reduced by the benefit payable from the Lockheed Martin Corporation Supplemental Retirement Plan. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

#### ARTICLE IV

##### PAYMENT OF BENEFITS

1. Vesting. Except as provided in Article V, and subject to the Company's right to discontinue the Plan as provided in Article VI, a Participant shall have a non-forfeitable interest in benefits payable under this Plan to the same extent as benefits are vested under the applicable Qualified Pension Plan. As provided in Article V, if a Participant acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

2. Form of Payment. Benefits shall be paid at the same time as the Qualified Pension Plan and will be paid in accordance with the payment provisions of the RIP II or KAPL Annex of the Qualified Pension Plan. If benefits from the Qualified Pension Plan are paid under the payment provisions of the RIP II or KAPL Annex, then benefits from this Plan will be paid in the same payment form.

If an Employee's pension benefit under the Qualified Pension Plan is suspended for any month in accordance with the re-employment provisions thereof, the Employee's benefit under this Plan for that month shall likewise be suspended.

Cash-out of Small Benefits. Notwithstanding the above, if the Value of the sum of the benefits payable to a Participant or Beneficiary under this Plan does not exceed the amount that may be distributed without consent under Section 411(a)(11) of the Code, all such benefits will be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits. For purposes of this Section, Value shall be determined as of the Participant's termination of employment, and shall mean the present value of a Participant's or Beneficiary's benefits based upon the applicable mortality table and applicable interest rate in Code section 417(e)(3)(ii) for the calendar month preceding the Plan Year in which the termination of employment occurs.

3. Deductibility of Payments. In the event that the payment of benefits under Section 2 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the form and timing of distributions as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the payment method described in Section 2, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's accrued benefit under this Plan or to pay aggregate benefits less than the Participant's accrued benefit in the event that all or a portion thereof would not be deductible by the Company.

4. Change of Law. Notwithstanding anything to the contrary herein, if the Committee determines in good faith, based on consultation with counsel, that the federal income tax treatment or legal status of this Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the benefits of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

5. Acceleration upon Change in Control.

Notwithstanding any other provision of the Plan, the accrued benefit of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

For purposes of this Plan, a Change in Control shall include and be deemed to occur upon the following events:

- (a) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.
- (b) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).

- (c) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.
- (d) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).
- (e) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

This Section 5 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of benefits under this Plan in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

The Committee may cancel or modify this Section 5 at any time prior to a Change in Control. In the event of a Change in Control, this Section 5 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 5 shall not, for purposes of Section 5, be subject to cancellation or modification during the five year period

6. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. No benefit payments shall be made to the Participant until the withholding obligation for taxes under Code sections 3101(a) and 3101(b) has been satisfied with respect to the Participant.



7. Retiree Medical Withholding. A Participant may direct the Company to withhold from the Participant's benefit payments hereunder all or a portion of the amount that the Participant is required to pay for Company-provided retiree medical coverage.

#### ARTICLE V

##### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Plan be satisfied by payments out of such trust or trusts. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary or transfer of an interest in this Plan to a Participant's former spouse incident to divorce under a Qualified Domestic Relations Order.

3. Forfeiture. If, following the date on which a Participant shall retire under this Plan, a Participant shall engage in the operation or management of a business, whether as owner, stockholder, partner, officer, employee, consultant, or otherwise, which at such time is in competition with the Company or any of its subsidiaries, or shall disclose to unauthorized persons information relative to the business of the Company or any of its subsidiaries which the Participant shall have reason to believe is confidential, or otherwise act, or conduct oneself, in a manner which the Participant shall have reason to believe is contrary to the best interest of the Company, or shall be found by the Committee to have committed an act during the term of the Participant's employment which would have justified the Participant being discharged for cause, the Participant's retirement benefit under this Plan shall terminate. Application of this Section will be at the discretion of the Committee.

ARTICLE VIAMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's accrued benefit or postponing the time when a Participant is entitled to receive a distribution of his accrued benefit unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their accrued benefits in a lump sum or to make other provisions for the payment of benefits (e.g. purchase of annuities) immediately following such termination or at such time thereafter as the Board may determine.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement with the Company or its subsidiaries to assume all of the obligations of the Company under this Plan with respect to such Participant.

4. Merger. The Board reserves the right to merge all or part of this Plan with or into another plan, provided (1) such other plan preserves all of the obligations of the Company under this Plan with respect to such Participant and (2) each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger (if the Plan had then terminated).

ARTICLE VIIADMINISTRATION

1. The Committee. This Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and its delegates (including the Claims Administrator) shall have full discretion to construe and interpret the terms and provisions of the Plan, which interpretation or construction shall be final, conclusive and binding on all parties, including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. Except as otherwise provided in Section 5, the Committee delegates the authority to adjudicate claims to the Pension Plans Administration Committee.

2. Delegation and Reliance. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose. In making any determination or in taking or not taking any action under this Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of the Plan or any Participant's rights under the Plan to achieve intended tax consequences, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee from all liability with respect thereto.

5. Proof of Claims. The Committee or the Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is wholly or partially denied by the Claims Administrator are as follows:

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.
- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.

- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information “relevant” to the claimant’s claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant’s right to obtain information about such procedures, if any; and (6) a statement of the claimant’s right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.
- (e) If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant’s request for review, rather than within 120 days as set forth in the above paragraph.
- (f) The Claims Administrator shall be the Lockheed Martin Corporation Pension Plans Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. This Plan shall not in any way obligate the Company to continue the employment of a Participant with the Company, nor does this Plan limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan by its terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any benefits accrued under this Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of Pension Plan Operations, Human Resource Services. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Plan.

5. Each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Plan.

6. The provisions of this Plan shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this Plan shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This Plan and its operation, including the payment of cash hereunder, is subject to compliance with all applicable Federal and state laws, rules and regulations and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

ARTICLE X

EFFECTIVE DATE

This Plan, including any amendment and restatement of the prior plans, is generally effective July 1, 2004.

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

(Effective December 31, 2008)



ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation (the "Plan") are:

- (a) to provide an additional retirement benefit for certain employees whose regular retirement benefits have been limited as a result of employment service at a Lockheed Martin company that does not have a Qualified Pension Plan; and
- (b) to provide an additional retirement benefit for certain employees hired on or after January 1, 2006 (January 1, 2007 for KAPL, Inc.) at a Lockheed Martin company that has a Qualified Pension Plan that is frozen to new participants as of such date; and
- (c) to provide the above employees with those benefits that cannot be paid from the tax-qualified plans of Lockheed Martin Corporation and its subsidiaries because of the limitations on contributions and benefits contained in Internal Revenue Code sections 415 and 401(a)(17).

The following plans and predecessor plans were amended, restated and merged to form this Plan, effective July 1, 2004:

- 1. Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation (formerly known as the Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Corporation)
- 2. Incentive Retirement Benefit Plan for Certain Executives of Lockheed Martin Corporation (formerly known as the Incentive Retirement Benefit Plan for Certain Executives of Lockheed Corporation)

The Plan was amended and restated, effective January 1, 2005, in order to comply with the requirements of Code section 409A. The 2005 amendment and restatement of the Plan applied only to the portion of a Participant's benefit that accrued on or after January 1, 2005. The portion of a Participant's benefit that accrued prior to January 1, 2005 shall be governed by the terms of the Plan in effect on December 31, 2004, attached as Appendix A. The Plan was amended and restated, effective June 26, 2008, in order to clarify certain provisions in accordance with the final Treasury Regulations issued under Code section 409A and to make other clarifications with respect to eligibility and benefits. The Plan is hereby amended and restated effective December 31, 2008 to order to make further clarifications in accordance with the final Treasury Regulations issued under Code section 409A and to make other administrative clarifications.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise or the term is defined below, all terms shall be defined in accordance with the Lockheed Martin Corporation Salaried Employee Retirement Program:

1. **ACTUARIAL EQUIVALENT** — The Actuarial Equivalent shall mean a benefit which has the equivalent value computed using the interest rate which would be used by the Pension Benefit Guaranty Corporation to determine the present value of an immediate lump sum distribution on termination of a pension plan, as in effect on first day of the month of termination of employment plus one percent (1%), and the 1983 Group Annuity Mortality Table with sex distinction; provided that for Years beginning on or after January 1, 2011, in no event shall the interest rate plus 1% exceed 7% or be less than 4%.
2. **BENEFICIARY** — The Beneficiary of a Participant shall be (a) the Participant's Spouse or (b) if there is no Spouse surviving the Participant, the Participant's estate.
3. **BOARD** — The Board of Directors of Lockheed Martin Corporation.
4. **CODE** — The Internal Revenue Code of 1986, as amended.
5. **COMMITTEE** — The committee described in Section 1 of Article VIII.
6. **COMPANY** — Lockheed Martin Corporation and its Subsidiaries.
7. **ELIGIBLE EMPLOYEE** — An employee of the Company who meets the eligibility criteria in Section 1 of Article III or Section 1 of Article IV, and who satisfies such additional requirements for participation in this Plan as the Committee may from time to time establish. The Lockheed Martin Pension Plans Administrative Committee (the "Pension Committee") shall interpret the participation requirements established by the Committee for all Participants except elected officers subject to Section 16(b) of the Securities and Exchange Act of 1934. Determinations of participation requirements for elected officers shall be made by the Committee.
8. **GRANDFATHERED 2004 BENEFIT** — The benefit calculated under the terms of the Plan in effect prior to January 1, 2005 (attached as Appendix A), determined as if the Participant had terminated from employment on December 31, 2004 (or the Participant's actual termination date, if earlier).

9. PARTICIPANT — An Eligible Employee who meets the requirements for participation contained in Article III or Article IV; the term shall include a former employee and survivors/beneficiaries whose benefit has not been fully distributed. A Participant shall cease to be an active Participant upon termination of employment, when he ceases to be an Eligible Employee, or when he ceases to meet the requirements for participation as amended from time to time.
10. QUALIFIED PENSION PLAN — The Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees, the Lockheed Martin Corporation Retirement Income Plan and the Lockheed Martin Corporation Retirement Income Plan III, or any successor plans.
11. PLAN — The Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation, or any successor plan.
12. SUBSIDIARY — As to any person, any corporation, association, partnership, joint venture or other business entity of which 50% or more of the voting stock or other equity interests (in the case of entities other than corporation), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.
13. YEAR — The calendar year.

### ARTICLE III

#### TRANSFER BENEFITS

1. Eligibility. Benefits pursuant to this Article III are available to employees of the Company who:
  - (a) are Members of the Qualified Pension Plan, and
    - (i) are transferred to a Participating Company that does not have a Qualified Pension Plan, and
    - (ii) are identified by such Participating Company as a key employee at the time of such transfer, and
    - (iii) are designated in writing by the Committee as a Participant in this Plan;
  - (b) effective January 1, 2006 (January 1, 2007 for KAPL, Inc.), are not Members of the Qualified Pension Plan, and

- (i) are hired by a Participating Company on or after January 1, 2006 (or by KAPL, Inc. on or after January 1, 2007), and
- (ii) are Vice Presidents (Level 8) or above on their date of hire, or are promoted to Vice President (Level 8) after their date of hire, and
- (iii) are not hired by a Participating Company pursuant to the Company's acquisition of an entity that does not sponsor a qualified defined benefit pension plan.

A "Participating Company" is a business unit designated in writing by the Committee as a unit participating in this Plan. A list of Participating Units is set forth in Schedule 1.

2. Amount of Benefit. The benefit that each Participant shall be entitled to receive under the Plan is the amount reasonably determined by the Company to be the difference between the Participant's actual benefit, if any, under the Qualified Pension Plan and the benefits that would have been payable under that Plan, subject to the offset below, if:

- (a) the Qualified Pension Plan had determined pensionable earnings on a "mix and match" basis, as defined below;
- (b) the Participant's period of employment service as a Participant at a Participating Company at which no Credited Service is earned was deemed to be years of Credited Service under the Qualified Pension Plan; and
- (c) the Participant's benefit under the Qualified Pension Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under the Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the three (3) highest years of MICP compensation during the last 10 years shall be added to the average of the three (3) highest years of other pensionable earnings during the last 10 years to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

The above benefit (the "Transfer Benefit") shall be offset by the benefits payable on behalf of the Participant under the Lockheed Martin Corporation Capital Accumulation Plan (the "Lockheed Martin CAP") and under the Lockheed Martin Account Balance Retirement Plan ("ABRP"). In calculating the offset, the Participant's total account balance from the Lockheed Martin CAP shall be converted into an annuity using the 1983 Group Annuity Mortality Table for males and shall be calculated as of the Participant's termination of employment, using the

PBGC immediate interest rate for lump sums rate plus 1% and the Participant's age on the date of distribution. If the Participant received any prior distributions from the Lockheed Martin CAP, the Transfer Benefit shall be reduced by the annuity value of the prior distribution, using the Lockheed Martin CAP distribution amount, the PBGC interest rate plus 1% and Participant's age on the date of distribution. The Transfer Benefit is then reduced for the amount of the normal retirement benefit from the ABRP.

Combined benefits under this Article III, the Lockheed Martin CAP and the ABRP are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan on a "mix and match" basis, without regard to the limitations of Code section 415 and Code section 401(a)(17), and with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced Transfer Benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan (without regard to the portion of such benefit attributable to employee contributions, if any), then reduced by the benefit payable from the Lockheed Martin CAP and ABRP, and then reduced by the 2004 Grandfathered Benefit, to the extent permissible under Code section 409A. The remainder of the benefit shall be paid from this Plan. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article III shall be payable to the Participant or Beneficiary or any other person who is receiving or entitled to receive benefits with respect to the Participant under the Qualified Pension Plan.

If the benefits payable under the Qualified Pension Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan.

#### ARTICLE IV

##### INCENTIVE BENEFITS

1. Eligibility. Benefits pursuant to this Article IV are available to the employees described below. However, an employee who terminated employment with Lockheed Corporation prior to January 1, 1984, when eligible for a deferred retirement benefit under Section 5.03 of the Lockheed Retirement Plan for Certain Salaried Employees is not eligible to receive a benefit under this Article IV.

An employee or former employee of Lockheed Martin Corporation and its subsidiaries who:

- (a) is employed by a Lockheed Martin business unit that is not covered by a Qualified Pension Plan, and

- (b) is identified by such business unit as a key employee, and
- (c) at the time of eligibility for benefits is, or for any year during his or her last ten (10) years of service with Lockheed Martin Corporation was, a participant in the Lockheed Martin Corporation Management Incentive Compensation Plan (including the Deferred Management Incentive Compensation Plan of Lockheed Martin Corporation), or any incentive compensation plan of any subsidiary or affiliated corporation of Lockheed Martin Corporation which the Committee determines is a corresponding incentive plan; and
- (d) who has been specifically designated in writing by the Committee as a Participant; and
- (e) who is not eligible for a benefit under Article III of this Plan

2. Amount of Benefit.

A. Normal or Disability Retirement. The benefit payable under this Article IV to a Participant is the amount reasonably determined to be the difference between the Participant's actual benefit under the Lockheed Martin Retirement Plan for Certain Salaried Employees (or such other Qualified Pension Plan as designated by the Committee (the "Designated Qualified Plan") and the benefits that would have been payable under that Plan, subject to the offset below, if:

- (a) the Designated Qualified Plan had determined pensionable earnings on a "mix and match" basis, as defined below;
- (b) the Participant's period of employment service as a Participant with the Company during which period no Credited Service is earned either because the Participant was not in a covered group or because of a limitation on Credited Service under the Qualified Pension, was deemed to be years of Credited Service under the Designated Qualified Pension Plan; and
- (c) the Participant's benefit under the Designated Qualified Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under the Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual compensation earned under the MICP shall be calculated separately from

other annual pensionable earnings. The average of the highest years of MICP compensation shall be added to the average of the highest years of other pensionable earnings to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

The above benefit (the "Incentive Benefit") shall be offset by the benefits payable on behalf of the Participant under the Lockheed Martin Corporation Capital Accumulation Plan (the "Lockheed Martin CAP") and under the Lockheed Martin Account Balance Retirement Plan ("ABRP"). In calculating the offset, the Participant's total account balance from the Lockheed Martin CAP shall be converted into an annuity using the 1983 Group Annuity Mortality Table and shall be calculated as of the Participant's termination of employment, using the PBGC immediate interest rate for lump sums rate plus 1% and Participant's age on the date of distribution. If the Participant received any prior distributions from the Lockheed Martin CAP, the Incentive Benefit shall be reduced by the annuity value of the prior distribution, using the Lockheed Martin CAP distribution amount, PBGC immediate interest rate for lump sums rate plus 1% and Participant's age on the date of distribution. The Incentive Benefit is then reduced for the amount of the Participant's normal retirement benefit from the ABRP, and then reduced by the Participant's 2004 Grandfathered Benefit, to the extent permissible under Code section 409A.

C. No Duplication. Combined benefits under this Article IV, the Lockheed Martin CAP and the ABRP are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan on a "mix and match" basis, without regard to the limitations of Code section 415 and Code section 401(a)(17), and with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced Incentive Benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan then reduced by the benefit payable from the Lockheed Martin CAP and ABRP, and then reduced by the Participant's 2004 Grandfathered Benefit, to the extent permissible under Code section 409A. The remainder of the benefit shall be paid from this Plan. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article IV shall be payable to the Participant or Beneficiary or any other person who would be entitled to receive benefits with respect to the Participant under the Designated Qualified Plan.

If the benefits that would be payable under the Designated Qualified Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan.

ARTICLE V

PAYMENT OF BENEFITS

1. Vesting. Except as provided in Article VI, and subject to the Company's right to discontinue the Plan as provided in Article VII, a Participant shall have a non-forfeitable interest in benefits payable under this Plan to the same extent as benefits are vested under the applicable Qualified Pension Plan. As provided in Article VI, if a Participant acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

2. Form and Timing of Payment. Except as otherwise provided herein, a Participant may make an initial payment election between an annuity and a lump sum payment under the terms and conditions described in this Section 2. All elections under this Section 2 must be made in the form and manner prescribed by the Senior Vice President, Human Resources. No election made pursuant to this Section 2 may affect a payment due in the same calendar year in which the election is made or accelerate payment into the calendar year in which the election is made.

(a) Regular Form. Unless a Participant has elected a lump sum payment under Section 2(b) of this Article V, benefits under this Plan shall be paid in the form of an annuity. Participants who first become eligible for participation in the Plan after December 16, 2005 shall receive their benefits in the form of an annuity. Benefits paid in a form described in this Section 2(a) shall commence as soon as administratively practicable (but no more than 90 days) following the later of (i) the month in which the Participant terminates employment, or (ii) the month in which the Participant attains age fifty-five (55). Notwithstanding the foregoing sentence, benefits paid in a form described in this Section 2(a) to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(2)(B)(i), shall not commence before the later of (i) six (6) months following the month in which the Participant terminates employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of termination of employment or attainment of age fifty-five (55), as applicable, and the payment date.

i. Selection of Annuity Form. Prior to his termination of employment, a Participant may elect to receive benefits in any actuarially equivalent annuity form that is available under the applicable Qualified Pension Plan on the date of the Participant's election that has been designated by the Senior Vice President, Human Resources as available for election under this Plan. If the Participant has not validly elected an annuity form before his termination of employment under this Section 2(a) or a lump sum payment as provided in Section 2(b) of Article V, (i) an unmarried Participant shall be deemed to have elected payment in the form of a monthly annuity for the life of the Participant with no further payments to anyone after his or her death, and (ii) a married Participant shall be deemed to have elected payment in the form of a reduced monthly annuity for the life of the Participant with, after the Participant's death, a 50% survivor annuity for the life of the Participant's spouse. Actuarial adjustments shall be based on the factors set forth in the Qualified Pension Plan.



(b) Lump Sum Option. This Section shall not apply to Participants who first become eligible for participation in the Plan after December 16, 2005. In lieu of the forms described in Section 2(a) of Article V, a Participant may make a one-time initial election to receive a full lump sum payment in an amount which is the Actuarial Equivalent of a monthly annuity for the life of the Participant with no further payments to anyone after his or her death, provided the election is filed with the Company in writing no later than December 31, 2008 (or such other date determined by the Senior Vice President, Human Resources and communicated to Participants) and the Participant's employment has not terminated employment prior to filing the election. For all Participants who elect a lump sum under this Section 2(b), the lump sum payment shall be made six (6) months following the later of (i) the month in which the Participant terminates employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of termination of employment or attainment of age fifty-five (55), as applicable, and the payment date. All elections under this Section (b) must be made in the form and manner prescribed by the Company.

(c) Cash-out of Small Benefits. Notwithstanding the above, if the Value of the sum of the benefits payable to a Participant or Beneficiary under this Plan does not exceed \$10,000, all such benefits will be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits. For purposes of this Section, Value shall be determined as of the Participant's termination of employment or attainment of age fifty-five (55), as applicable, and shall mean the present value of a Participant's or Beneficiary's benefits, excluding the Grandfathered 2004 Benefit, based (i) for terminations prior to January 1, 2008 upon the applicable mortality table and applicable interest rate in Code section 417(e)(3)(ii), or for terminations on or after January 1, 2008, upon the applicable mortality table and applicable interest rate under Code section 417(e)(3), as amended by the Pension Protection Act of 2006, for the calendar month preceding the Plan Year in which the termination of employment or attainment of age fifty-five (55) occurs. Notwithstanding the foregoing sentence, benefits paid under this Section 2.c. to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(2)(B)(i), shall not commence before six (6) months following the later of (i) the month in which the Participant terminates employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of termination of employment or attainment of age fifty-five (55), as applicable, and the payment date.

(d) Payment Upon Death or Disability.

- i. Death. No other death benefits are provided under this Plan other than as specified in this Section 2.d.i.

- A. Pre-Retirement Survivor Benefit. In the event the Participant dies prior to terminating employment or attaining age fifty-five (55), a pre-retirement survivor benefit will be payable to the Participant's surviving spouse (if any) (the "Pre-Retirement Survivor Benefit" and the "Surviving Spouse") in the form elected by the Participant under the terms of the Plan. If the Participant's benefit was payable in a lump sum, the lump sum shall be the Actuarial Equivalent of a monthly annuity payable for the life of the Surviving Spouse with no further payments to anyone after his or her death. The Pre-Retirement Survivor Benefit shall commence as soon as administratively practicable following the later of (i) the month in which the Participant dies, or (ii) the month in which the Participant would have attained age fifty-five (55). Notwithstanding the foregoing, with respect to all Participants who elected a lump sum under Section 2.b., a lump sum Pre-Retirement Survivor Benefit shall be paid to the Participant's Surviving Spouse six (6) months following the later of (i) the month in which the Participant dies, or (ii) the month in which the Participant would have attained age fifty-five (55). No Pre-Retirement Survivor Benefit is payable to anyone other than the Participant's Surviving Spouse.
- B. Death After Termination of Employment or Attainment of Age 55. If a Participant who is required to wait six (6) months for a lump sum payment (in accordance with Section 2 of Article V) dies after the Participant's termination of employment or attainment of age fifty-five (55), as applicable, but before payment is made, the lump sum payment shall be made to the Participant's Beneficiary.
- ii. Disability. Notwithstanding the provisions of this Article V, the benefit of a Disabled Participant who is eligible for a disability pension from the Lockheed Martin Retirement Income Plan or the Lockheed Martin Corporation Retirement Income Plan III shall be paid in the form elected by the Participant under the terms of the Plan as soon as administratively practicable following the date the Participant is reasonably determined by the Company to be Disabled. For the purposes of this Section 2.d.ii., the terms "Disabled" or "Disability" shall have the meaning set forth in the Lockheed Martin Retirement Income Plan or the Lockheed Martin Corporation Retirement Income Plan III, as applicable, to the extent consistent with the requirements of Code section 409A(a)(2)(C).

(e) Prospective Change of Payment Elections. Participants may elect to change the form of payment of benefits or further delay the commencement of benefits as provided in this Section 2(e). All elections under this Section 2(e) must be made in the form and manner prescribed by the Company. This Section 2(e) does not apply to Surviving Spouses or Beneficiaries. Subject to the provisions of Code section 409A, other changes in the form of benefit, including changes between actuarially equivalent forms of benefit, if any, may be made only as determined by the Senior Vice President, Human Resources, of the Company in accordance with Code section 409A.

- i. Form of Payment, Form of Payment. A Participant who has validly elected (or deemed to have elected) payment as an annuity (as described in Section 2(a) of Article V) or has validly elected a lump sum payment (in accordance with Section 2(b) of Article V) may later elect to receive payment in any form (annuity or lump sum) designated by the Senior Vice President, Human Resources, of the Company, provided that such election is made in the form and manner determined by the Senior Vice President, Human Resources not less than twelve (12) months before the date the payment would have first commenced under the Participant's prior election. In addition, the first payment under the new election must commence no earlier than sixty (60) months from the date when the payment would have first commenced under the Participant's prior election.
- ii. Timing of Payment. Regardless of the form of payment, a Participant may elect to delay payment of his benefit provided such election is made in writing in the form and manner determined by the Senior Vice President, Human Resources, not less than twelve (12) months before the date the payment would have first commenced under the Participant's prior election. In addition, the first payment under the new election must commence no earlier than sixty (60) months from when the payment would have first commenced under the Participant's prior election. No interest shall be paid between the date of termination of employment or attainment of age fifty-five (55), as applicable, and the payment date.

This Section 2(e) does not apply to Surviving Spouses or Beneficiaries.

f. Notwithstanding the above, for periods prior to January 1, 2009, (or such later date as may be provided by the Internal Revenue Service in guidance of general applicability), the Senior Vice President, Human Resources may provide alternative rules for elections with respect to the commencement of payment and form of payment, provided that such rules conform to Code section 409A and Internal Revenue Service guidance issued thereunder.

g. If a Participant participates in more than one supplemental pension plan sponsored by the Corporation, the Participant must make a single election that shall apply to his or her benefits under all such plans with respect to the form of annuity (under Section 2(a) of this Article 5) and with respect to prospective changes of payment (under Section 2(e) of this Article 5).

h. No payment shall commence or be made under this Section 2 on account of a Participant's termination of employment unless the termination of employment constitutes a "separation from service" under Code section 409A(a)(2)(a)(i).

3. Deductibility of Payments. Subject to the provisions of Code section 409A, in the event that the payment of benefits under Section 2 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the form and timing of distributions as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the payment method described in Section 2 consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's accrued benefit under this Plan or to pay aggregate benefits less than the Participant's accrued benefit in the event that all or a portion thereof would not be deductible by the Company.

4. Change of Law. Notwithstanding anything herein to the contrary, if the Committee determines in good faith, based on consultation with counsel and in accordance with the requirements of Code section 409A, that the federal income tax treatment or legal status of this Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the benefits of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

5. Acceleration upon Change in Control. Notwithstanding any other provision of the Plan, the accrued benefit of each Participant shall be one-hundred percent (100%) vested and be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

For purposes of this Plan, a Change in Control shall include and be deemed to occur upon the following events:

- (a) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.
- (b) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other

reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).

- (c) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.
- (d) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).
- (e) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

Notwithstanding the foregoing, no distribution shall be made solely on account of a Change in Control and prior to the benefit commencement date specified in Section 2 of Article V unless the Change in Control is both an event qualifying for a distribution of deferred compensation under Section 409A(a)(2)(A)(v) of the Code and an event qualifying under this Section 5.

This Section 5 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of benefits under this Plan in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

The Committee may cancel or modify this Section 5 at any time prior to a Change in Control. In the event of a Change in Control, this Section 5 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 5 shall not, for purposes of Section 5, be subject to cancellation or modification during the five year period

6. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. No benefit payments shall be made to the Participant until the withholding obligation for taxes under Code sections 3101(a) and 3101(b) has been satisfied with respect to the Participant.

7. Retiree Medical Withholding. A Participant may direct the Company to withhold from the Participant's benefit payments hereunder all or a portion of the amount that the Participant is required to pay for Company-provided retiree medical coverage.

8. Reemployment. The retirement benefit otherwise payable hereunder to any Participant who previously retired or otherwise had a Termination of Employment and is subsequently reemployed may not be suspended during the Participant's period of reemployment except as permitted under Code section 409A.

9. Mistaken Payments. No Participant or Beneficiary shall have any right to any payment made (1) in error, (2) in contravention to the terms of the Plan, the Code, or ERISA, or (3) because the Committee or its delegates were not informed of any death. The Committee shall have full rights under the law and ERISA to recover any such mistaken payment, and the right to recover attorney's fees and other costs incurred with respect to such recovery. Recovery shall be made from future Plan payments, or by any other available means.

## ARTICLE VI

### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Plan be satisfied by payments out of such trust or trusts. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a

Beneficiary or transfer of an interest in this Plan to a Participant's spouse, former spouse, or child incident to divorce under a Qualified Domestic Relations Order (which shall be interpreted and administered in accordance with Code sections 414(p)(1)(B) and 409A), provided that the form of payment designated in such order is an annuity as provided in Section 2(a) of Article V.

3. Forfeiture. If, following the date on which a Participant shall retire under this Plan, a Participant shall engage in the operation or management of a business, whether as owner, stockholder, partner, officer, employee, consultant, or otherwise, which at such time is in competition with the Company or any of its subsidiaries, or shall disclose to unauthorized persons information relative to the business of the Company or any of its subsidiaries which the Participant shall have reason to believe is confidential, or otherwise act, or conduct oneself, in a manner which the Participant shall have reason to believe is contrary to the best interest of the Company, or shall be found by the Committee to have committed an act during the term of the Participant's employment which would have justified the Participant being discharged for cause, the Participant's retirement benefit under this Plan shall terminate. Application of this Section will be at the discretion of the Committee.

## ARTICLE VII

### AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's accrued benefit or postponing the time when a Participant is entitled to receive a distribution of his accrued benefit unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and at such times that the Board reasonably determines in its discretion is appropriate and conforms to the requirements of Code section 409A, to pay all Participants their accrued benefits in a lump sum or to make other provisions for the payment of benefits (e.g. purchase of annuities) immediately following such termination or at such time thereafter as the Board may determine.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement with the Company or its subsidiaries to assume all of the obligations of the Company under this Plan with respect to such Participant.

4. Merger. The Board reserves the right to merge all or part of this Plan with or into another plan, provided (1) such other plan preserves all of the obligations of the Company under this Plan with respect to such Participant and (2) each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger (if the Plan had then terminated).

ARTICLE VIII

ADMINISTRATION

1. The Committee. This Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and its delegates (including the Claims Administrator) shall have full discretion to construe and interpret the terms and provisions of the Plan, which interpretation or construction shall be final, conclusive and binding on all parties, including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. Notwithstanding anything contained in the Plan or in any document issued under the Plan, it is intended that the Plan will at all times conform to the requirements of Code section 409A and any regulations or other guidance issued thereunder, and that the provisions of the Plan will be interpreted to meet such requirements. If any provision of the Plan is determined not to conform to such requirements, the Plan shall be interpreted to omit such offending provision.

2. Delegation and Reliance. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose. In making any determination or in taking or not taking any action under this Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. Except as otherwise provided in Section 6, the Committee delegates the authority to adjudicate claims to the Pension Plans Administration Committee. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of the Plan or any Participant's rights under the Plan to achieve intended tax consequences, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an



application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee or Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is wholly or partially denied by the Claims Administrator are as follows:

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.

- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under Federal law.
- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review. If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.

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- (e) The Claims Administrator shall be the Lockheed Martin Corporation Pension Plan Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. This Plan shall not in any way obligate the Company to continue the employment of a Participant with the Company, nor does this Plan limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan by its terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any benefits accrued under this Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of Pension Plan Services, Human Resource Services. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Plan.

5. Each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Plan.

6. The provisions of this Plan shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this Plan shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This Plan and its operation, including the payment of cash hereunder, is subject to compliance with all applicable Federal and state laws, rules and regulations and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

ARTICLE X

EFFECTIVE DATE

This Plan, including any amendment and restatement of the prior plans, is generally effective December 31, 2008.

WITNESS

LOCKHEED MARTIN CORPORATION

/s/ Robin H. Villanueva

/s/ Kenneth J. Disken

Name: Robin H. Villanueva

By: Kenneth J. Disken

Senior Vice President, Human Resources

Date: 12-18-2008

Date: 12-18-2008

This Appendix A shall apply to the portion of a Participant's benefit that accrued and vested on or before December 31, 2004. This Appendix A shall not apply to the portion of a Participant's benefit that accrues or becomes vested on or after January 1, 2005.

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation (the "Plan") are:

- (a) to provide an additional retirement benefit for certain employees whose regular retirement benefits have been limited as a result of employment service at a Lockheed Martin company that does not have a Qualified Pension Plan; and
- (b) to provide the above employees with those benefits that cannot be paid from the tax-qualified plans of Lockheed Martin Corporation and its subsidiaries because of the limitations on contributions and benefits contained in Internal Revenue Code sections 415 and 401(a)(17).

The following plans and predecessor plans are amended, restated and merged to form this Plan, effective July 1, 2004:

- 3. Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation (formerly known as the Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Corporation)
- 4. Incentive Retirement Benefit Plan for Certain Executives of Lockheed Martin Corporation (formerly known as the Incentive Retirement Benefit Plan for Certain Executives of Lockheed Corporation)

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise or the term is defined below, all terms shall be defined in accordance with the Lockheed Martin Corporation Salaried Retirement Program:

- 1. **ACTUARIAL EQUIVALENT** — The Actuarial Equivalent shall mean a benefit which has the equivalent value computed using the interest rate which would be used by the Pension Benefit Guaranty Corporation to determine the present value

of an immediate lump sum distribution on termination of a pension plan, as in effect on first day of the month of termination of employment plus one percent (1%), and the 1983 Group Annuity Mortality Table with sex distinction.

2. **BENEFICIARY** — The person or persons designated by the Participant as his or her beneficiary under the applicable Qualified Pension Plan (or, if the Participant has never been covered under a Qualified Pension Plan, the person or persons designated by the Participant as his or her beneficiary under this Plan on such form as required by the Committee). If no beneficiary is designated under the Qualified Pension Plan or under this Plan, or if no designated beneficiary survives the Participant, the Participant's estate shall be the beneficiary.
3. **BOARD** — The Board of Directors of Lockheed Martin Corporation.
4. **CODE** — The Internal Revenue Code of 1986, as amended.
5. **COMMITTEE** — The committee described in Section 1 of Article VIII.
6. **COMPANY** — Lockheed Martin Corporation and its subsidiaries.
7. **ELIGIBLE EMPLOYEE** — An employee of the Company who meets the eligibility criteria in Section 1 of Article III or Section 1 of Article IV, and who satisfies such additional requirements for participation in this Plan as the Committee may from time to time establish. The Lockheed Martin Pension Plans Administrative Committee (the "Pension Committee") shall interpret the participation requirements established by the Committee for all Participants except elected officers subject to Section 16(b) of the Securities and Exchange Act of 1934. Determinations of participation requirements for elected officers shall be made by the Committee.
8. **PARTICIPANT** — An Eligible Employee who meets the requirements for participation contained in Article III or Article IV; the term shall include a former employee and survivors/beneficiaries whose benefit has not been fully distributed. A Participant shall cease to be an active Participant upon termination of employment, when he ceases to be an Eligible Employee, or when he ceases to meet the requirements for participation as amended from time to time.
9. **QUALIFIED PENSION PLAN** — The Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees, the Lockheed Martin Corporation Retirement Income Plan and the Lockheed Martin Corporation Retirement Income Plan III, or any successor plans.
10. **PLAN** — The Supplemental Retirement Benefit Plan for Certain Transferred Employees of Lockheed Martin Corporation, or any successor plan.

11. YEAR — The calendar year.

ARTICLE III

TRANSFER BENEFITS

1. Eligibility. Benefits pursuant to this Article III are available to employees of the Company who:

- (a) are Members of the Qualified Pension Plan, and
- (b) are transferred to a Participating Company that does not have a Qualified Pension Plan, and
- (c) are identified by such Participating Company as a key employee at the time of such transfer, and
- (d) are designated in writing by the Committee as a Participant in this Plan.

A “Participating Company” is a business unit designated in writing by the Committee as a unit participating in this Plan. A list of Participating Units is set forth in Schedule 1.

2. Amount of Benefit. The benefit that each Participant shall be entitled to receive is the difference between the Participant’s actual benefit under the Qualified Pension Plan and the benefits that would have been payable under that Plan, subject to the offset below, if:

- (a) the Qualified Pension Plan had determined pensionable earnings on a “mix and match” basis, as defined below;
- (b) the Participant’s period of employment service as a Participant at a Participating Company at which no Credited Service is earned was deemed to be years of Credited Service under the Qualified Pension Plan; and
- (c) the Participant’s benefit under the Qualified Pension Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant’s compensation under the Management Incentive Compensation Plan (“MICP”) is included in pensionable earnings under the Qualified Pension Plan, the Participant’s total pensionable earnings shall be determined on a “mix and match” basis. The Participant’s annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the three (3) highest years of MICP compensation during the last 10 years shall be added to the average of the three (3) highest years of other pensionable earnings during the last 10 years to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.



The above benefit (the "Transfer Benefit") shall be offset by the benefits payable on behalf of the Participant under the Lockheed Martin Corporation Capital Accumulation Plan (the "Lockheed Martin CAP") and under the Lockheed Martin Account Balance Retirement Plan ("ABRP"). In calculating the offset, the Participant's total account balance from the Lockheed Martin CAP shall be converted into an annuity using the 1983 Group Annuity Mortality Table for males and the PBGC interest rate. The benefits payable under the Lockheed Martin CAP shall be calculated as of the Participant's termination of employment, using the Actuarial Equivalent. If the Participant received any prior distributions from the Lockheed Martin CAP, the Transfer Benefit shall be reduced by the annuity value of the prior distribution, using the Lockheed Martin CAP distribution amount, the PBGC interest rate plus 1% and Participant's age on the date of distribution. The Transfer Benefit is then reduced for the amount of the normal retirement benefit from the ABRP.

Combined benefits under this Article III, the Lockheed Martin CAP and the ABRP are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan on a "mix and match" basis, without regard to the limitations of Code section 415 and Code section 401(a)(17), and with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced Transfer Benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan, and then reduced by the benefit payable from the Lockheed Martin CAP and ABRP. The remainder of the benefit shall be paid from this Plan. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article III shall be payable to the Participant or Beneficiary or any other person who is receiving or entitled to receive benefits with respect to the Participant under the Qualified Pension Plan.

If the benefits payable under the Qualified Pension Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan unless the Committee expressly so provides in writing.

ARTICLE IV

INCENTIVE BENEFITS

1. Eligibility. Benefits pursuant to this Article IV are available to the employees described below. However, an employee who terminated employment with Lockheed Corporation prior to January 1, 1984, when eligible for a deferred retirement benefit under Section 5.03 of the Lockheed Retirement Plan for Certain Salaried Employees is not eligible to receive a benefit under this Article IV.

An employee or former employee of Lockheed Martin Corporation and its subsidiaries who:

- (a) is employed by a Lockheed Martin business unit that is not covered by a Qualified Pension Plan, and
- (b) is identified by such business unit as a key employee, and
- (c) at the time of eligibility for benefits is, or for any year during his or her last ten (10) years of service with Lockheed Martin Corporation was, a participant in the Lockheed Martin Corporation Management Incentive Compensation Plan (including the Deferred Management Incentive Compensation Plan of Lockheed Martin Corporation), or any incentive compensation plan of any subsidiary or affiliated corporation of Lockheed Martin Corporation which the Committee determines is a corresponding incentive plan; and
- (d) who has been specifically designated in writing by the Committee as a Participant; and
- (e) who is not eligible for a benefit under Article III of this Plan.

2. Amount of Benefit.

A. Normal or Disability Retirement. The benefit payable under this Article IV to a Participant at normal retirement age is the difference between the Participant's actual benefit under the Lockheed Martin Retirement Plan for Certain Salaried Employees (or such other Qualified Pension Plan as designated by the Committee ( the "Designated Qualified Plan") and the benefits that would have been payable under that Plan, subject to the offset below, if:

- (a) the Designated Qualified Plan had determined pensionable earnings on a "mix and match" basis, as defined below;

- (b) the Participant's period of employment service as a Participant with the Company at which no Credited Service is earned because the Participant was not in a covered group or because of a limitation on Credited Service under the Qualified Pension Plan was deemed to be years of Credited Service under the Designated Qualified Pension Plan; and
- (c) the Participant's benefit under the Designated Qualified Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under the Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the highest years of MICP compensation shall be added to the average of the highest years of other pensionable earnings to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

The above benefit (the "Incentive Benefit") shall be offset by the benefits payable on behalf of the Participant under the Lockheed Martin Corporation Capital Accumulation Plan (the "Lockheed Martin CAP") and under the Lockheed Martin Account Balance Retirement Plan ("ABRP"). In calculating the offset, the Participant's total account balance from the Lockheed Martin CAP shall be converted into an annuity using the 1983 Group Annuity Mortality Table and the PBGC interest rate. The benefits payable under the Lockheed Martin CAP shall be calculated as of the Participant's termination of employment, using the Actuarial Equivalent. If the Participant received any prior distributions from the Lockheed Martin CAP, the Incentive Benefit shall be reduced by the annuity value of the prior distribution, using the Lockheed Martin CAP distribution amount, PBGC immediate interest rate for lump sums rate plus 1% and Participant's age on the date of distribution. The Incentive Benefit is then reduced for the amount of the Participant's normal retirement benefit from the ABRP.

B. Early Retirement. The benefit payable under this Article IV to a Participant who satisfies the Designated Qualified Plan rules for early retirement eligibility as set forth in Article IV of the Qualified Pension Plan or for a deferred monthly retirement benefit in accordance with the rules set forth in Article VIII of the Qualified Pension Plan, whether or not such Participant is a member of the Qualified Pension Plan, shall be calculated in accordance with the provisions of Article V of the Qualified Pension Plan, for early retirement, or Article VIII of the Qualified Pension Plan, for deferred retirement, as applied to the benefit amount calculated in accordance with Paragraph A, above.

C. Pre-Retirement Surviving Spouse Benefit. If a Pre-retirement Surviving Spouse Benefit would have applied had the Participant been eligible to participate in the Designated Qualified Plan, such survivor benefit shall automatically apply to any benefit which he or she may be eligible under this Plan. The survivor benefit shall be adjusted and paid in the same manner as such pension payable under the Designated Qualified Plan would be adjusted and paid on account of such survivor benefit.

Combined benefits under this Article IV, the Lockheed Martin CAP and the ABRP are intended to supplement the Participant's actual benefit under the Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the Qualified Pension Plan on a "mix and match" basis, without regard to the limitations of Code section 415 and Code section 401(a)(17), and with the special adjustments described above. To prevent duplication of benefits, the full benefit under the Qualified Pension Plan and the enhanced Incentive Benefit described above shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the Qualified Pension Plan, and then reduced by the benefit payable from the Lockheed Martin CAP and ABRP. The remainder of the benefit shall be paid from this Plan. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article IV shall be payable to the Participant or Beneficiary or any other person who would be entitled to receive benefits with respect to the Participant under the Designated Qualified Plan.

If the benefits that would be payable under the Designated Qualified Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan unless the Committee expressly so provides in writing.

ARTICLE V

PAYMENT OF BENEFITS

1. Vesting. Except as provided in Article VI, and subject to the Company's right to discontinue the Plan as provided in Article VII, a Participant shall have a non-forfeitable interest in benefits payable under this Plan to the same extent as benefits are vested under the applicable Qualified Pension Plan. As provided in Article VI, if a Participant acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

2. Form of Payment. Benefits shall be paid in the same form at the same times and for the same period as benefits are paid with respect to the Participant under the applicable Qualified Pension Plan, except as provided in the following paragraphs. Actuarial adjustments shall be based on the factors set forth in the Qualified Pension Plan, except as provided in the following paragraphs. If the benefits payable under this Plan correspond to Qualified Pension Plan benefits with multiple commencement dates, each portion of the benefits payable under this Plan shall be paid at the same time as the corresponding portion of the benefits is paid from the Qualified Pension Plan. If a Participant is not entitled to benefits under the Qualified Pension Plan, benefits shall be paid as if the Participant had been a member of the Lockheed Martin Retirement Plan for Certain Salaried Employees (or such other Qualified Retirement Plan as designated by the Committee) and had chosen from among the forms of payment available under such Plan. If an Employee's benefits under the Qualified Pension Plan are suspended for any month in accordance with the re-employment provisions thereof, the Participant's benefit for that month shall likewise be suspended under Articles III and IV of this Plan.

Lump Sum Option. A Participant may irrevocably elect to receive a full or partial single lump sum payment in an amount which is the actuarial equivalent of the benefit described above. The actuarial equivalent will be computed using the Actuarial Equivalent, and with no interest for the period between the date of termination of employment and the payment date. This election must be made within the time period for electing the form of benefit under the corresponding Qualified Pension Plan, by filing a written election in the form and manner prescribed by the Company. Payment will be made six (6) months following the date payments would otherwise begin pursuant to the above paragraph. If a Participant is not entitled to benefits under the Qualified Pension Plan, the Participant may make the election at any time after the Participant would have qualified for early retirement under the Qualified Pension Plan had the Participant been a member of such Plan. Payment will be made six (6) months following the date of such Participant's election.

Pre-Retirement Survivor Benefit. In the event the Participant dies prior to the date his or her retirement has commenced under this Plan and the corresponding Qualified Pension Plan, the pre-retirement survivor benefit payable to the surviving spouse (if any) under this Plan (the "Pre-Retirement Survivor Benefit" and the "Surviving Spouse") will be payable, at the election of the Surviving Spouse, in any of the following forms:

- (a) in the form of a monthly annuity payable to the Surviving Spouse for his lifetime, with no further payments to anyone after his death (which will be referred to as the "Regular Form");

- (b) in the form of a lump sum payment which is the actuarial equivalent of the Regular Form ( the “100% Lump Sum”), but with actuarial equivalence determined as of the Election Date using the Actuarial Equivalent, and with no interest for the period between the Election Date (or, if later, the date the Participant would have attained age 55 had he survived) and the payment date; or
- (c) in the form of a combined lump sum and life annuity benefit of (x) and (y), where (x) equals a lump sum amount selected by the Surviving Spouse which is less than the 100% Lump Sum and (y) is a monthly single life annuity for the life of Surviving Spouse (with no further payments to anyone after his death) in an amount that can be provided with the difference between (x) and the 100% Lump Sum.

Any election to receive the benefit in the form of a lump sum as set forth in (b) above or a combined lump sum and annuity as set forth in (c) above must be made by the Surviving Spouse no later than 90 days after the date of the Participant’s death or, if later, the date the Participant would have attained age 55 had he survived (with the date such election is made by the Surviving Spouse referred to as the “Election Date”). In the event the Surviving Spouse makes an election for a lump sum or partial lump sum payment within this period, payment will not be made to the Surviving Spouse until six months after the Election Date (or, if later, six months after the date the benefit would otherwise be payable under this Plan).

Cash-out of Small Benefits. Notwithstanding the above, if the Value of the sum of the benefits payable to a Participant or Beneficiary under this Plan does not exceed the amount that may be distributed without consent under Section 411(a)(11) of the Code, all such benefits will be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits. For purposes of this Section, Value shall be determined as of the Participant’s termination of employment, and shall mean the present value of a Participant’s or Beneficiary’s benefits based upon the applicable mortality table and applicable interest rate in Code section 417(e)(3)(ii) for the calendar month preceding the Plan Year in which the termination of employment occurs.

3. Deductibility of Payments. In the event that the payment of benefits under Section 2 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the form and timing of distributions as necessary to maximize the Company’s tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the payment

method described in Section 2, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's accrued benefit under this Plan or to pay aggregate benefits less than the Participant's accrued benefit in the event that all or a portion thereof would not be deductible by the Company.

4. Change of Law. Notwithstanding anything to the contrary herein, if the Committee determines in good faith, based on consultation with counsel, that the federal income tax treatment or legal status of this Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the benefits of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

5. Acceleration upon Change in Control.

Notwithstanding any other provision of the Plan, the accrued benefit of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

For purposes of this Plan, a Change in Control shall include and be deemed to occur upon the following events:

- (a) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.
- (b) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).
- (c) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

- (d) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).
- (e) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

This Section 5 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of benefits under this Plan in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

The Committee may cancel or modify this Section 5 at any time prior to a Change in Control. In the event of a Change in Control, this Section 5 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 5 shall not, for purposes of Section 5, be subject to cancellation or modification during the five year period

6. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. No benefit payments shall be made to the Participant until the withholding obligation for taxes under Code sections 3101(a) and 3101(b) has been satisfied with respect to the Participant.

7. Retiree Medical Withholding. A Participant may direct the Company to withhold from the Participant's benefit payments hereunder all or a portion of the amount that the Participant is required to pay for Company-provided retiree medical coverage.

8. Reemployment. The retirement benefit otherwise payable hereunder to any Participant who previously retired or otherwise had a Termination of Employment and is subsequently reemployed shall be treated in a manner consistent with the treatment of the benefit under the applicable Qualified Pension Plan or Designated Qualified Plan.



9. Mistaken Payments. No Participant or Beneficiary shall have any right to any payment made (1) in error, (2) in contravention to the terms of the Plan, the Code, or ERISA, or (3) because the Committee or its delegates were not informed of any death. The Committee shall have full rights under the law and ERISA to recover any such mistaken payment, and the right to recover attorney's fees and other costs incurred with respect to such recovery. Recovery shall be made from future Plan payments, or by any other available means.

## ARTICLE VI

### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Plan be satisfied by payments out of such trust or trusts. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary or transfer of an interest in this Plan to a Participant's former spouse incident to divorce under a Qualified Domestic Relations Order.

3. Forfeiture. If, following the date on which a Participant shall retire under this Plan, a Participant shall engage in the operation or management of a business, whether as owner, stockholder, partner, officer, employee, consultant, or otherwise, which at such time is in competition with the Company or any of its subsidiaries, or shall disclose to unauthorized persons information relative to the business of the Company or any of its subsidiaries which the Participant shall have reason to believe is confidential, or otherwise act, or conduct oneself, in a manner which the Participant shall have reason to believe is contrary to the best interest of the Company, or shall be found by the Committee to have committed an act during the term of the Participant's employment which would have justified the Participant being discharged for cause, the Participant's retirement benefit under this Plan shall terminate. Application of this Section will be at the discretion of the Committee.

## ARTICLE VII

### AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's accrued benefit or postponing the time when a Participant is entitled to receive a distribution of his accrued benefit unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their accrued benefits in a lump sum or to make other provisions for the payment of benefits (e.g. purchase of annuities) immediately following such termination or at such time thereafter as the Board may determine.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement with the Company or its subsidiaries to assume all of the obligations of the Company under this Plan with respect to such Participant.

4. Merger. The Board reserves the right to merge all or part of this Plan with or into another plan, provided (1) such other plan preserves all of the obligations of the Company under this Plan with respect to such Participant and (2) each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger (if the Plan had then terminated).

## ARTICLE VIII

### ADMINISTRATION

1. The Committee. This Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and its delegates (including the Claims Administrator) shall have full discretion to construe and interpret the terms and provisions of the Plan, which interpretation or construction shall be final, conclusive and binding on all parties, including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. Except as otherwise provided in Section 6, the Committee delegates the authority to adjudicate claims to the Pension Plans Administrative Committee.

2. Delegation and Reliance. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose. In making any determination or in taking or not taking any action under this Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of the Plan or any Participant's rights under the Plan to achieve intended tax consequences, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee and the Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is wholly or partially denied by Claims Administrator are as follows:

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.
- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.

- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached,
- (e) The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.
- (f) In the event that the Claims Administrator must make a determination of disability in order to decide a claim, the Claims Administrator shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The Claims Administrator shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.
- (g) For purposes of this Section 6, claimant shall include the duly authorized representative of claimant, if any.
- (h) The Claims Administrator shall be the Lockheed Martin Corporation Pension Plan Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. This Plan shall not in any way obligate the Company to continue the employment of a Participant with the Company, nor does this Plan limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan by its terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any benefits accrued under this Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of Pension Plan Operations, Human Resource Services. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Plan.

5. Each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Plan.

6. The provisions of this Plan shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this Plan shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This Plan and its operation, including the payment of cash hereunder, is subject to compliance with all applicable Federal and state laws, rules and regulations and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

ARTICLE X

EFFECTIVE DATE

This Plan, including any amendment and restatement of the prior plans, is generally effective July 1, 2004.

LOCKHEED MARTIN CORPORATION  
SUPPLEMENTAL SAVINGS PLAN

(Amended and Restated as of December 31, 2008)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Supplemental Savings Plan (the "Supplemental Savings Plan") are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") the opportunity to defer compensation that cannot be contributed under the Lockheed Martin Salaried Corporation Savings Plan (the "Qualified Savings Plan") because of the limitations of Code section 401(a)(17), 402(g), or 415(c)(1) (A), and to provide those employees with matching credits equal to the matching contributions that would have been made by the Company on their behalf under the Qualified Savings Plan if the amounts deferred had been contributed to the Qualified Savings Plan.

The Plan was amended and restated, effective January 1, 2005, in order to comply with the requirements of Code section 409A. The 2005 amendment and restatement of the Plan, as further amended and restated from time to time, applies only to the portion of a Participant's Account Balance (and any earnings or losses attributable to those amounts) that is deferred or becomes vested on or after January 1, 2005. The portion of a Participant's Account Balance that was deferred and vested prior to January 1, 2005 (and any earnings or losses attributable to those amounts) shall be governed by the terms of the Plan in effect on December 31, 2004, which is attached hereto as Appendix A.

Since 2005, the Plan has been amended and restated from time to time to provide for the treatment of Roth 401(k) contributions, to make installment distribution options consistent amount the nonqualified plans sponsored by the Company, and to make other administrative clarifications. The Plan is hereby amended and restated, effective December 31, 2008, to clarify additional provisions in accordance with the final Treasury regulations issued under Code section 409A and to make other administrative clarifications.



ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, the following words and phrases shall have the meanings hereinafter indicated:

1. ACCOUNT — The bookkeeping account maintained by the Company for each Participant which is credited with the Participant's Deferred Compensation, Matching Credits, and earnings (or losses) attributable to the Investment Options selected by the Participant, and which is debited to reflect distributions. The portions of a Participant's Account allocated to different Investment Options will be accounted for separately.
2. ACCOUNT BALANCE — The total amount credited to a Participant's Account at any time, including the portions of the Account allocated to each Investment Option.
3. BENEFICIARY — The person or persons designated by the Participant as his or her beneficiary under the Qualified Savings Plan.
4. BOARD — The Board of Directors of Lockheed Martin Corporation.
5. CODE — The Internal Revenue Code of 1986, as amended.
6. COMMITTEE — The committee described in Section 1 of Article IX.
7. COMPANY — Lockheed Martin Corporation and its subsidiaries.
8. COMPANY STOCK INVESTMENT OPTION — The Investment Option under which the Participant's Account is credited as if invested under the investment option in the Qualified Savings Plan for the common stock of the Company.
9. COMPENSATION — An employee's base salary from the Company, as defined in the Qualified Savings Plan.
10. DEFERRAL AGREEMENT — The written agreement executed by an Eligible Employee on the form provided by the Company under which the Eligible Employee elects to defer Compensation for a Year.
11. DEFERRED COMPENSATION — The amount of Compensation deferred and credited to a Participant's Account under the Supplemental Savings Plan for a Year.
12. ELIGIBLE EMPLOYEE — A salaried employee who is eligible to participate in the Qualified Savings Plan as of the thirtieth (30th) day preceding the last day on which a Deferral Agreement may be made for a Year, and whose annual rate of Compensation equals or exceeds \$150,000 as of November 1 of the Year preceding the Year for which a Deferral Agreement is to take effect, and who satisfies such additional requirements for participation in

this Supplemental Savings Plan as the Committee may from time to time establish. In the exercise of its authority under this provision, the Committee shall limit participation in the Plan to employees whom the Committee believes to be a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.

13. EXCHANGE ACT — The Securities Exchange Act of 1934.

14. INVESTMENT OPTION — A measure of investment return pursuant to which Deferred Compensation credited to a Participant's Account shall be further credited with earnings (or losses). The Investment Options available under this Supplemental Savings Plan shall correspond to the investment options available under the Qualified Savings Plan (other than the ESOP Fund or the Self-Managed Account, which are not available under this Plan).

15. MATCHING CREDIT — Any amount credited to a Participant's Account under Article IV.

16. PARTICIPANT — An Eligible Employee for whom Compensation has been deferred under this Supplemental Savings Plan; the term shall include a former employee whose Account Balance has not been fully distributed.

17. QUALIFIED SAVINGS PLAN — The Lockheed Martin Corporation Salaried Savings Plan or any successor plan.

18. SECTION 16 PERSON — A Participant who at the relevant time is subject to the reporting and short-swing liability provisions of Section 16 of the Exchange Act.

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

20. SUPPLEMENTAL SAVINGS PLAN — The Lockheed Martin Corporation Supplemental Savings Plan, which was originally adopted by the Board of Directors of Lockheed Corporation, effective January 1, 1984, as the Lockheed Corporation Supplemental Savings Plan, and which was amended and restated (and re-named) pursuant to action of the Board on July 25, 1996, and as further amended from time to time.

21. YEAR — The calendar year.

ARTICLE III

ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections. An Eligible Employee may elect to defer Compensation for a Year by executing and delivering to the Company a Deferral Agreement by the deadline established by the Committee or its delegate (no later than the end of the preceding Year). An Eligible Employee's Deferral Agreement shall be irrevocable when delivered to the Company and shall remain irrevocably in effect for all succeeding Years, except that the Deferral Agreement may be modified or revoked with respect to any succeeding year by the Eligible Employee's execution and delivery to the Company of a new or modified Deferral Agreement by the deadline established by the Committee or its delegate (no later than the end of the preceding Year).

2. Amount of Deferred Compensation. Unless an Eligible Employee elects to make no deferral for a Year, the Eligible Employee's Deferred Compensation for a Year shall equal (i) his or her Compensation from the time when his or her Deferral Agreement takes effect during the Year (as elected under Section 3 of this Article III) until the last day of the Year, multiplied by (ii) the percentage of Compensation that the Eligible Employee has elected to contribute to the Qualified Savings Plan (whether in the form of pre-tax salary reduction contributions, Roth 401(k) contributions, after-tax contributions, or a combination thereof) for that Year. An Eligible Employee who has elected to make a deferral for a Year under this Supplemental Savings Plan shall be precluded from modifying his or her rate of contributions to the Qualified Savings Plan for that Year after the date on which his or her Deferral Agreement for that Year (including any continuing Deferral Agreement) has become irrevocable under Section 1 of this Article III.

3. Time when Deferral Agreement Takes Effect. The Eligible Employee may elect to have his or her Deferral Agreement take effect after the occurrence of either of the following triggering events:

(a) the Eligible Employee's pre-tax salary reduction contributions and/or Roth 401(k) contributions, if applicable, under the Qualified Savings Plan for the Year equal the applicable limit under Code section 402(g), or

(b) the Compensation paid to the Eligible Employee for the Year equals the applicable compensation limit under Code section 401(a)(17), or, if earlier, the annual additions (within the meaning of Code section 415(c)(2)) of the Eligible Employee for the Year under the Qualified Savings Plan and any other plan maintained by the Company equal the applicable limit under Code section 415(c)(1)(A).

An Eligible Employee's Deferral Agreement shall first take effect and apply to that portion of Compensation earned by the Eligible Employee for a particular payroll period that exceeds the amount at which, or with respect to which, the triggering event occurs.

ARTICLE IV

MATCHING CREDITS

The Company shall credit to the Account of a Participant as Matching Credits the same percentage of the Participant's Deferred Compensation as it would have contributed as matching contributions to the Qualified Savings Plan if the amount of the Participant's Deferred Compensation had been contributed as pre-tax salary reduction, Roth 401(k), or after-tax contributions to the Qualified Savings Plan.

ARTICLE V

CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Deferred Compensation shall be credited to a Participant's Account as of the day on which such amount would have been credited to the Participant's account under the Qualified Savings Plan if the Participant's Deferred Compensation had been contributed as pre-tax salary reduction or after-tax contributions to the Qualified Savings Plan.

2. Crediting of Matching Credits. Matching Credits shall be credited to a Participant's Account as of the day on which the Deferred Compensation to which they relate are credited under Section 1.

3. Crediting of Earnings. Earnings (or losses) shall be credited to a Participant's Account based on the Investment Option or Options to which his or her Account has been allocated, beginning with the day as of which any amounts (or any reallocation of amounts) are credited to the Participant's Account. Any amount distributed from a Participant's Account shall be credited with earnings (or losses) through the date that is four (4) business days before the date on which the distribution is made. The manner in which earnings (or losses) are credited under each of the Investment Options shall be determined in the same manner as under the Qualified Savings Plan.

4. Selection of Investment Options. A Participant may elect to allocate his or her Account among the Investment Options available under the Qualified Savings Plan (other than the options designated as the ESOP Fund or the Self Managed Account). The procedures for directing allocation and reallocations among the Investment Options in the Supplemental Savings Plan (including the procedures relating to timing, frequency, amount, and the investment of Matching Credits) shall be the same as the procedures for making allocations under the Qualified Savings Plan. In the event a Participant does not make an investment allocation for the Supplemental Savings Plan, his elections will be deemed to be the elections made by the Participant in the Qualified Savings Plan (except that an election for the ESOP Fund or the Self Managed Account shall be disregarded).

ARTICLE VI

PAYMENT OF BENEFITS

1. General. The Company's liability to pay benefits to a Participant or Beneficiary under this Supplemental Savings Plan shall be measured by and shall in no event exceed the Participant's Account Balance, which shall be fully vested and nonforfeitable at all times. All benefit payments shall be made in cash and, except as otherwise provided, shall reduce allocations to the Investment Options in the same proportions that the Participant's Account Balance is allocated among those Investment Options.

2. Commencement of Payment. The payment of benefits to a Participant shall commence as soon as administratively feasible (but no more than 90 days) following the Participant's termination of employment with the Company. Notwithstanding the foregoing, benefits paid under this Plan to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(2)(B)(i), shall not commence before six (6) months following the month in which the Participant terminates employment. No payment shall commence or be made under this Section 2 unless the Participant's termination of employment constitutes a "separation from service" under Code section 409A(a)(2)(a)(i).

3. Form of Payment. At the time an Eligible Employee first completes a Deferral Agreement, he or she shall irrevocably elect the form of payment of his or her Account Balance from among the following options:

(a) A lump sum.

(b) Annual payments, as designated by the Participant (i) for a period of 5, 10, 15, or 20 years for distributions commencing prior to January 1, 2008, or (ii) for a period not to exceed 20 years (or 20 annual payments) for distributions commencing on or after January 1, 2008. The amount of each annual payment shall be determined by dividing the Participant's Account Balance on the date such payment is processed by the number of years remaining in the designated installment period.

Such election shall be made in writing in the form and manner designated by the Company. Notwithstanding the foregoing, if the Account Balance of a Participant who is entitled to begin payment equals \$10,000 or less, the Participant's Account Balance shall be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits.

4. Prospective Change of Payment Election.

(a) A Participant may modify his or her payment election at the time the Participant enters into a Deferral Agreement for a Year. Any such modification shall apply to all amounts credited to the Participant's Account under this Supplemental Savings Plan.

(b) In the event a Participant does not make a valid election with respect to the form of benefit, the Participant will be deemed to have elected that payment of benefits be made in a lump sum.

(c) A Participant's election (including a "deemed election" in accordance with the preceding paragraph) shall remain in effect unless and until such election is modified by a subsequent election in accordance with (d) below.

(d) Notwithstanding anything to the contrary in this Article VI, a Participant may make a new election with respect to the commencement of payment and form of payment. A new election under this section shall be made by executing and delivering to the Company an election in such form as prescribed by the Company. To constitute a valid election by a Participant making a prospective change to a previous election, (i) the prospective election must be executed and delivered to the Company at least twelve (12) months before the Participant's termination of employment, and (ii) the first payment must be delayed by at least sixty (60) months from the date the first payment would be due under the Participant's previous election, and (iii) such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company. In the event an election fails to satisfy the provisions set forth in this paragraph, such election shall be void and, if such an election is void, payment shall be made in accordance with the most recent election which was valid.

(e) Notwithstanding the above, for periods prior to January 1, 2009, (or such later date as may be provided by the Internal Revenue Service in guidance of general applicability), the Senior Vice President, Human Resources may provide alternative rules for elections with respect to the commencement of payment and form of payment that conform to the rules provided in Notice 2005-1, and subsequent Internal Revenue Service guidance providing transition relief under Code section 409A.

5. Death Benefits. Upon the death of a Participant before a complete distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in an immediate lump sum.

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's form of payment election under Section 3 of this Article VI, if following a Participant's termination of employment with the Company, the Participant takes a position (or accepts a position) with a governmental entity, agency, or instrumentality and that employer has determined or indicated that the Participant's continued participation in the Plan may constitute a conflict of interest precluding the Participant from continuing in his position (or from accepting an offered position) with that employer or subjecting the Participant to penalty, sanction, or otherwise limiting the Participant's responsibilities for that employer, then the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical following the later of (i) the date on which the Participant commences employment with the government employer; or (ii) the date on which it is determined that the conflict of interest may exist; provided, however, that if a distribution in accordance with the provisions of this Section 6 from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing

transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act. This Section 6 of Article VI shall apply, however, only to the extent that the accelerated payment upon a conflict of interest determination conforms to Code section 409A.

7. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of this Supplemental Savings Plan, the Account Balance of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

(b) For purposes of this Supplemental Savings Plan, a Change in Control shall include and be deemed to occur upon the following events:

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

(2) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).

(3) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

(4) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).

(5) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

Notwithstanding the foregoing, no distribution shall be made solely on account of a Change in Control and prior to the benefit commencement date specified in Section 2 of Article VI unless the Change in Control is an event qualifying for a distribution of deferred compensation under both the definition of Change in Control in this Plan and in Section 409A(a)(2)(A)(v) of the Code.

(c) Notwithstanding the provisions of Section 7(a), if a distribution in accordance with the provisions of Section 7(a) would result in a nonexempt transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(d) This Section 7 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of an Account Balance in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

(e) The Committee may cancel or modify this Section 7 at any time prior to a Change in Control. In the event of a Change in Control, this Section 7 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 7 shall not, for purposes of Section 7, be subject to cancellation or modification during the five year period.

8. Deductibility of Payments. Subject to the provisions of Code section 409A, in the event that the payment of benefits in accordance with the Participant's election under Section 3 of this Article VI would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the Participant's election, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company.

9. Change of Law. Notwithstanding anything herein to the contrary, if the Committee determines in good faith, based on consultation with counsel and in accordance with the requirements of Code section 409A, that the Federal income tax treatment or legal status of this Supplemental Savings Plan has or may be adversely affected by a change in the Internal Revenue Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the Accounts of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.



10. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any amounts credited to a Participant's Account hereunder, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. However, the amount of Deferred Compensation or Matching Credits to be credited to a Participant's Account will not be reduced or adjusted by the amount of any tax that the Company is required to withhold with respect thereto.

## ARTICLE VII

### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Supplemental Savings Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Supplemental Savings Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Supplemental Savings Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422 (generally known as a "rabbi trust"), and the Company may direct that its obligations under this Supplemental Savings Plan be satisfied by payments out of such trust or trusts. It is the Company's intention that this Supplemental Savings Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary. Notwithstanding, any portion of a Participant's benefit under this Plan may be paid to a spouse, former spouse, or child pursuant to the terms of a domestic relations order (which shall be interpreted and administered in accordance with Code sections 414(p)(1)(B) and 409A), provided that the form of payment designated in such order is a lump sum payment described in Section 3(a) of Article VI of this Plan.

## ARTICLE VIII

### AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Supplemental Savings Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's Account Balance or postponing the time when a Participant is entitled to receive a distribution of his or her Account Balance.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their Account Balances in any form and at such times that the Board reasonably determines in its discretion is appropriate and conforms to the requirements of Code section 409A; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

## ARTICLE IX

### ADMINISTRATION

1. The Committee. This Supplemental Savings Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this Supplemental Savings Plan to comply with the requirements of Rule 16b-3 of the Exchange Act. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and the Claims Administrator shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee or the Claims Administrator shall be final and binding on all parties. Notwithstanding anything contained in the Plan or in any document issued under the Plan, it is intended that the Plan will at all times conform to the requirements of Code section 409A and any regulations or other guidance issued thereunder, and that the provisions of the Plan will be interpreted to meet such requirements. If any provision of the Plan is determined not to conform to such requirements, the Plan shall be interpreted to omit such offending provision.

2. Delegation and Reliance. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Supplemental Savings Plan in accordance with its terms and purpose, except that the Committee has not delegated (and may not delegate) any authority the delegation of which would cause this Supplemental Savings Plan to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this Supplemental Savings Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Supplemental Savings Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Supplemental Savings Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under

this Supplemental Savings Plan or for the failure of the Supplemental Savings Plan or any Participant's rights under the Supplemental Savings Plan to achieve intended tax consequences, to qualify for exemption or relief under Section 16 of the Exchange Act and the rules thereunder, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee or the Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is wholly or partially denied by Claims Administrator are as follows:

(a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.

(b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.

(c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under Federal law.

(d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.

(e) If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.

(f) The Claims Administrator shall be the Lockheed Martin Corporation Savings Plan Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

## ARTICLE X

### GENERAL AND MISCELLANEOUS PROVISIONS

1. Neither this Supplemental Savings Plan nor a Participant's Deferral Agreement, either singly or collectively, shall in any way obligate the Company to continue the employment of a Participant with the Company, nor does either this Supplemental Savings Plan or a Deferral Agreement limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan or a Deferral Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan or a Deferral Agreement, either singly or collectively, by their terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any amount credited to a Participant's Account under this Supplemental Savings Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of the Senior Vice President, Human Resources. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Supplemental Savings Plan.

5. By electing to become a Participant hereunder, each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Supplemental Savings Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Supplemental Savings Plan.

6. The provisions of this Supplemental Savings Plan and the Deferral Agreements hereunder shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this Supplemental Savings Plan shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this Supplemental Savings Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This Supplemental Savings Plan and its operation, including but not limited to, the mechanics of deferral elections, the issuance of securities, if any, or the payment of cash hereunder is subject to compliance with all applicable Federal and state laws, rules and regulations (including but not limited to state and Federal insider trading, registration, reporting and other securities laws) and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

10. This Supplemental Savings Plan is intended to constitute an “excess benefit plan” within the meaning of Rule 16b-3(b)(2) under the Securities Exchange Act of 1934, and it shall be construed and applied accordingly. It is the intent of the Company that this Supplemental Savings Plan satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this Supplemental Savings Plan would otherwise frustrate or conflict with the intent expressed in this Section 10, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the Supplemental Savings Plan to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed ineffective. Notwithstanding anything to the contrary in this Supplemental Savings Plan, the provisions of this Supplemental Savings Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Supplemental Savings Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Supplemental Savings Plan to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the provisions of Section 16 of the Exchange Act or the provisions of the Supplemental Savings Plan designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

ARTICLE XI

EFFECTIVE DATE

This amendment and restatement of the Supplemental Savings Plan shall generally become effective on December 31, 2008. Subsequent amendments to the Supplemental Savings Plan are effective as of the date stated in the amendment or the adopting resolution.

WITNESS

LOCKHEED MARTIN CORPORATION

/s/ Robin H. Villanueva

/s/ Kenneth J. Disken

Name: Robin H. Villanueva

By: Kenneth J. Disken

Senior Vice President, Human Resources

Date: 12-18-2008

Date: 12-18-2008

APPENDIX A

This Appendix A shall apply only to the portion of a Participant's Account Balance (and any earnings or losses attributable to those amounts) that was deferred and vested prior to January 1, 2005. This Appendix A shall not apply to the portion of a Participant's Account Balance that is deferred or becomes vested on or after January 1, 2005 (and any earnings or losses attributable to those amounts).

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Supplemental Savings Plan (the "Supplemental Savings Plan") are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") the opportunity to defer compensation that cannot be contributed under the Lockheed Martin Salaried Savings Program (the "Qualified Savings Plan") because of the limitations of Code section 401(a)(17), 402(g), or 415(c)(1)(A), and to provide those employees with matching credits equal to the matching contributions that would have been made by the Company on their behalf under the Qualified Savings Plan if the amounts deferred had been contributed to the Qualified Savings Plan.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, the following words and phrases shall have the meanings hereinafter indicated:

1. ACCOUNT — The bookkeeping account maintained by the Company for each Participant which is credited with the Participant's Deferred Compensation, Matching Credits, and earnings (or losses) attributable to the Investment Options selected by the Participant, and which is debited to reflect distributions. The portions of a Participant's Account allocated to different Investment Options will be accounted for separately.

2. ACCOUNT BALANCE — The total amount credited to a Participant's Account at any time, including the portions of the Account allocated to each Investment Option.

3. BENEFICIARY — The person or persons designated by the Participant as his or her beneficiary under the Qualified Savings Plan.

4. BOARD — The Board of Directors of Lockheed Martin Corporation.

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



6. COMMITTEE — The committee described in Section 1 of Article IX.
7. COMPANY — Lockheed Martin Corporation and its subsidiaries.
8. COMPANY STOCK INVESTMENT OPTION — The Investment Option under which the Participant's Account is credited as if invested under the investment option in the Qualified Savings Plan for the common stock of the Company.
9. COMPENSATION — An employee's base salary from the Company, as defined in the Qualified Savings Plan.
10. DEFERRAL AGREEMENT — The written agreement executed by an Eligible Employee on the form provided by the Company under which the Eligible Employee elects to defer Compensation for a Year.
11. DEFERRED COMPENSATION — The amount of Compensation deferred and credited to a Participant's Account under the Supplemental Savings Plan for a Year.
12. ELIGIBLE EMPLOYEE — A salaried employee who is eligible to participate in the Qualified Savings Plan as of the thirtieth (30th) day preceding the last day on which a Deferral Agreement may be made for a Year, and whose annual rate of Compensation equals or exceeds \$150,000 as of November 1 of the Year preceding the Year for which a Deferral Agreement is to take effect, and who satisfies such additional requirements for participation in this Supplemental Savings Plan as the Committee may from time to time establish. In the exercise of its authority under this provision, the Committee shall limit participation in the Plan to employees whom the Committee believes to be a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.
13. EXCHANGE ACT — The Securities Exchange Act of 1934.
14. INVESTMENT OPTION — A measure of investment return pursuant to which Deferred Compensation credited to a Participant's Account shall be further credited with earnings (or losses). The Investment Options available under this Supplemental Savings Plan shall correspond to the investment options available under the Qualified Savings Plan.
15. MATCHING CREDIT — Any amount credited to a Participant's Account under Article IV.
16. PARTICIPANT — An Eligible Employee for whom Compensation has been deferred under this Supplemental Savings Plan; the term shall include a former employee whose Account Balance has not been fully distributed.
17. QUALIFIED SAVINGS PLAN — The Lockheed Martin Salaried Savings Plan or any successor plan.

18. SECTION 16 PERSON — A Participant who at the relevant time is subject to the reporting and short-swing liability provisions of Section 16 of the Exchange Act.

19. SUPPLEMENTAL SAVINGS PLAN — The Lockheed Martin Corporation Supplemental Savings Plan, which was originally adopted by the Board of Directors of Lockheed Corporation, effective January 1, 1984, as the Lockheed Corporation Supplemental Savings Plan, and which has been amended and restated (and re-named) pursuant to action of the Board on July 25, 1996, and as further amended from time to time.

20. YEAR — The calendar year.

### ARTICLE III

#### ELECTION OF DEFERRED AMOUNT

1. Timing of Deferral Elections. An Eligible Employee may elect to defer Compensation for a Year by executing and delivering to the Company a Deferral Agreement no later than November 30 of the preceding Year. An Eligible Employee's Deferral Agreement shall be irrevocable when delivered to the Company and shall remain irrevocably in effect for all succeeding Years, except that the Deferral Agreement may be modified or revoked with respect to any succeeding year by the Eligible Employee's execution and delivery to the Company of a new or modified Deferral Agreement on or before November 30 of such succeeding Year. Notwithstanding the foregoing, deferral elections for the 1997 Year may be made as late as February 28, 1997, in recognition of the fact that the right to enter into Deferral Agreements for the 1997 Year has generally been suspended pending the distribution of prospectuses for the Plan, as amended and restated; provided, however, no Deferral Agreement for the 1997 Year shall take effect, or apply to Compensation earned, before the date that the Eligible Employee's Deferral Agreement is executed and delivered to the Company.

2. Amount of Deferred Compensation. Unless an Eligible Employee elects to make no deferral for a Year, the Eligible Employee's Deferred Compensation for a Year shall equal (i) his or her Compensation from the time when his or her Deferral Agreement takes effect during the Year (as elected under Section 3 of this Article III) until the last day of the Year, multiplied by (ii) the percentage of Compensation that the Eligible Employee has elected to contribute to the Qualified Savings Plan (whether in the form of pre-tax salary reduction contributions, after-tax contributions, or a combination thereof) for that Year. An Eligible Employee who has elected to make a deferral for a Year under this Supplemental Savings Plan shall be precluded from modifying his or her rate of contributions to the Qualified Savings Plan for that Year after the date on which his or her Deferral Agreement for that Year (including any continuing Deferral Agreement) has become irrevocable under Section 1 of this Article III.

3. Time when Deferral Agreement Takes Effect. The Eligible Employee may elect to have his or her Deferral Agreement take effect after the occurrence of either of the following triggering events:

(a) the Eligible Employee's pre-tax salary reduction contributions under the Qualified Savings Plan for the Year equal the applicable limit under Code section 402(g), or

(b) the Compensation paid to the Eligible Employee for the Year equals the applicable compensation limit under Code section 401(a)(17), or, if earlier, the annual additions (within the meaning of Code section 415(c)(2)) of the Eligible Employee for the Year under the Qualified Savings Plan and any other plan maintained by the Company equal the applicable limit under Code section 415(c)(1)(A).

An Eligible Employee's Deferral Agreement shall first take effect and apply to that portion of Compensation earned by the Eligible Employee for a particular payroll period that exceeds the amount at which, or with respect to which, the triggering event occurs.

#### ARTICLE IV

##### MATCHING CREDITS

The Company shall credit to the Account of a Participant as Matching Credits the same percentage of the Participant's Deferred Compensation as it would have contributed as matching contributions to the Qualified Savings Plan if the amount of the Participant's Deferred Compensation had been contributed as pre-tax salary reduction or after-tax contributions to the Qualified Savings Plan.

#### ARTICLE V

##### CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Deferred Compensation shall be credited to a Participant's Account as of the day on which such amount would have been credited to the Participant's account under the Qualified Savings Plan if the Participant's Deferred Compensation had been contributed as pre-tax salary reduction or after-tax contributions to the Qualified Savings Plan.

2. Crediting of Matching Credits. Matching Credits shall be credited to a Participant's Account as of the day on which the Deferred Compensation to which they relate are credited under Section 1.

3. Crediting of Earnings. Earnings (or losses) shall be credited to a Participant's Account based on the Investment Option or Options to which his or her Account has been allocated, beginning with the day as of which any amounts (or any reallocation of amounts) are credited to the Participant's Account. Any amount distributed from a Participant's Account shall be credited with earnings (or losses) through the day on which the distribution is processed. The manner in which earnings (or losses) are credited under each of the Investment Options shall be determined in the same manner as under the Qualified Savings Plan.

4. Selection of Investment Options. The amounts credited to a Participant's Account under this Supplemental Savings Plan shall be allocated among the Investment Options in the same percentages as the Participant's account under the Qualified Savings Plan is allocated among those Investment Options. In the event that an Account is maintained for a Participant under this Supplemental Savings Plan at a time when an account is no longer maintained for the Participant under the Qualified Savings Plan, the Participant may allocate and reallocate his or her Account Balance among the Investment Options in accordance with the procedures and limitations on allocations and reallocations under the Qualified Savings Plan.

## ARTICLE VI

### PAYMENT OF BENEFITS

1. General. The Company's liability to pay benefits to a Participant or Beneficiary under this Supplemental Savings Plan shall be measured by and shall in no event exceed the Participant's Account Balance, which shall be fully vested and nonforfeitable at all times. All benefit payments shall be made in cash and, except as otherwise provided, shall reduce allocations to the Investment Options in the same proportions that the Participant's Account Balance is allocated among those Investment Options.

2. Commencement of Payment. The payment of benefits to a Participant shall commence as soon as administratively feasible following the Participant's termination of employment with the Company and his or her entitlement to commence receiving benefits under the Qualified Savings Plan.

3. Form of Payment. At the time an Eligible Employee first completes a Deferral Agreement, he or she shall irrevocably elect the form of payment of his or her Account Balance from among the following options:

- (a) A lump sum.
- (b) Annual payments for a period of 5, 10, 15, or 20 years, as designated by the Participant. The amount of each annual payment shall be determined by dividing the Participant's Account Balance on the date such payment is processed by the number of years remaining in the designated installment period. The installment period may be shortened, in the sole discretion of the Committee, if the Committee at any time determines that the amount of the annual payments that would be made to the Participant during the designated installment period would be too small to justify the maintenance of the Participant's Account and the processing of payments.

4. Prospective Change of Payment Election. The Committee may, in its discretion, permit a Participant to modify his or her payment election under Section 3 of this Article VI at the time the Participant enters into a Deferral Agreement for a Year; if accepted, any such

modification shall apply to all amounts credited to the Participant's Account under this Supplemental Savings Plan. No such modification will be effective if made within one year of the date of the Participant's termination of employment.

5. Death Benefits. Upon the death of a Participant before a complete distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in an immediate lump sum.

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's form of payment election under Section 3 of this Article VI, if following a Participant's termination of employment with the Company, the Participant takes a position (or accepts a position) with a governmental entity, agency, or instrumentality and that employer has determined or indicated that the Participant's continued participation in the Plan may constitute a conflict of interest precluding the Participant from continuing in his position (or from accepting an offered position) with that employer or subjecting the Participant to penalty, sanction, or otherwise limiting the Participant's responsibilities for that employer, then the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical following the later of (i) the date on which the Participant commences employment with the government employer; or (ii) the date on which it is determined that the conflict of interest may exist.

7. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of this Supplemental Savings Plan, the Account Balance of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

(b) For purposes of this Supplemental Savings Plan, a Change in Control shall include and be deemed to occur upon the following events:

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

(2) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).

(3) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the

conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

(4) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).

(5) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

(c) Notwithstanding the provisions of Section 7(a), if a distribution in accordance with the provisions of Section 7(a) would result in a nonexempt transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(d) This Section 7 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of an Account Balance in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

(e) The Committee may cancel or modify this Section 7 at any time prior to a Change in Control. In the event of a Change in Control, this Section 6 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 7 shall not, for purposes of Section 7, be subject to cancellation or modification during the five year period.

8. Deductibility of Payments. In the event that the payment of benefits in accordance with the Participant's election under Section 3 of this Article VI would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the

Participant's election, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company.

9. Change of Law. Notwithstanding anything to the contrary herein, if the Committee determines in good faith, based on consultation with counsel, that the Federal income tax treatment or legal status of this Supplemental Savings Plan has or may be adversely affected by a change in the Internal Revenue Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the Accounts of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

10. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any amounts credited to a Participant's Account hereunder, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. However, the amount of Deferred Compensation or Matching Credits to be credited to a Participant's Account will not be reduced or adjusted by the amount of any tax that the Company is required to withhold with respect thereto.

## ARTICLE VII

### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Supplemental Savings Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Supplemental Savings Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Supplemental Savings Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422 (generally known as a "rabbi trust"), and the Company may direct that its obligations under this Supplemental Savings Plan be satisfied by payments out of such trust or trusts. It is the Company's intention that this Supplemental Savings Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights to benefit payments under this Supplemental Savings Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or the Participant's Beneficiary.

ARTICLE VIII

AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Supplemental Savings Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's Account Balance or postponing the time when a Participant is entitled to receive a distribution of his or her Account Balance.

2. Termination. The Board reserves the right to terminate this Supplemental Savings Plan at any time and to pay all Participants their Account Balances in a lump sum immediately following such termination or at such time thereafter as the Board may determine; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

ARTICLE IX

ADMINISTRATION

1. The Committee. This Supplemental Savings Plan shall be administered by the Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this Supplemental Savings Plan to comply with the requirements of Rule 16b-3 of the Exchange Act. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and the Claims Administrator shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee or Claims Administrator shall be final and binding on all parties.

2. Delegation and Reliance. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Supplemental Savings Plan in accordance with its terms and purpose, except that the Committee may not delegate any authority the delegation of which would cause this Supplemental Savings Plan to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this Supplemental Savings Plan, the Committee may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Supplemental Savings Plan.



3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Supplemental Savings Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Supplemental Savings Plan or for the failure of the Supplemental Savings Plan or any Participant's rights under the Supplemental Savings Plan to achieve intended tax consequences, to qualify for exemption or relief under Section 16 of the Exchange Act and the rules thereunder, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee or the Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is denied by the Claims Administrator are as follows:

- (A) The Claims Administrator shall:
  - (i) notify the claimant within a reasonable time of such denial, setting forth the specific reasons therefore; and
  - (ii) afford the claimant a reasonable opportunity for a review of the decision.
- (B) The notice of such denial shall set forth, in addition to the specific reasons for the denial, the following:
  - (i) identification of pertinent provisions of this Plan;
  - (ii) such additional information as may be relevant to the denial of the claim; and

- (iii) an explanation of the claims review procedure and advice that the claimant may request an opportunity to submit a statement of issues and comments.
- (C) Within sixty days following advice of denial of a claim, upon request made by the claimant, the Claims Administrator shall take appropriate steps to review its decision in light of any further information or comments submitted by the claimant. The Claims Administrator may hold a hearing at which the claimant may present the basis of any claim for review.
- (D) The Claims Administrator shall render a decision within a reasonable time (not to exceed 120 days) after the claimant's request for review and shall advise the claimant in writing of its decision, specifying the reasons and identifying the appropriate provisions of the Plan.
- (E) The Claims Administrator shall be the Lockheed Martin Corporation Savings Plan Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

#### ARTICLE X

##### GENERAL AND MISCELLANEOUS PROVISIONS

1. Neither this Supplemental Savings Plan nor a Participant's Deferral Agreement, either singly or collectively, shall in any way obligate the Company to continue the employment of a Participant with the Company, nor does either this Supplemental Savings Plan or a Deferral Agreement limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan or a Deferral Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan or a Plan Agreement, either singly or collectively, by their terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any amount credited to a Participant's Account under this Supplemental Savings Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of the Vice President, Human Resources. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Supplemental Savings Plan.

5. By electing to become a Participant hereunder, each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Supplemental Savings Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Supplemental Savings Plan.

6. The provisions of this Supplemental Savings Plan and the Deferral Agreements hereunder shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this Supplemental Savings Plan shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this Supplemental Savings Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This Supplemental Savings Plan and its operation, including but not limited to, the mechanics of deferral elections, the issuance of securities, if any, or the payment of cash hereunder is subject to compliance with all applicable Federal and state laws, rules and regulations (including but not limited to state and Federal insider trading, registration, reporting and other securities laws) and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

10. This Supplemental Savings Plan is intended to constitute an "excess benefit plan" within the meaning of Rule 16b-3(b)(2) under the Securities Exchange Act of 1934, and it shall be construed and applied accordingly. It is the intent of the Company that this Supplemental Savings Plan satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this Supplemental Savings Plan would otherwise frustrate or conflict with the intent expressed in this Section 10, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the

provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the Supplemental Savings Plan to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed ineffective. Notwithstanding anything to the contrary in this Supplemental Savings Plan, the provisions of this Supplemental Savings Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Supplemental Savings Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Supplemental Savings Plan to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the provisions of Section 16 of the Exchange Act or the provisions of the Supplemental Savings Plan designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

#### ARTICLE XI

#### EFFECTIVE DATE

This amendment and restatement of the Supplemental Savings Plan shall generally become effective on January 1, 1997. Subsequent amendments to the Supplemental Savings Plan are effective as of the date stated in the amendment or the adopting resolution.

LOCKHEED MARTIN CORPORATION  
DEFERRED MANAGEMENT INCENTIVE  
COMPENSATION PLAN

(As Amended and Restated Effective February 26, 2009)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan (the "Deferral Plan") are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") the opportunity to defer receipt of (i) Incentive Compensation awards under the Lockheed Martin Corporation Management Incentive Compensation Plan (the "MICP"); (ii) Long Term Incentive Award payments under the Lockheed Martin Corporation 1995 Omnibus Performance Award Plan (the "Omnibus Plan") and the Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan (the "IPA Plan"); and (iii) certain benefits payable under the Lockheed Martin Corporation Post-Retirement Death Benefit Plan for Elected Officers ("Death Benefit Plan"). Providing this opportunity to defer income under the Deferral Plan will encourage key employees to maintain a financial interest in the Company's performance. Except as expressly provided hereinafter, the provisions of this Deferral Plan and the MICP, the Omnibus Plan, the IPA Plan, and the Death Benefit Plan shall be construed and applied independently of each other.

The Deferral Plan applies solely to MICP awards, Long Term Incentive Award payments under the Omnibus Plan and the IPA Plan, and certain payments under the Death Benefit Plan, and expressly does not apply to any special awards which may be made under any of the Company's other incentive plans, except and to the extent specifically provided under the terms of such other incentive plans and the relevant awards.

The Deferral Plan was amended and restated, effective January 1, 2005, in order to comply with the requirements of Code section 409A. The 2005 amendment and restatement of the Deferral Plan applied only to the portion of a Participant's Account Balance that is earned or becomes vested on or after January 1, 2005 (and any earnings or losses attributable to that portion). The portion of a Participant's Account Balance that was earned and vested prior to January 1, 2005 (and any earnings or losses attributable to that portion) shall be governed by the terms of the Deferral Plan in effect on December 31, 2004, which is attached hereto as Appendix A. The Deferral Plan was subsequently amended and restated, effective January 1, 2007, to permit eligible executives of the Company to defer payments that are available to them pursuant to the partial termination of the Death Benefit Plan.

The Deferral Plan was amended and restated, effective January 1, 2008 to modify the annual installment payment option to conform to other nonqualified plans maintained by the Company. The Deferral Plan and Appendix A were further amended and restated, effective January 1, 2008, to provide for new investment options in which Participants may invest their

Account Balances, whether earned and vested before or after January 1, 2005. The addition of the new investment option in Appendix A is not intended to constitute a material modification within the meaning of Code section 409A.

The Deferral Plan was amended and restated, effective June 26, 2008, to clarify certain provisions in accordance with the final Treasury regulations issued under Code section 409A, and to make other administrative changes. The Deferral Plan was amended and restated, effective December 31, 2008, to clarify additional provisions in accordance with the final Treasury regulations issued under Code section 409A and to make other administrative clarifications.

The Deferral Plan is hereby amended and restated, effective February 26, 2009, to prospectively eliminate an investment option and change the number of available installment payments.

## ARTICLE II

### DEFINITIONS

Unless the context indicates otherwise, the following words and phrases shall have the meanings hereinafter indicated:

1. **ACCOUNT** — The bookkeeping account maintained by the Company for each Participant which is credited with the Participant's Deferred Compensation and earnings (or losses) attributable to the investment options selected by the Participant, and which is debited to reflect distributions and forfeitures; the portions of a Participant's Account allocated to different investment options and the portions attributable to the deferral of Incentive Compensation awards, Long Term Incentive Award payments, and Death Benefit payments will be accounted for separately.

2. **ACCOUNT BALANCE** — The total amount credited to a Participant's Account at any point in time, including the portions of the Account allocated to each investment option.

3. **AWARD YEAR** — As to Incentive Compensation, the calendar year with respect to which an Eligible Employee is awarded Incentive Compensation; as to a Long Term Incentive Award payment and the related Company Deferral, the first calendar year in the Performance Period for which the Long Term Incentive Award is effective with respect to an Eligible Employee.

4. **BENEFICIARY** — The person or persons (including a trust or trusts) validly designated by a Participant, on the form provided by the Company, to receive distributions of the Participant's Account Balance, if any, upon the Participant's death. In the absence of a valid designation, or if the designated Beneficiary has predeceased the Participant, the Participant's Beneficiary shall be the personal representative of the Participant's estate in the event of a Participant's death. A Participant may amend his or her Beneficiary designation at any time before the Participant's death.

5. BOARD — The Board of Directors of Lockheed Martin Corporation.
6. CODE – the Internal Revenue Code of 1986, as amended from time to time, including the regulations and guidance of general applicability thereunder.
7. COMMITTEE — The committee described in Section 1 of Article VIII.
8. COMMON STOCK — The \$1.00 par value common stock of the Company.
9. COMPANY — Lockheed Martin Corporation and its Subsidiaries.
10. COMPANY DEFERRALS — The amount deferred by the Company, and not at the election of the Participant, for the two-year period following the end of a Performance Period for a Long Term Incentive Award.
11. COMPANY STOCK INVESTMENT OPTION — The investment option under which the amount credited to a Participant’s Account will be based on the market value and investment return of the Company’s Common Stock.
12. DEATH BENEFIT — The amount payable to an Eligible Employee pursuant to Article X, Section 1 of the Death Benefit Plan.
13. DEATH BENEFIT PLAN — The Lockheed Martin Corporation Post-Retirement Death Benefit Plan for Elected Officers.
14. DEFERRAL AGREEMENT — The written agreement executed by an Eligible Employee on the form provided by the Company under which the Eligible Employee elects to defer Incentive Compensation for an Award Year, a Long Term Incentive Award and any related Company Deferral for an Award Year, or a Death Benefit payable pursuant to the Death Benefit Plan.
15. DEFERRAL PLAN — The Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, adopted by the Board on July 27, 1995, and as amended from time to time.
16. DEFERRED COMPENSATION — The amount of Incentive Compensation credited to a Participant’s Account under the Deferral Plan, the amount of any Long Term Incentive Award payment credited to a Participant’s Account under the Deferral Plan (other than Company Deferrals), and the amount of the Death Benefit payment credited to a Participant’s Account under the Deferral Plan.
17. ELIGIBLE EMPLOYEE — An employee of the Company who is a participant in the MICP, who receives a Long Term Incentive Award under the Omnibus Plan or the IPA Plan, who is eligible to receive a Death Benefit under the Death Benefit Plan, and who has satisfied such additional requirements for participation in this Deferral Plan as the Committee may from time to time establish. In the exercise of its authority under this provision, the Committee shall limit participation in the Plan to employees whom the Committee believes to be a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.

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18. EXCHANGE ACT — The Securities Exchange Act of 1934.
19. INCENTIVE COMPENSATION — The MICP amount granted to an employee for an Award Year.
20. IPA PLAN — The Lockheed Martin Corporation Amended and Restated 2003 Incentive Performance Award Plan.
21. INTEREST OPTION — The investment option under which earnings will be credited to a Participant's Account based on the interest rate applicable under Cost Accounting Standard 415, Deferred Compensation.
22. INVESTMENT FUND OPTION — The investment option under which earnings will be credited to a Participant's Account based on the market value and investment return of the investment options (including target date funds and core funds (and successor funds), and excluding the Company Stock Fund, ESOP Fund, and Self-Managed Account) that are available to participants pursuant to the terms of the Qualified Savings Plan, provided that the Committee retains the discretion to add certain funds to, or to exclude certain funds from, the Investment Fund Option.
23. LONG TERM INCENTIVE AWARD — A long term incentive performance award granted to an employee under the Omnibus Plan or the IPA Plan.
24. MICP — The Lockheed Martin Corporation Management Incentive Compensation Plan or the 2006 Lockheed Martin Corporation Management Incentive Compensation Plan (for incentive compensation awarded after February 1, 2006).
25. OMNIBUS PLAN — The Lockheed Martin Corporation 1995 Omnibus Performance Award Plan.
26. PARTICIPANT — An Eligible Employee for whom Incentive Compensation, a Long Term Incentive Award payment, or a Death Benefit payment has been deferred for one or more years under this Deferral Plan; the term shall include a former employee whose Deferred Compensation has not been fully distributed.
27. PAYMENT DATE — As to any Participant, the January 15 or July 15 on or about on which payment to the Participant is to be made or to begin in accordance with Article V.
28. PERFORMANCE PERIOD — The period set forth in a Long Term Incentive Award over which the Company's performance is measured by reference to total stockholder return to determine whether any payment will be made under such Long Term Incentive Award.



29. QUALIFIED SAVINGS PLAN — The Lockheed Martin Corporation Salaried Savings Plan or any successor plan.

30. SECTION 16 PERSON — A Participant who is subject to the reporting and short-swing liability provisions of Section 16 of the Securities Exchange Act of 1934 on the date a Deferral Agreement or other election form is delivered to the Company in accordance with the terms of this Deferral Plan.

31. SPECIFIED EMPLOYEE — A Participant who is reasonably determined to be a “specified employee” within the meaning of Code section 409A(2)(B)(i) as of December 31 of a calendar year and who shall be treated as such for the 12-month period beginning the next April 1 and for twelve calendar months thereafter.

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

33. TRADING DAY — A day upon which transactions with respect to Company Common Stock are reported in the consolidated transaction reporting system.

### ARTICLE III

#### ELECTION OF DEFERRED AMOUNT

##### 1. Timing of Deferral Elections.

(a) Incentive Compensation. An Eligible Employee may elect to defer Incentive Compensation for an Award Year by executing and delivering to the Company a Deferral Agreement no later than June 30 of the Award Year.

(b) Long Term Incentive Awards and Company Deferrals. An Eligible Employee may elect to defer the payment of a Long Term Incentive Award and a Company Deferral for an Award Year by executing and delivering to the Company a Deferral Agreement as of a date specified by the Senior Vice President, Human Resources, which shall be no later than six months prior to the end of the Performance Period.

(c) Irrevocability of Elections. No Eligible Employee shall have the right to modify or revoke a Deferral Agreement after the applicable deadline described in Section 1(a), Section 1(b), or Section 1(d) of this Article III for delivering a Deferral Agreement to the Company, provided no Section 16 Person shall have the right to modify or revoke a Deferral Agreement after such applicable deadline or, if earlier, after the date the agreement has been delivered to the Company. The Senior Vice President, Human Resources may establish policies and procedures to determine when a Deferral Agreement or other election

called for under this Plan has been delivered to the Company. Each Deferral Agreement that relates to an Award Year shall apply only to amounts deferred in that Award Year, and a separate Deferral Agreement must be completed for each Award Year for which an Eligible Employee defers Incentive Compensation or a Long Term Incentive Award. A Deferral Agreement relating to a Death Benefit payment shall relate only to such Death Benefit payment.

(d) Death Benefit. An Eligible Employee may elect to defer a Death Benefit payable under the Death Benefit Plan by executing and delivering to the Company a Deferral Agreement no later than the date specified by the Senior Vice President, Human Resources in accordance with Code section 409A.

2. Amount of Deferral Elections. An Eligible Employee's deferral election may be stated as:

(a) a dollar amount which is at least \$5,000 and is an even multiple of \$1,000;

(b) the greater of \$5,000 or a designated percentage of the Eligible Employee's Incentive Compensation, Long Term Incentive Award payment, or Death Benefit payment;

(c) the excess of the Eligible Employee's Incentive Compensation, Long Term Incentive Award payment, or Death Benefit payment over a dollar amount specified by the Eligible Employee; or

(d) all of the Eligible Employee's Incentive Compensation, Long Term Incentive Award payment, or Death Benefit payment.

In the case of a deferral election under paragraph (c) of this Section 2, an Eligible Employee's deferral election shall be effective only if the resulting excess amount is at least \$5,000.

3. Effect of Taxes on Deferred Compensation. The amount that would otherwise be deferred and credited to an Eligible Employee's Account will be reduced by the amount of any tax that the Company is required to withhold with respect to the Deferred Compensation. The reduction for taxes shall be made proportionately out of amounts otherwise allocable to the Interest Option, the Company Stock Investment Option, or the Investment Fund Option.

4. Multiple Awards. In the case of an Eligible Employee who receives more than one Long Term Incentive Award with respect to the same Performance Period, the elections made by the Eligible Employee under this Article III as well as under Articles V and VI for the first Long Term Incentive Award granted to the Eligible Employee with respect to a Performance Period shall be deemed to be the elections made by that Eligible Employee for any other Long Term Incentive Awards granted to that Eligible Employee with respect to that same Performance Period.

5. Company Deferrals. Pursuant to the terms of the Long Term Incentive Awards, 50% of the amount payable at the end of the Performance Period will be automatically deferred until the second anniversary of the last day of the Performance Period with respect to a particular award. The Company may establish an account for Company Deferrals under the Company Stock Investment Option of this Deferral Plan. However, the terms governing the Company Deferrals will be governed for the two year period of deferral by the terms of the award agreement entered into under the Omnibus Plan or the IPA Plan with respect to the Long Term Incentive Award and not by this Deferral Plan except to the extent the award agreement expressly refers to the terms of this Deferral Plan. Notwithstanding the foregoing, if the Participant elects to defer the Company Deferrals beyond the second anniversary of the end of the Performance Period, the deferrals will be treated as made under this Deferral Plan for the period following the second anniversary of the end of the Performance Period.

#### ARTICLE IV

##### CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Incentive Compensation or a Long Term Incentive Award payment, that a Participant has elected to defer under this Deferral Plan shall be credited to the Participant's Account as of the Trading Day set by action of the Committee or, if the Committee does not act to set such a day, on the second Trading Day which follows the date of approval of the related Incentive Compensation or Long Term Incentive Award payment (other than Company Deferrals). A Death Benefit payment that a Participant has elected to defer under this Deferral Plan shall be credited to the Participant's Account as of the date on which the amount of the Death Benefit payment was determined and paid to eligible employees absent any election to defer. If the Company establishes an account for Company Deferrals pursuant to Section 5 of Article III, the Company Deferrals shall be credited to such account as of the last Trading Day in the Performance Period. Any Deferred Compensation credits under this Section 1 which are allocable to the Interest Option shall be credited at the dollar amount of such credits. Any Deferred Compensation and Company Deferral credits under this Section 1 which are allocable to the Company Stock Investment Option shall be credited as if the dollar amount of credits had been invested in the Company's Common Stock at the published closing price of the Company's Common Stock on the applicable Trading Day described in this Section 1. Any Deferred Compensation and Company Deferral credits under this Section 1 which are allocable to the Investment Fund Option shall be credited as if the dollar amount of credits had been invested in the applicable fund at the published closing price of the applicable fund on the applicable Trading Day described in this Section 1.

##### 2. Crediting of Earnings.

###### (a) General Rules.

(i) Earnings (or losses) shall be credited to a Participant's Account based on the investment option or options to which the Account has been allocated beginning with the applicable Trading Day described in this Article IV.

(ii) Any amount distributed from a Participant's Account in cash pursuant to Article V shall be credited with earnings (or losses) through the Trading Day that is four (4) business days prior to the date on which a distribution is to be made. Any amount distributed from a Participant's Account in stock pursuant to Article V shall be credited with earnings (or losses) through the last Trading Day preceding the date on which a distribution is to be made.

(iii) Company Deferrals shall be credited with earnings (or losses) through the last Trading Day in the period which ends on the second anniversary of the end of the applicable Performance Period unless deferred further pursuant to a Deferral Agreement.

(b) Interest Option. The portion of a Participant's Account allocated or reallocated to the Interest Option shall be credited with interest, valued daily, while so allocated or reallocated at a rate equivalent to the then published rate for computing the present value of future benefits at the time cost is assignable under Cost Accounting Standard 415, Deferred Compensation, as determined by the Secretary of the Treasury on a semi-annual basis pursuant to Pub. L. 92-41, 85 Stat. 97. Effective with respect to amounts deferred on or after February 26, 2009, no Incentive Compensation may be invested in the Interest Option. Amounts deferred prior to February 26, 2009 may remain invested in the Interest Option until such amounts are transferred to the Company Stock Investment Option or the Investment Fund Option on or after July 1, 2009. No amounts may be credited or reallocated to the Interest Option on or after July 1, 2009.

(c) Company Stock Investment Option.

(i) The portion of a Participant's Account allocated to the Company Stock Investment Option shall be credited when so allocated on the applicable Trading Day described in this Article IV as if such amount had been invested in the Company's Common Stock at the published closing price of the Company's Common Stock on such Trading Day.

(ii) The portion of the Participant's Account Balance allocated to the Company Stock Investment Option shall reflect any post-allocation appreciation or depreciation in the market value of the Company's Common Stock based on the published closing price of the stock on each Trading Day and shall reflect dividends paid and any other distributions made with respect to the Company's Common Stock.

(iii) Cash dividends shall be treated as if such dividends had been reinvested in the Company's Common Stock at the published closing price of the Company's Common Stock on the Trading Day on which the cash dividend is paid or, if the dividend is paid on a day which is not a Trading Day, on the Trading Day which immediately precedes the day the dividend is paid.

(d) Investment Fund Option. Earnings (or losses) shall be credited to a Participant's Account based on the investment option or options within the Investment Fund Option to which his or her Account has been allocated. The manner in which earnings (or losses) are credited under each of the investment options shall be determined in the same manner as under the Qualified Savings Plan. The procedures for directing the allocation and reallocation among the investment options in the Investment Fund Option shall be the same as the procedures for making allocations under the Qualified Savings Plan.

3. Election of Investment Options. A Participant's initial investment elections for a particular type of award for an Award Year or a Death Benefit shall be made in his or her Deferral Agreement for such Award Year or Death Benefit, and no Participant shall have the right to modify or revoke any such election after the time the Participant no longer has the right to make or revoke a Deferral Agreement under Section 1 of Article II. A Participant's allocations between investment options shall be subject to such minimum allocations as the Committee may establish. In the event a Participant fails to specify an investment election in his or her Deferral Agreement, the amount subject to that Deferral Agreement shall be deemed allocated to the Interest Option for amounts credited before December 31, 2008 and to the default option designated under the Qualified Savings Plan for amounts credited on or after December 31, 2008.

4. Reallocation Among Investment Options. Effective June 16, 2008, a Participant may reallocate the portion of his Account Balance that is invested in the Interest Option and the Investment Fund Option to the Interest Option (through June 30, 2009), the Company Stock Investment Option, and the various investment funds in the Investment Fund Option, subject to the trading restrictions that apply to the transfer and reallocation of investments under the terms of the Qualified Savings Plan, applied as if such Qualified Savings Plan restrictions also pertain to the Interest Option; provided that a Participant may not at any time reallocate the portion of his Account Balance that has been invested at any time in the Company Stock Investment Option. Notwithstanding the foregoing, any election by a Section 16 Person to reallocate any portion of his Account Balance to the Company Stock Investment Option shall only become effective if the election is made at least six months following the most recent election with respect to any plan of the Corporation that involved the disposition of the Corporation's equity securities pursuant to a "Discretionary Transaction" (as defined in Exchange Act Rule 16b-3). No amounts may be credited or reallocated to the Interest Option on or after July 1, 2009.

ARTICLE V

PAYMENT OF BENEFITS

1. General.

(a) Account Balance and Elections. The Company's liability to pay benefits to a Participant or Beneficiary under this Deferral Plan shall be measured by and shall in no event exceed the Participant's Account Balance. Except as otherwise provided in this Deferral Plan (including but not limited to Section 5 of Article III with respect to Company Deferrals), a Participant's Account Balance shall be paid to him in accordance with the Participant's elections under this Article V.

(b) Cash and Stock Payments. All benefit payments shall be made in cash to the extent a Participant's Account is allocated to the Interest Option or Investment Fund Option or is attributable to Company Deferrals and shall be made in whole shares of the Company's Common Stock to the extent that a Participant's Account is allocated to the Company Stock Investment Option (other than with respect to Company Deferrals) and, except as otherwise provided, shall reduce allocations to the Interest Option, Investment Fund Option, and the Company Stock Investment Option in the same proportions that the Participant's Account Balance is allocated between those investment options at the end of the month preceding the date of distribution. Notwithstanding the foregoing, no amount of Deferred Compensation attributable to the Company Stock Investment Option shall be distributed to a Section 16 Person under this Deferral Plan unless such amount was allocated to the Company Stock Investment Option in accordance with Section 1 of Article IV at least six months prior to the date of distribution. At the Company's discretion a distribution of Common Stock may be made directly to a Participant or to a brokerage account opened in the name of the Participant. When an Account is distributed in a lump sum or, if an Account is distributed in installments, cash shall be distributed (or withheld for payment of applicable taxes) at that time in lieu of any fractional share of Common Stock. The cash distribution in lieu of fractional shares shall be based on the published closing price of the Company's Common Stock on the last Trading Day preceding the date the distribution is scheduled to be made.

2. Election for Commencement of Payment. At the time a Participant completes a Deferral Agreement, he or she shall elect from among the following options governing the date on which the payment of benefits shall commence:

(a) Payment to begin on the Payment Date next following the date of the Participant's termination of employment with the Company for any reason.

(b) Payment to begin on the first Payment Date of the year next following the year in which the Participant terminates employment with the Company for any reason.

(c) Payment to begin on the first Payment Date of the year next following the date on which the Participant has both terminated employment with the Company for any reason and attained the age designated by the Participant in the Deferral Agreement.

No payment shall commence or be made under this Section 2 unless the Participant's termination of employment constitutes a "separation from service" under Code section 409A(a)(2)(a)(i).

Notwithstanding a Participant's election or any other provision of the Deferral Plan, the following specific rules apply to Participants who are Section 16 Persons or Specified Employees. Subject to the rules regarding distributions to a Specified Employee, any payment of benefits in the form of shares of Common Stock that would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act. Any distributions to a Specified Employee (including a Section 16 Person) on account of a termination of employment shall commence or be made on the Payment Date determined pursuant to the Specified Employee's election (or as otherwise provided under this Deferral Plan), except that if such Payment Date would be within six (6) months of the date of the Specified Employee's termination of employment from the Company, distributions shall commence or be made on the next date that is at least six (6) months following such termination of employment, regardless of whether such date is a Payment Date.

3. Election for Form of Payment. At the time a Participant completes a Deferral Agreement, he or she shall elect the form of payment of his or her Deferred Compensation for the specified Award Year or Death Benefit, as applicable, from among the following options:

- (a) A lump sum.
- (b) Annual installment payments for a period of years designated by the Participant not to exceed:
  - (i) Fifteen (15) annual installments for distributions commencing prior to January 1, 2008:
  - (ii) Twenty (20) annual installments for distributions commencing on or after January 1, 2008 and prior to January 1, 2010:
  - (iii) Twenty-Five (25) annual installments for distributions commencing on or after January 1, 2010;

The amount of each annual payment shall be determined by dividing the Participant's Account Balance at the end of the month prior to such payment by the number of installment payments then remaining in the designated installment period.

Notwithstanding the foregoing, if the Account Balance of a Participant who is entitled to begin payment equals \$10,000 or less, the Participant's Account Balance shall be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits.

#### 4. Prospective Change of Payment Elections.

(a) If a Participant has different payment options in effect with respect to his or her Account Balance, the Company shall maintain sub-accounts for the Participant to determine the amounts subject to each payment election.

(b) In the event a Participant does not make a valid election with respect to the commencement of payment and form of benefit for an Award Year or for a Death Benefit, the Participant will be deemed to have elected that payment of benefits with respect to that Award Year or Death Benefit be made in a lump sum on or about the Payment Date next following the date of the Participant's termination of employment.

(c) A Participant's election with respect to an Award Year or Death Benefit (including a "deemed election" in accordance with the preceding paragraph) shall remain in effect unless and until such election is modified by a subsequent election in accordance with (d) below.

(d) Notwithstanding anything to the contrary in this Article V, a Participant may make a new election with respect to the commencement of payment and form of payment with respect to any sub-account maintained for Award Years or a Death Benefit or with respect to his or her entire Account Balance. A new election under this section shall be made by executing and delivering to the Company an election in such form as prescribed by the Company. To constitute a valid election by a Participant making a prospective change to a previous election, (i) the prospective election must be executed and delivered to the Company at least twelve (12) months before the date the first payment would be due under the Participant's previous election, and (ii) the first payment must be delayed by at least sixty (60) months from the date the first payment would be due under the Participant's previous election, and (iii) such change in election shall not be given effect until twelve 12 months from the date that the change in election is delivered to the Company. In the event an election fails to satisfy the provisions set forth in this paragraph, such election shall be void and, if such an election is void, payment shall be made in accordance with the most recent election which was valid.

(e) Notwithstanding the above, for periods prior to January 1, 2009, (or such later date as may be provided by the Internal Revenue Service in guidance of general applicability), the Senior Vice President, Human Resources may provide alternative rules for elections with respect to the commencement of payment and form of payment that conform to the rules provided in Notice 2005-1, and subsequent Internal Revenue Service guidance providing transition relief under Code section 409A.

(f) A Participant may not make or modify an election with respect to commencement of payment or form of payment after the date a Participant terminates employment.



5. Distribution upon Early Termination. Notwithstanding a Participant's payment elections under this Article V, subject to the requirements of Code section 409A, if the Participant terminates employment with the Company, other than by reason of death or disability (as defined in Section 8(b) of this Article V), and before the Participant has attained age 55, except as provided in Section 5 of Article III with respect to Company Deferrals, the Participant's Account Balance shall be distributed to him or her in a lump sum on or about the Payment Date next following the date of the Participant's termination of employment with the Company; provided, however, that if a distribution in accordance with the provisions of this Section 6 from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act. Distributions under this Section 5 are subject to any delay in distribution required for Specified Employees as provided in Section 2 of this Article V.

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's payment elections under this Article V, if following a Participant's termination of employment with the Company, the Participant takes a position (or accepts a position) with a governmental entity, agency, or instrumentality and that employer has determined that the Participant's continued participation in the Plan may constitute a conflict of interest precluding the Participant from continuing in his position (or from accepting an offered position) with that employer or subjecting the Participant to penalty, sanction, or otherwise limiting the Participant's responsibilities for that employer, except as provided in Section 5 of Article III with respect to Company Deferrals, then the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical following the later of (i) the date on which the Participant commences employment with the government employer; or (ii) the date on which it is determined or indicated that the conflict of interest may exist; provided, however, that if a distribution in accordance with the provisions of this Section 6 from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act. This Section 6 of Article V shall apply, however, only to the extent that the accelerated payment upon a conflict of interest determination conforms to Code section 409A.

7. Benefits Payable Upon Death. Upon the death of a Participant before a complete distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in accordance with the payment elections applicable to the Participant. If a Participant dies while actively employed or otherwise before the payment of benefits has commenced, payments to the Beneficiary shall commence on the date payments to the Participant would have commenced, taking account of the Participant's termination of employment (by death or before) and, if applicable, by postponing commencement until after the date the Participant would have attained the commencement age specified by the Participant. Whether the Participant dies before or after the commencement of distributions, payments to the Beneficiary shall be made for the period or remaining period elected by the Participant.

8. Early Distributions in Special Circumstances. Notwithstanding a Participant's payment elections under this Article V, a Participant or Beneficiary may request an earlier distribution in the following limited circumstances (except as provided in Section 5 of Article III with respect to Company Deferrals):

(a) Hardship Distributions. A Participant may apply for a hardship distribution pursuant to this Section 8(a) on such form and in such manner as the Committee shall prescribe and, subject to the last sentence of this Section 8(a) with respect to Section 16 Persons, the Committee shall have the power and discretion at any time to approve a payment to a Participant if the Committee determines that the Participant is suffering from an unforeseeable severe financial emergency (within the meaning of Code section 409A(A)(2)(A)(vi) and 409A(A)(2)(B)(ii)) caused by circumstances beyond the Participant's control which would cause a hardship to the Participant unless such payment were made. Any such hardship payment will be in a lump sum and will not exceed the lesser of (i) the amount necessary to satisfy the financial emergency (taking account of the income tax liability associated with the distribution), or (ii) the Participant's Account Balance; provided, however, that if a distribution in accordance with the provisions of this Section 8(a) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act. The Committee's determination under this Section 8(a) shall conform to the requirements of Code section 409A(a)(2)(B)(iv).

(b) Disability. If the Committee determines that a Participant has become permanently disabled within the meaning of Section 409A(a)(2)(C) of the Code before the Participant's entire Account Balance has been distributed, the Participant's remaining Account Balance will be distributed in a lump sum payment; provided, however, that if a distribution in accordance with the provisions of this Section 8(b) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the

date of distribution with respect to such portion to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

9. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of the Deferral Plan, except as provided in Section 5 of Article III with respect to Company Deferrals, the Account Balance of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

(b) For purposes of this Deferral Plan, a Change in Control shall include and be deemed to occur upon the following events:

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

(ii) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).

(iii) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1 (b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

(iv) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in

the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).

(v) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

Notwithstanding the foregoing, no distribution shall be made solely on account of a Change in Control and prior to the benefit commencement date specified in Section 2 of Article V unless the Change in Control is an event qualifying for a distribution of deferred compensation under both the definition of Change in Control in this Plan and in Section 409A(a)(2)(A)(v) of the Code.

(c) Notwithstanding the provisions of Section 9(a), if a distribution in accordance with the provisions of Section 9(a) would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(d) This Section 9 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of Deferred Compensation in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

(e) The Committee may cancel or modify this Section 9 at any time prior to a Change in Control. In the event of a Change in Control, this Section 9 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 9 shall not, for purposes of Section 9, be subject to cancellation or modification during the five-year period.

10. Deductibility of Payments. Subject to the provisions of Code section 409A, in the event that the payment of benefits in accordance with the Participant's elections under this Article V would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the Participant's elections, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company.

11. Change of Law. Notwithstanding anything herein to the contrary, if the Committee determines in good faith, based on consultation with counsel and in accordance with the requirements of Code section 409A, that the Federal income tax treatment or legal status of the Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the Accounts of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

12. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any Incentive Compensation, Long Term Incentive Award, or Death Benefit payment deferred hereunder or credit contributed by the Company under Article IV, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required.

## ARTICLE VI

### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Deferral Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Deferral Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Deferral Plan, the Company may set aside assets in a trust described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Deferral Plan be satisfied by payments out of such trust. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Deferral Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary. Notwithstanding, any portion of a Participant's benefit under this Plan may be paid to a spouse, former spouse, or child pursuant to the terms of a domestic relations order (which shall be interpreted and administered in accordance with Code sections 414(p)(1)(B) and 409A), provided that the form of payment designated in such order is a lump sum payment described in Section 3(a) of Article V of this Deferral Plan.

ARTICLE VII

AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Deferral Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's Account Balance or postponing the time when a Participant is entitled to receive a distribution of his Account Balance. Further, no amendment may alter the formula for crediting interest to Participants' Accounts with respect to amounts for which deferral elections have previously been made, unless the amended formula is not less favorable to Participants than that previously in effect, or unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their Account Balances in any form and at such times that the Board reasonably determines in its discretion is appropriate and conforms to the requirements of Code section 409A; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement to assume all of the obligations of the Company under this Plan with respect to such Participant.

ARTICLE VIII

ADMINISTRATION

1. The Committee. This Deferral Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this Deferral Plan to comply with the disinterested administration requirements of Rule 16b-3 of the Exchange Act. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and the Claims Administrator (identified in Section 6 below) shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee or the Claims Administrator shall be final and binding on all parties. Notwithstanding anything contained in the Deferral Plan or in any document issued under the Deferral Plan, it is intended that the Deferral Plan will at all times conform to the requirements of Code section 409A and any regulations or other guidance issued thereunder, and that the

provisions of the Deferral Plan will be interpreted to meet such requirements. If any provision of the Deferral Plan is determined not to conform to such requirements, the Deferral Plan shall be interpreted to omit such offending provision.

2. Delegation and Reliance. The Committee has delegated to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Deferral Plan in accordance with its terms and purpose, except that the Committee has not delegated (and may not delegate) any authority the delegation of which would cause this Deferral Plan to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this Deferral Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Deferral Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Deferral Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Deferral Plan or for the failure of the Deferral Plan or any Participant's rights under the Deferral Plan to achieve intended tax consequences, to qualify for exemption or relief under Section 16 of the Exchange Act and the rules thereunder, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee or the Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Deferral Plan is wholly or partially denied by the Claims Administrator are as follows:

(a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Deferral Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the

claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90-day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90-day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.

(b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.

(c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under Federal law.

(d) The Deferral Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60-day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Deferral Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about



such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review. If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.

(e) The Claims Administrator shall be the Lockheed Martin Corporation Savings Plan Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

## ARTICLE IX

### GENERAL AND MISCELLANEOUS PROVISIONS

1. No Guarantee of Employment or Award. Neither this Deferral Plan, a Company Deferral nor a Participant's Deferral Agreement, either singly or collectively, shall in any way obligate the Company to continue the employment of a Participant with the Company, nor does either this Deferral Plan, a Company Deferral or a Deferral Agreement limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Deferral Plan, a Company Deferral or a Deferral Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Deferral Plan, a Company Deferral or a Deferral Agreement, either singly or collectively, by their terms or implications in any way obligate the Company to award Incentive Compensation, grant any award under the Omnibus Plan or IPA Plan, pay any Death Benefit, or make any Long Term Incentive Award payment to any Eligible Employee for any Award Year, whether or not the Eligible Employee is a Participant in the Deferral Plan for that Award Year, nor in any other way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Notice. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of the Senior Vice President, Human Resources. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her last-known place of residence or business address.

3. Performance of Acts. In the event it should become impossible for the Company or the Committee to perform any act required by this Deferral Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Deferral Plan.

4. Employee Consent. By electing to become a Participant hereunder, each Eligible Employee shall be deemed conclusively to have accepted and consented to all of the terms of this Deferral Plan.

5. Terms Binding. The provisions of this Deferral Plan and the Deferral Agreements hereunder shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

6. Copy of Plan. A copy of this Deferral Plan shall be available for inspection by Participants or other persons entitled to benefits under the Deferral Plan at reasonable times at the offices of the Company.

7. State Law. The validity of this Deferral Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

8. Regulatory Requirements. This Deferral Plan and its operation, including but not limited to, the mechanics of deferral elections, the reallocation of all or a portion of a Participant's Account Balance, the issuance of securities, if any, or the payment of cash hereunder is subject to compliance with all applicable Federal and state laws, rules and regulations (including but not limited to state and Federal insider trading, registration, reporting and other securities laws) and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

9. Section 16 of Exchange Act. It is the intent of the Company that this Deferral Plan satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this Deferral Plan would otherwise frustrate or conflict with the intent expressed in this Section 9, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the Deferral Plan to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed ineffective. Notwithstanding anything to the contrary in this Deferral Plan, the provisions of this Deferral Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Deferral Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Deferral Plan to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the provisions of Section 16 of the Exchange Act or the provisions of the Deferral Plan designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

10. Securities Laws. This Deferral Plan, allocations to and from the Company Stock Investment Option and the issuance and delivery of shares of Common Stock and/or other securities or property or the payment of cash under this Deferral Plan, are subject to compliance with all applicable Federal and state laws, rules and regulations (including but not limited to state and Federal insider trading, registration, reporting and other securities laws and Federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company be necessary or advisable to comply with all legal requirements. Any securities delivered under this Deferral Plan shall be subject to such restrictions (and the person acquiring such securities shall, if requested by the Company provide such evidence, assurance and representations to the Company as to compliance with any thereof) as counsel to the Company may deem necessary or desirable to assure compliance with all applicable legal requirements.

11. Electronic Notice and Signatures. Whenever a signature notice or delivery of a document is required or appropriate under this Deferral Plan, signature, notice or delivery may be accomplished by paper or written format or, to the extent authorized by the Committee, by electronic means. In the event the Committee authorizes electronic means for the signature, notice or delivery of a document under this Deferral Plan, the electronic record or confirmation of that signature, notice or delivery maintained by or on behalf of the Committee shall for purposes of this Deferral Plan be treated as if it was a written signature or notice and was delivered in the manner provided herein for a written document.

#### ARTICLE X

#### EFFECTIVE DATE

This Deferral Plan was originally adopted by the Board on July 27, 1995 and became effective upon adoption to awards of Incentive Compensation for the Company's fiscal year ending December 31, 1995 and subsequent fiscal years. Subsequent amendments to the Deferral Plan are effective as of the date stated in the amendment or the adopting resolution.

This Deferral Plan has been amended and restated effective as of the date stated on the first page herein.

APPENDIX A

This Appendix A shall govern the portion of a Participant's Account Balance that was earned and vested prior to January 1, 2005 (and any earnings attributable to that portion). This Appendix A shall not apply to the portion of a Participant's Account Balance that is earned or becomes vested on or after January 1, 2005 (and any earnings attributable to that portion).

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Deferred Management Incentive Compensation Plan (the "Deferral Plan") are to provide certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") the opportunity to defer receipt of (i) Incentive Compensation awards under the Lockheed Martin Corporation Management Incentive Compensation Plan (the "MICP") and (ii) Long Term Incentive Award payments under the Lockheed Martin Corporation 1995 Omnibus Performance Award Plan (the "Omnibus Plan") and the Lockheed Martin Corporation 2003 Incentive Performance Award Plan (the "IPA Plan"). Providing this opportunity to defer income under the Deferral Plan will encourage key employees to maintain a financial interest in the Company's performance. Except as expressly provided hereinafter, the provisions of this Deferral Plan and the MICP, the Omnibus Plan and the IPA Plan shall be construed and applied independently of each other.

The Deferral Plan applies solely to MICP awards and Long Term Incentive Award payments under the Omnibus Plan and the IPA Plan and expressly does not apply to any special awards which may be made under any of the Company's other incentive plans, except and to the extent specifically provided under the terms of such other incentive plans and the relevant awards.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, the following words and phrases shall have the meanings hereinafter indicated:

1. ACCOUNT — The bookkeeping account maintained by the Company for each Participant which is credited with the Participant's Deferred Compensation and earnings (or losses) attributable to the investment options selected by the Participant, and which is debited to reflect distributions and forfeitures; the portions of a Participant's Account allocated to different investment options and the portions attributable to the deferral of Incentive Compensation awards and Long Term Incentive Award payments will be accounted for separately.

2. ACCOUNT BALANCE — The total amount credited to a Participant's Account at any point in time, including the portions of the Account allocated to each investment option.

3. AWARD YEAR — As to Incentive Compensation, the calendar year with respect to which an Eligible Employee is awarded Incentive Compensation; as to a Long Term Incentive Award payment and the related Company Deferral, the first calendar year in the Performance Period for which the Long Term Incentive Award is effective with respect to an Eligible Employee.

4. BENEFICIARY — The person or persons (including a trust or trusts) validly designated by a Participant, on the form provided by the Company, to receive distributions of the Participant's Account Balance, if any, upon the Participant's death. In the absence of a valid designation, or if the designated Beneficiary has predeceased the Participant, the Participant's Beneficiary shall be the personal representative of the Participant's estate in the event of a Participant's death. A Participant may amend his or her Beneficiary designation at any time before the Participant's death.

5. BOARD — The Board of Directors of Lockheed Martin Corporation.

6. COMMITTEE — The committee described in Section 1 of Article VIII.

7. COMMON STOCK — The \$1.00 par value common stock of the Company.

8. COMPANY — Lockheed Martin Corporation and its subsidiaries.

9. COMPANY DEFERRALS — The amount deferred by the Company, and not at the election of the Participant, for the two-year period following the end of a Performance Period for a Long Term Incentive Award.

10. COMPANY STOCK INVESTMENT OPTION — The investment option under which the amount credited to a Participant's Account will be based on the market value and investment return of the Company's Common Stock.

11. DEFERRAL AGREEMENT — The written agreement executed by an Eligible Employee on the form provided by the Company under which the Eligible Employee elects to defer Incentive Compensation for an Award Year, or a Long Term Incentive Award and any related Company Deferral for an Award Year.

12. DEFERRAL PLAN — The Lockheed Martin Corporation Deferred Management Incentive Compensation Plan, adopted by the Board on July 27, 1995, and as amended from time to time.

13. DEFERRED COMPENSATION — The amount of Incentive Compensation credited to a Participant's Account under the Deferral Plan and the amount of any Long Term Incentive Award payment credited to a Participant's Account under the Deferral Plan (other than Company Deferrals).

14. ELIGIBLE EMPLOYEE — An employee of the Company who is a participant in the MICP or who receives a Long Term Incentive Award under the Omnibus Plan or the IPA Plan and who has satisfied such additional requirements for participation in this Deferral Plan as the Committee may from time to time establish. In the exercise of its authority under this provision, the Committee shall limit participation in the Plan to employees whom the Committee believes to be a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.

15. EXCHANGE ACT — The Securities Exchange Act of 1934.

16. INCENTIVE COMPENSATION — The MICP amount granted to an employee for an Award Year.

17. IPA PLAN — The Lockheed Martin Corporation 2003 Incentive Performance Award Plan.

18. INTEREST OPTION — The investment option under which earnings will be credited to a Participant's Account based on the interest rate applicable under Cost Accounting Standard 415, Deferred Compensation.

19. INVESTMENT FUND OPTION — The investment option under which earnings (or losses) will be credited to a Participant's Account based on the market value and investment return of the investment options (including target date funds and core funds (and successor funds), and excluding the Company Stock Fund, ESOP Fund, and Self-Managed Account) that are available to participants pursuant to the terms of the Qualified Savings Plan, provided that the Committee retains the discretion to add certain funds to, or to exclude certain funds from, the Investment Fund Option.

20. LONG TERM INCENTIVE AWARD — A long term incentive award granted to an employee under the Omnibus Plan or the IPA Plan.

21. MICP — The Lockheed Martin Corporation Management Incentive Compensation Plan.

22. OMNIBUS PLAN — The Lockheed Martin Corporation 1995 Omnibus Performance Award Plan.

23. PARTICIPANT — An Eligible Employee for whom Incentive Compensation or a Long Term Incentive Award payment has been deferred for one or more years under this Deferral Plan; the term shall include a former employee whose Deferred Compensation has not been fully distributed.

24. PAYMENT DATE — As to any Participant, the January 15 or July 15 on or about on which payment to the Participant is to be made or to begin in accordance with Article V.

25. PERFORMANCE PERIOD — The period set forth in a Long Term Incentive Award over which the Company's performance is measured by reference to total stockholder return to determine whether any payment will be made under such Long Term Incentive Award. QUALIFIED SAVINGS PLAN – The Lockheed Martin Corporation Salaried Savings Plan or any successor plan.

26. REALLOCATION EFFECTIVE DATE — The date a reallocation elected by a Participant or Beneficiary under Section 6(a) of Article IV is effected, which shall be the June 30, July 31, August 31 or September 30 immediately following the end of the Reallocation Election Period in which his or her election under Section 6(a) becomes irrevocable.

27. REALLOCATION ELECTION PERIOD — A period in which a Participant or Beneficiary may under Section 6(a) of Article IV elect a reallocation of his or her Account Balance from one investment option to another investment option, and there shall be four such election periods: June 1 through June 15, 2004, June 16 through July 15, 2004, July 16 through August 15, 2004 and August 16 through September 15, 2004.

28. SECTION 16 PERSON — A Participant who is subject to the reporting and short-swing liability provisions of Section 16 of the Securities Exchange Act of 1934 on the date a Deferral Agreement or other election form is delivered to the Company in accordance with the terms of this Deferral Plan.

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

30. TRADING DAY — A day upon which transactions with respect to Company Common Stock are reported in the consolidated transaction reporting system.

### ARTICLE III

#### ELECTION OF DEFERRED AMOUNT

##### 1. Timing of Deferral Elections.

(a) Incentive Compensation. An Eligible Employee may elect to defer Incentive Compensation for an Award Year by executing and delivering to the Company a Deferral Agreement no later than October 31 of the Award Year, provided that any election by a Section 16 Person shall be subject to the provisions of Section 4 of Article IV.

(b) Long Term Incentive Awards and Company Deferrals. An Eligible Employee may elect to defer the payment of a Long Term Incentive Award and a Company Deferral for an Award Year by executing and delivering to the Company a Deferral Agreement no later than October 31 of the Award Year, provided that any election by a Section 16 Person shall be subject to the provisions of Section 4 of Article IV.

(c) Irrevocability of Elections. No Eligible Employee shall have the right to modify or revoke a Deferral Agreement for an Award Year after the applicable deadline described in Section 1(a) and Section 1(b) of this Article III for delivering a Deferral Agreement to the Company for such Award Year, provided no Section 16 Person shall have the right to modify or revoke a Deferral Agreement after such applicable deadline or, if earlier, after the date the agreement has been delivered to the Company. The Committee may establish policies and procedures to determine when a Deferral Agreement or other election called for under this Plan has been delivered to the Company. Each Deferral Agreement shall apply only to amounts deferred in that Award Year and a separate Deferral Agreement must be completed for each Award Year for which an Eligible Employee defers Incentive Compensation or a Long Term Incentive Award.

2. Amount of Deferral Elections. An Eligible Employee's deferral election may be stated as:

(a) a dollar amount which is at least \$5,000 and is an even multiple of \$1,000,

(b) the greater of \$5,000 or a designated percentage of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment (adjusted to the next highest multiple of \$1,000),

(c) the excess of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment over a dollar amount specified by the Eligible Employee (which must be an even multiple of \$1,000), or

(d) all of the Eligible Employee's Incentive Compensation or Long Term Incentive Award payment.

An Eligible Employee's deferral election shall be effective only if the Participant is awarded, in the case of Incentive Compensation, at least \$10,000 of Incentive Compensation for that Award Year, or in the case of Long Term Incentive Award, at least \$10,000 is payable to the Participant in cash at the conclusion of the Performance Period applicable to a Long Term Incentive Award payment. In addition, in the case of a deferral election under paragraph (c) of this Section 2, an Eligible Employee's deferral election shall be effective only if the resulting excess amount is at least \$5,000.

3. Effect of Taxes on Deferred Compensation. The amount that would otherwise be deferred and credited to an Eligible Employee's Account will be reduced by the amount of any tax that the Company is required to withhold with respect to the Deferred Compensation. The reduction for taxes shall be made proportionately out of amounts otherwise allocable to the Interest Option and the Company Stock Investment Option.



4. Multiple Awards. In the case of an Eligible Employee who receives more than one Long Term Incentive Award with respect to the same Performance Period, the elections made by the Eligible Employee under this Article III as well as under Articles V and VI for the first Long Term Incentive Award granted to the Eligible Employee with respect to a Performance Period shall be deemed to be the elections made by that Eligible Employee for any other Long Term Incentive Awards granted to that Eligible Employee with respect to that same Performance Period.

5. Company Deferrals. Pursuant to the terms of the Long Term Incentive Awards, 50% of the amount payable at the end of the Performance Period will be automatically deferred until the second anniversary of the last day of the Performance Period with respect to a particular award. The Company may establish an account for Company Deferrals under the Company Stock Investment Option of this Deferral Plan. However, the terms governing the Company Deferrals will be governed for the two year period of deferral by the terms of the award agreement entered into under the Omnibus Plan or the IPA Plan with respect to the Long Term Incentive Award and not by this Deferral Plan except to the extent the award agreement expressly refers to the terms of this Deferral Plan. Notwithstanding the foregoing, if the Participant elects to defer the Company Deferrals beyond the second anniversary of the end of the Performance Period, the deferrals will be treated as made under this Deferral Plan for the period following the second anniversary of the end of the Performance Period.

#### ARTICLE IV

##### CREDITING OF ACCOUNTS

1. Crediting of Deferred Compensation. Incentive Compensation or a Long Term Incentive Award payment that a Participant has elected to defer under this Deferral Plan shall be credited to the Participant's Account as of the Trading Day set by action of the Committee or, if the Committee does not act to set such a day, on the second Trading Day which follows the date of approval of the related Incentive Compensation or Long Term Incentive Award. If the Company establishes an account for Company Deferrals pursuant to Section 5 of Article III, the Company Deferrals shall be credited to such account as of the last Trading Day in the Performance Period. Any Deferred Compensation credits under this Section 1 which are allocable to the Interest Option shall be credited at the dollar amount of such credits. Any Deferred Compensation and Company Deferral credits under this Section 1 which are allocable to the Company Stock Investment Option shall be credited as if the dollar amount of credits had been invested in the Company's Common Stock at the published closing price of the Company's Common Stock on the applicable Trading Day described in this Section 1. Any Deferred Compensation and Company Deferral credits under this Section 1 which are allocable to the Investment Fund Option shall be credited as if the dollar amount of credits had been invested in the applicable fund at the published closing price of the applicable fund on the applicable Trading Day described in this Section 1.

## 2. Crediting of Earnings (Losses) and Reallocations.

### (a) General Rules.

(i) Earnings (or losses) shall be credited to a Participant's Account based on the investment option or options to which the Account has been allocated beginning with the applicable Trading Day described in this Article IV.

(ii) Earnings (or losses) on amounts reallocated in accordance with this Article IV shall be credited to the Participant's Account as of the applicable day or Trading Day described for such reallocation in this Article IV.

(iii) Any amount distributed from a Participant's Account in cash pursuant to Article V shall be credited with earnings (or losses) through the Trading Day that is four (4) business days prior to the Payment Date on which a distribution is to be made. Any amount distributed from a Participant's Account in stock pursuant to Article V shall be credited with earnings (or losses) through the last Trading Day preceding the date on which a distribution is to be made.

(iv) Company Deferrals shall be credited with earnings (or losses) through the last Trading Day in the period which ends on the second anniversary of the end of the applicable Performance Period unless deferred further pursuant to a Deferral Agreement.

(b) Interest Option. The portion of a Participant's Account allocated or reallocated to the Interest Option shall be credited with interest, valued daily, while so allocated or reallocated at a rate equivalent to the then published rate for computing the present value of future benefits at the time cost is assignable under Cost Accounting Standard 415, Deferred Compensation, as determined by the Secretary of the Treasury on a semi-annual basis pursuant to Pub. L. 92-41, 85 Stat. 97. No amounts may be reallocated to the Interest Option on or after July 1, 2009. Amounts deferred prior to January 1, 2005 may remain invested in the Interest Option until such amounts are transferred to the Company Stock Investment Option or the Investment Fund Option on or after July 1, 2009.

### (c) Company Stock Investment Option.

(i) The portion of a Participant's Account allocated or reallocated to the Company Stock Investment Option shall be credited when so allocated or reallocated on the applicable Trading Day described in this Article IV as if such amount had been invested in the Company's Common Stock at the published closing price of the Company's Common Stock on such Trading Day.

(ii) The portion of the Participant's Account Balance allocated to the Company Stock Investment Option shall reflect any post-allocation appreciation or depreciation in the market value of the Company's Common Stock based on the published closing price of the stock on each Trading Day and shall reflect dividends paid and any other distributions made with respect to the Company's Common Stock.

(iii) Cash dividends shall be treated as if such dividends had been reinvested in the Company's Common Stock at the published closing price of the Company's Common Stock on the Trading Day on which the cash dividend is paid or, if the dividend is paid on a day which is not a Trading Day, on the Trading Day which immediately precedes the day the dividend is paid.

(iv) If any portion of a Participant's Account was reallocated in accordance with paragraph 5 (or paragraph 4 prior to October 1, 2004) of this Article IV from the Company Stock Investment Option to the Interest Option or the , the reallocation shall be credited to the Interest Option as if the Company's Common Stock had been bought or sold at the published closing price of the Company's Common Stock on the Trading Day on which the reallocation is effective, or if the reallocation is effective as of the day that is not a Trading Day, the Trading Day which immediate precedes the effective date of the reallocation.

(d) Investment Fund Option. Earnings (or losses) shall be credited to a Participant's Account based on the investment option or options within the Investment Fund Option to which his or her Account has been allocated. The manner in which earnings (or losses) are credited under each of the investment options shall be determined in the same manner as under the Qualified Savings Plan. The procedures for directing the allocation and reallocation among the investment options in the Investment Fund Option shall be the same as the procedures for making allocations under the Qualified Savings Plan.

3. Election of Investment Options. A Participant's initial investment elections for a particular type of award for an Award Year shall be made in his or her Deferral Agreement for such Award Year, and no Participant shall (except as provided for in Section 6 and Section 7 of this Article IV) have the right to modify or revoke any such election after the time the Participant no longer has the right to modify or revoke a Deferral Agreement under Section 1 of Article III. A Participant's allocations between investment options shall be subject to such minimum allocations as the Committee may establish.

4. Special Rule for Section 16 Persons. An election by a Section 16 Person to have any Deferred Compensation allocated to the Company Stock Investment Option shall be effective on the Trading Day described in Section 1 of this Article IV unless he or she delivers the related Deferral Agreement to the Company less than six months before such Trading Day. If he or she delivers the related Deferral Agreement to the Company less than six months before such date, his or her Company Stock Investment Option election automatically shall be treated as an Interest Option election under Section 1 of this Article IV until the first Trading Day of the seventh month following the month in which the Deferral Agreement is delivered to the Company. The Deferred Compensation so allocated to the to the Interest Option together with any related interest credits shall by operation of this Deferral Plan automatically be reallocated and credited to the Company Stock Investment Option on such Trading Day in accordance with Section 2(b) of this Article IV.

Reallocations to Interest Option (deleted effective September 30, 2004). If benefit payments to a Participant or Beneficiary are to be paid or commenced to be paid over a period that extends more than six months after the date of the Participant's termination of employment with the Company, the Participant or Beneficiary, as applicable, may make a one-time

irrevocable election under this Section 5 at any time after the Participant's termination of employment and before the completion of benefit payments to have the portion of the Participant's Account that is allocated to the Company Stock Investment Option reallocated to the Interest Option. A reallocation under this Section 5 shall take effect as of the first Trading Day of the month following the month in which an executed reallocation election is delivered to the Company, provided an election by a Participant or Beneficiary who is a Section 16 Person on the date the election is delivered to the Company shall be effective only if such election satisfies on such date all the requirements of the exemption under Rule 16b-3 of the Exchange Act for a "discretionary transaction" or otherwise would not result in a short swing profit recovery pursuant to Rule 16b-3 under the Exchange Act. In the event such election does not satisfy the exemption pursuant to Rule 16b-3 under the Exchange Act for a "discretionary transaction" and if giving effect to the election would result in liability under Section 16(b) of the Exchange Act, the election shall not be given effect until the first Trading Day of the month following the month in which the election could be given effect without creating liability under Section 16(b) of the Exchange Act. Notwithstanding anything herein to the contrary, no election may be made under this Section 5 after September 15, 2004, and any such election made during September 2004 will be valued and take effect as of September 30, 2004.

5. One-Time Reallocation Right.

(a) General Rule. Subject to Section 5(b) of this Article IV, a Participant or Beneficiary may during a Reallocation Election Period execute and deliver to the Company an election made on such form and in such manner as prescribed by the Committee to the Company to reallocate all or a portion (in five (5) percent increments) of his or her Account Balance (other than Company Deferrals) which is then allocated to one investment option to the other investment option. Any such election shall be irrevocable when received by the Company, and the reallocation which the Participant or Beneficiary elects shall be effective as of the Reallocation Effective Date that immediately follows the end of the Reallocation Election Period in which his or her election becomes irrevocable. Only one reallocation election may be made by a Participant or Beneficiary with the result that a reallocation made in one Reallocation Election Period will preclude a reallocation election in a subsequent Reallocation Election Period.

(b) Exception. If a Participant or a Beneficiary is a Section 16 Person on any date in a Reallocation Election Period and delivers an election to the Company in such period, such election shall have no force or effect under Section 6(a) unless such election complies with the exemption under Rule 16b-3 of the Exchange Act for a "discretionary transaction".

(c) Additional Credit. The Company shall credit to the Account of each Participant or Beneficiary that has Deferred Compensation (other than Company Deferrals) credited to the Stock Investment Option as of September 30, 2004 an amount equal to the greater of (i) \$24.95 per Account Balance; or (ii) \$0.10 for each whole share of Common Stock reflected in the Participant's or Beneficiary's Account Balance (exclusive of Company Deferrals). Such amount shall be allocated and credited to the Interest Option as of September 30, 2004, after taking into account any reallocation under Section 6(a) of this Article IV.

6. Reallocation Among Investment Options. Effective June 16, 2008, a Participant may reallocate the portion of his Account Balance that is invested in the Interest Option and the Investment Fund Option to the Interest Option (through June 30, 2009), the Company Stock Investment Option, and the various investment funds in the Investment Fund Option, subject to the trading restrictions that apply to the transfer and reallocation of investments under the terms of the Qualified Savings Plan, applied as if such Qualified Savings Plan restrictions also pertain to the Interest Option; provided that a Participant may not at any time reallocate the portion of his Account Balance that is invested at any time in the Company Stock Investment Option. Notwithstanding the foregoing, any election by a Section 16 Person to reallocate any portion of his Account Balance to the Company Stock Investment Option shall only become effective if the election is made at least six months following the most recent election with respect to any plan of the Corporation that involved the disposition of the Corporation's equity securities pursuant to a "Discretionary Transaction" (as defined in Exchange Act Rule 16b-3). . No amounts may be reallocated to the Interest Option on or after July 1, 2009.

## ARTICLE V

### PAYMENT OF BENEFITS

#### 1. General.

(a) Account Balance and Elections. The Company's liability to pay benefits to a Participant or Beneficiary under this Deferral Plan shall be measured by and shall in no event exceed the Participant's Account Balance. Except as otherwise provided in this Deferral Plan (including but not limited to Section 5 of Article III with respect to Company Deferrals), a Participant's Account Balance shall be paid to him in accordance with the Participant's elections under this Article V.

(b) Cash Only Payment. With respect to benefit payments made on a Payment Date which is on or before September 30, 2004, all such benefit payments shall be made in accordance with the terms of this Deferral Plan as in effect on such date in cash and, except as otherwise provided under such terms, shall reduce allocations to the Interest Option and the Company Stock Investment Option in the same proportions that the Participant's Account Balance is allocated between those investment options at the end of the month preceding the date of distribution. Notwithstanding the foregoing, no amount of Deferred Compensation shall be distributed to a Section 16 Person under this Deferral Plan which is attributable to the Stock Investment Option unless such amount was allocated to the Participant's Account in accordance with Section 1 of Article 4 at least six months prior to the date of distribution or no portion of such amount was allocated to the Company Stock Investment Option in the six months prior to distribution.

(c) Cash and Stock Payments. With respect to benefit payments made after September 30, 2004, all such benefit payments shall be made in cash to the extent a Participant's Account is allocated to the Interest Option or Investment Fund Option or is attributable to Company Deferrals and shall be made in whole shares of the Company's Common Stock to the

extent that a Participant's Account is allocated to the Company Stock Investment Option (other than with respect to Company Deferrals) and, except as otherwise provided, shall reduce allocations to the Interest Option, the Investment Fund Option, and the Company Stock Investment Option in the same proportions that the Participant's Account Balance is allocated between those investment options at the end of the month preceding the date of distribution (for distributions occurring prior to June 16, 2008) or the Trading Day that is four (4) business days prior to the date of the distribution (for distributions occurring on or after June 16, 2008). Notwithstanding the foregoing, no amount of Deferred Compensation shall be distributed to a Section 16 Person under this Deferral Plan unless such amount was allocated to the Participant's Account in accordance with Section 1 of Article 4 at least six months prior to the date of distribution. At the Company's discretion a distribution of Common Stock may be made directly to a Participant or to a brokerage account opened in the name of the Participant. When an Account is distributed in a lump sum or, if an Account is distributed in installments, when the final installment is made, cash shall be distributed (or withheld for applicable taxes) at that time in lieu of any fractional share of Common Stock. The cash distribution in lieu of fractional shares shall be based on the published closing price of the Company's Common Stock on the last Trading Day preceding the date the distribution is scheduled to be made.

2. Election for Commencement of Payment. At the time a Participant first completes a Deferral Agreement, he or she shall elect from among the following options governing the date on which the payment of benefits shall commence:

- (a) Payment to begin on the Payment Date next following the date of the Participant's termination of employment with the Company for any reason.
- (b) Payment to begin on the first Payment Date of the year next following the year in which the Participant terminates employment with the Company for any reason.
- (c) Payment to begin on the Payment Date next following the date on which the Participant has both terminated employment with the Company for any reason and attained the age designated by the Participant in the Deferral Agreement.

Notwithstanding a Participant's election, any payment of benefits in the form of shares of Common Stock that would otherwise commence within six months of the date on which a Participant ceased to be Section 16 Person shall not be paid on that date but instead shall be paid on the first Payment Date that is at least six months after the date on which that Participant ceased to be a Section 16 Person.

3. Election for Form of Payment. At the time a Participant first completes a Deferral Agreement, he or she shall elect the form of payment of his or her Account Balance from among the following options:

- (A) A lump sum.

(B) Annual installment payments for a period of years designated by the Participant, which shall not exceed fifteen (15) annual installments. The amount of each annual payment shall be determined by dividing the Participant's Account Balance at the end of the month prior to such payment by the number of installment payments then remaining in the designated installment period. The installment period may be shortened, in the sole discretion of the Committee, if the Committee at any time determines that the amount of the annual payments that would be made to the Participant during the designated installment period would be too small to justify the maintenance of the Participant's Account and the processing of payments.

4. Prospective Change of Payment Elections.

(a) Notwithstanding anything to the contrary in this Article V, a Participant may make an election with respect to the commencement of payment (from among the options set forth in Section 2(A), (B), or (C) above) and form of payment (from among the options set forth in Section 3(A) or (B) above) of his or her entire Account Balance, or with respect to specific Award Years, by executing and delivering to the Company an election form on or after October 1, 2002 in such form as prescribed by the Company. If a Participant has different payment options in effect with respect to his or her Account Balance, the Company shall maintain sub-accounts for the Participant to determine the amounts subject to each payment election; however, no election or modification of an election will be accepted if it would require the Company to maintain more than five sub-accounts within the Participant's Account in order to make payments in accordance with the Participant's elections.

(b) In the event a Participant does not make a valid election with respect to the commencement of payment and form of benefit for an Award Year commencing on or after October 1, 2002, the Participant will be deemed to have elected that payment of benefits with respect to that Award Year be made in a lump sum on or about the Payment Date next following the date of the Participant's termination of employment.

(c) A Participant's election with respect to an Award Year (including a "deemed election" in accordance with the preceding paragraph) shall remain in effect unless and until such election is modified by a subsequent election in accordance with the second preceding paragraph above.

(d) To constitute a valid election by a Participant making a prospective change to a previous election, the prospective election must be executed and delivered to the Company (i) at least six months before the date the first payment would be due under the Participant's previous election and (ii) in a different calendar year than the date the first payment would be due under the Participant's previous election. In the event an election fails to satisfy the provisions set forth in this paragraph, such election shall be void and, if such an election is void, payment shall be made in accordance with the most recent election which was valid. In addition, no prospective election will be considered valid to the extent the prospective election would (i) result in a payment being made within six months of the date of the prospective election or (ii) result in a payment under the prospective election in the same calendar year as the date of the prospective election. In the event a prospective election fails to satisfy the provisions set forth in the preceding sentence, the first payment under the prospective election will be delayed until the first Payment Date that is both (i) at least six months after the date of the prospective election and (ii) in a calendar year after the date of the prospective election.

(e) A Participant may not make or modify an election with respect to commencement of payment or form of payment after the date a Participant terminates employment.

5. Acceleration upon Early Termination. Notwithstanding a Participant's payment elections under this Article V, if the Participant terminates employment with the Company other than by reason of layoff, death or disability and before the Participant is eligible to commence receiving retirement benefits under a pension plan maintained by the Company (or before the Participant has attained age 55 if the Participant does not participate in such a pension plan), except as provided in Section 5 of Article III with respect to Company Deferrals, the Participant's Account Balance shall be distributed to him or her in a lump sum on or about the Payment Date next following the date of the Participant's termination of employment with the Company; provided, however, that if a distribution in accordance with the provisions of this Section 5 would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's payment elections under this Article V, if following a Participant's termination of employment with the Company, the Participant takes a position (or accepts a position) with a governmental entity, agency, or instrumentality and that employer has determined or indicated that the Participant's continued participation in the Plan may constitute a conflict of interest precluding the Participant from continuing in his position (or from accepting an offered position) with that employer or subjecting the Participant to penalty, sanction, or otherwise limiting the Participant's responsibilities for that employer, except as provided in Section 5 of Article III with respect to Company Deferrals, then the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical following the later of (i) the date on which the Participant commences employment with the government employer; or (ii) the date on which it is determined or indicated that the conflict of interest may exist. This Section 6 shall be applicable only to the extent that such distribution conforms to Code section 409A.

#### 7. Death Benefits.

(a) General Rule. Upon the death of a Participant before a complete distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in accordance with the payment elections applicable to the Participant. If a Participant dies while actively employed or otherwise before the payment of benefits has commenced, payments to the Beneficiary shall commence on the date payments to the Participant would have commenced, taking account of the Participant's termination of employment (by death or before) and, if applicable, by postponing commencement until after the date the Participant would have attained the commencement age specified by the Participant. Whether the Participant dies before or after the commencement of distributions, payments to the Beneficiary shall be made for the period or remaining period elected by the Participant.



(b) Special Rule. Notwithstanding Section 7(a) of this Article V, in the event that a Participant dies before the Participant's entire Account Balance has been distributed, the Committee, in its sole discretion, may modify the timing of distributions from the Participant's Account, including the commencement date and number of distributions, if it concludes that such modification is necessary to relieve the financial burdens of the Participant's Beneficiary; provided, however, that if a distribution in accordance with the provisions of this Section 7(b) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

8. Early Distributions in Special Circumstances. Notwithstanding a Participant's payment elections under this Article V, a Participant or Beneficiary may request an earlier distribution in the following limited circumstances (except as provided in Section 5 of Article III with respect to Company Deferrals):

(a) Hardship Distributions. A Participant may apply for a hardship distribution pursuant to this Section 8(a) on such form and in such manner as the Committee shall prescribe and, subject to the last sentence of this Section 8(a) with respect to Section 16 Persons, the Committee shall have the power and discretion at any time to approve a payment to a Participant if the Committee determines that the Participant is suffering from a serious financial emergency caused by circumstances beyond the Participant's control which would cause a hardship to the Participant unless such payment were made. Any such hardship payment will be in a lump sum and will not exceed the lesser of (i) the amount necessary to satisfy the financial emergency (taking account of the income tax liability associated with the distribution), or (ii) the Participant's Account Balance; provided, however, that if a distribution in accordance with the provisions of this Section 8(a) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(b) Withdrawal with Forfeiture. A Participant may elect on such form and in such manner as the Committee shall prescribe at any time to withdraw ninety percent (90%) of the amount credited to the Participant's Account. If such a withdrawal is made, the remaining ten percent (10%) of the Participant's Account shall be permanently forfeited, and the Participant will be prohibited from deferring any amount under the Deferral Plan for the Award Year in which

the withdrawal is received (or the first Award Year in which any portion of the withdrawal is received); provided, however, that if a distribution in accordance with the provisions of this Section 8(b) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(c) Disability. If the Committee determines that a Participant has become permanently disabled before the Participant's entire Account Balance has been distributed, the Committee, in its sole discretion, may modify the timing of distributions from the Participant's Account, including the commencement date and number of distributions, if it concludes that such modification is necessary to relieve the financial burdens of the Participant; provided, however, that if a distribution in accordance with the provisions of this Section 8(c) from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16 (b) of the Exchange Act, the date of distribution with respect to such portion to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

9. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of the Deferral Plan, except as provided in Section 5 of Article III with respect to Company Deferrals, the Account Balance of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

(b) For purposes of this Deferral Plan, a Change in Control shall include and be deemed to occur upon the following events:

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

(2) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event)

(3) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1 (b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

(4) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated)

(5) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

(c) Notwithstanding the provisions of Section 9(a), if a distribution in accordance with the provisions of Section 9(a) would result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(d) This Section 9 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of Deferred Compensation in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

(e) The Committee may cancel or modify this Section 9 at any time prior to a Change in Control. In the event of a Change in Control, this Section 9 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 9 shall not, for purposes of Section 9, be subject to cancellation or modification during the five-year period.

10. Deductibility of Payments. In the event that the payment of benefits in accordance with the Participant's elections under this Article V would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the Participant's elections, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company.

11. Change of Law. Notwithstanding anything to the contrary herein, if the Committee determines in good faith, based on consultation with counsel, that the Federal income tax treatment or legal status of the Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the Accounts of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

12. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any Incentive Compensation or Long Term Incentive Award payment deferred hereunder or credit contributed by the Company under Article IV, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required.

## ARTICLE VI

### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Deferral Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Deferral Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Deferral Plan, the Company may set aside assets in a trust described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Deferral Plan be satisfied by payments out of such trust. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Deferral Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Deferral Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Deferral Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary. Notwithstanding, any portion of a Participant's benefit under this Plan may be paid to a spouse or former spouse pursuant to the terms of a domestic relations order (as defined in Code section 414(p)(1)(B)), provided that the form of payment designated in such order is one that is provided for under Section 3 of Article V of this Deferral Plan.

## ARTICLE VII

### AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Deferral Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's Account Balance or postponing the time when a Participant is entitled to receive a distribution of his Account Balance. Further, no amendment may alter the formula for crediting interest to Participants' Accounts with respect to amounts for which deferral elections have previously been made, unless the amended formula is not less favorable to Participants than that previously in effect, or unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their Account Balances in a lump sum immediately following such termination or at such time thereafter as the Board may determine; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement to assume all of the obligations of the Company under this Plan with respect to such Participant.

## ARTICLE VIII

### ADMINISTRATION

1. The Committee. This Deferral Plan shall be administered by the Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this Deferral Plan to comply with the disinterested administration requirements of Rule 16b-3 of the Exchange Act. The members of

the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee or its delegate shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee or its delegate shall be final and binding on all parties.

2. Delegation and Reliance. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Deferral Plan in accordance with its terms and purpose, except that the Committee may not delegate any authority the delegation of which would cause this Deferral Plan to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this Deferral Plan, the Committee may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Deferral Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Deferral Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Deferral Plan or for the failure of the Deferral Plan or any Participant's rights under the Deferral Plan to achieve intended tax consequences, to qualify for exemption or relief under Section 16 of the Exchange Act and the rules thereunder, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or its delegate may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or its delegate) from all liability with respect thereto.

5. Proof of Claims. The Committee or its delegate may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. If a claim under this Deferral Plan is denied by the Committee, the Committee or its delegate shall communicate such denial and shall provide an opportunity to appeal such denial in a manner which the Committee deems appropriate under the circumstances, which may include following the then applicable claims procedures under the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. No Guarantee of Employment or Award. Neither this Deferral Plan, a Company Deferral nor a Participant's Deferral Agreement, either singly or collectively, shall in any way obligate the Company to continue the employment of a Participant with the Company, nor does either this Deferral Plan, a Company Deferral or a Deferral Agreement limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Deferral Plan, a Company Deferral or a Deferral Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Deferral Plan, a Company Deferral or a Deferral Agreement, either singly or collectively, by their terms or implications in any way obligate the Company to award Incentive Compensation, grant any award under the Omnibus Plan or IPA Plan or make any Long Term Incentive Award payment to any Eligible Employee for any Award Year, whether or not the Eligible Employee is a Participant in the Deferral Plan for that Award Year, nor in any other way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Affect on Retirement Plans. Neither Incentive Compensation nor Long Term Incentive Award payments deferred under this Deferral Plan shall be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Notice. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of the Vice President, Human Resources. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her last-known place of residence or business address.

4. Performance of Acts. In the event it should become impossible for the Company or the Committee to perform any act required by this Deferral Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Deferral Plan.

5. Employee Consent. By electing to become a Participant hereunder, each Eligible Employee shall be deemed conclusively to have accepted and consented to all of the terms of this Deferral Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Deferral Plan.

6. Terms Binding. The provisions of this Deferral Plan and the Deferral Agreements hereunder shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. Copy of Plan. A copy of this Deferral Plan shall be available for inspection by Participants or other persons entitled to benefits under the Deferral Plan at reasonable times at the offices of the Company.

8. State Law. The validity of this Deferral Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. Regulatory Requirements. This Deferral Plan and its operation, including but not limited to, the mechanics of deferral elections, the reallocation of all or a portion of a Participant's Account Balance, the issuance of securities, if any, or the payment of cash hereunder is subject to compliance with all applicable Federal and state laws, rules and regulations (including but not limited to state and Federal insider trading, registration, reporting and other securities laws) and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

10. Section 16 of Exchange Act. It is the intent of the Company that this Deferral Plan satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this Deferral Plan would otherwise frustrate or conflict with the intent expressed in this Section 10, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the Deferral Plan to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed ineffective. Notwithstanding anything to the contrary in this Deferral Plan, the provisions of this Deferral Plan may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this Deferral Plan are applicable solely to Section 16 Persons. Notwithstanding any other provision of this Deferral Plan to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the provisions of Section 16 of the Exchange Act or the provisions of the Deferral Plan designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

11. Securities Laws. This Deferral Plan, allocations to and from the Company Stock Investment Option and the issuance and delivery of shares of Common Stock and/or other securities or property or the payment of cash under this Deferral Plan, are subject to compliance with all applicable Federal and state laws, rules and regulations (including but not limited to state and Federal insider trading, registration, reporting and other securities laws and



Federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company be necessary or advisable to comply with all legal requirements. Any securities delivered under this Deferral Plan shall be subject to such restrictions (and the person acquiring such securities shall, if requested by the Company provide such evidence, assurance and representations to the Company as to compliance with any thereof) as counsel to the Company may deem necessary or desirable to assure compliance with all applicable legal requirements.

12. 1995 Awards. Notwithstanding any other provision of this Deferral Plan, each Eligible Employee who is a Section 16 Person and has entered into a Deferral Agreement prior to the initial distribution of a prospectus relating to this Deferral Plan shall be entitled, during a ten-business-day period following the initial distribution of that prospectus, to make an irrevocable election to (i) receive a distribution of all or any portion of his or her Account Balance attributable to Deferred Compensation for the 1995 Award Year during the seventh month following the month of the election, or (ii) reallocate all or any part of his or her Account Balance attributable to Deferred Compensation for the 1995 Award Year to a different investment option as of the end of the sixth month following the month of the election.

13. Limits on Accounts. At no time shall the aggregate Account Balances of all Participants to the extent allocated to the Company Stock Investment Option exceed an amount equal to the then fair market value of 5,000,000 shares of the Company's Common Stock, nor shall the cumulative amount of Incentive Compensation and Long Term Incentive Award payments deferred under this Deferral Plan by all Eligible Employees for all Award Years exceed \$250,000,000.

14. Electronic Notice and Signatures. Whenever a signature notice or delivery of a document is required or appropriate under this Deferral Plan, signature, notice or delivery may be accomplished by paper or written format or, to the extent authorized by the Committee, by electronic means. In the event the Committee authorizes electronic means for the signature, notice or delivery of a document under this Deferral Plan, the electronic record or confirmation of that signature, notice or delivery maintained by or on behalf of the Committee shall for purposes of this Deferral Plan be treated as if it was a written signature or notice and was delivered in the manner provided herein for a written document.

## ARTICLE X

### EFFECTIVE DATE AND SHAREHOLDER APPROVAL

This Deferral Plan was adopted by the Board on July 27, 1995 and became effective upon adoption to awards of Incentive Compensation for the Company's fiscal year ending December 31, 1995 and subsequent fiscal years; provided, however, that with respect to Section 16 Persons, the availability of the Company Stock Investment Option is conditioned upon the approval of this Deferral Plan by the stockholders of Lockheed Martin Corporation. In the event that this Deferral Plan is not approved by the stockholders, then Section 16 Persons shall not be entitled to have Deferred Compensation allocated to the Company Stock Investment Option; any prior elections by Section 16 Persons to have allocations made to the Company

Stock Investment Option shall retroactively be deemed ineffective, and the Account Balances of those Section 16 Persons shall be restated as if all of their Deferred Compensation had been allocated to the Interest Option at all times. Subsequent amendments to the Deferral Plan are effective as of the date stated in the amendment or the adopting resolution.

This Deferral Plan has been amended and restated effective as of the date stated on the first page herein.

LOCKHEED MARTIN CORPORATION2006 MANAGEMENT INCENTIVE COMPENSATION PLAN(Performance-Based)As Amended January 22, 2009ARTICLE 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. 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.

13. 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.
6. 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.

7. 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. Payments properly made under the Plan and distributed to Participants shall not be recoverable from the Participant by the Company.

#### 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. Amendments will effective on the date designated by the Board of Directors, or if not date is designated, the date of the adoption of the amendment by the Board of Directors, or the stockholders, whichever is applicable.

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	150%
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 are 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).

**LOCKHEED MARTIN CORPORATION AMENDED AND RESTATED  
2003 INCENTIVE PERFORMANCE AWARD PLAN  
As Amended and Restated January 1, 2009**

**SECTION 1. Purpose.**

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

**SECTION 2. Definitions; Rules of Construction.**

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

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

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

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

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

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

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

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

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

"Committee" means the Committee described in Section 8.

"Corporation" means Lockheed Martin Corporation.

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

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

“EPS” means earnings per common share on a fully diluted basis determined in accordance with generally accepted accounting principles in the United States.

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

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

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

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

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

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

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

“Performance Goal” means EPS or ROIC or Cash Flow or Total Stockholder Return, and “Performance Goals” means any combination thereof.

“Plan” means this Lockheed Martin Corporation 2003 Incentive Performance Award Plan.

“ROIC” means return on invested capital calculated as (A) (i) net income plus (ii) interest expense times one minus the highest marginal federal corporate tax rate, divided by (B) (i) the average quarter end debt (including current maturities of long-term debt) plus (ii) the average quarter end stockholders’ equity, in each case determined in accordance with generally accepted accounting principles in the United States.

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

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

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

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

“*Subsidiary*” means, as to any person, any corporation, association, partnership, joint venture or other business entity of which 50 percent or more of the voting stock or other equity interests (in the case of entities other than corporations), is owned or controlled (directly or indirectly) by that entity, or by one or more of the Subsidiaries of that entity, or by a combination thereof.

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

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

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

### **SECTION 3. Eligibility.**

Any one or more Awards may be granted to any individual who is an Employee on the Date of Grant and who is designated by the Committee to receive an Award, provided that no individual who beneficially owns Stock possessing five percent (5 percent) or more of the combined voting power of all classes of stock of the Corporation shall be eligible to participate in this Plan.

### **SECTION 4. Awards.**

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

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

(2) *Incentive Stock Options.* An Incentive Stock Option is an Award in the form of an option to purchase Stock that is intended to comply with the requirements of Code Section 422 or any successor section of the Code. The exercise price of each Incentive Stock Option granted under this Plan shall be not less than the Fair Market Value of the Stock on the Date of Grant of the Option. To the extent that the aggregate “fair market value” of Stock with respect to which one or more incentive stock options first become exercisable by a Participant in any calendar year exceeds \$100,000, taking into account both Stock subject to Incentive Stock Options under this Plan and stock subject to incentive stock options under all other plans of the Corporation or of other entities referenced in Code Section 422(d)(1), the options shall be treated as Nonqualified Stock Options. For this purpose, the “fair market value” of the Stock subject to options shall be determined as of the Date of Grant of the Options. All Incentive Stock Options shall be treated as Performance-Based Awards subject to the applicable restrictions of Section 4(b).

(3) *Stock Appreciation Rights.* A Stock Appreciation Right is an Award in the form of a right to receive, upon surrender of the right, but without other payment, an amount based on appreciation in the value of Stock over a base price established in the Award, payable in cash, Stock or such other form or combination of forms of payout, at times and upon conditions (which may include a Change in Control), as may be approved by the Committee. The minimum base price of a Stock Appreciation Right granted under this Plan shall be not less than the Fair Market Value of the underlying Stock on the Date of Grant of the Stock Appreciation Right, or, in the case of a Stock Appreciation Right related to an Option (whether already outstanding or concurrently granted), the exercise price of the related Option. All Stock Appreciation Rights shall be treated as Performance-Based Awards subject to the applicable restrictions under Section 4(b).

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

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

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



(b) **Special Performance-Based Awards.** Without limiting the generality of the foregoing, any of the types of Awards listed in Section 4(a) may be granted as awards that satisfy the requirements for “performance-based compensation” within the meaning of Code Section 162(m) (“Performance-Based Awards”), the grant, vesting, exercisability or payment of which depends on the degree of achievement of the Performance Goals relative to preestablished targeted levels for the Corporation on a consolidated basis. Notwithstanding anything contained in this Section 4(b) to the contrary, any Option or Stock Appreciation Right shall be subject only to the requirements of clause (1) and Sections 4(c)(1) and (2) below in order for such Awards to satisfy the requirements for Performance-Based Awards under this Section 4(b) (with such Awards hereinafter referred to as a “Qualifying Option” or a “Qualifying Stock Appreciation Right,” respectively). With the exception of any Qualifying Option or Qualifying Stock Appreciation Right, an Award that is intended to satisfy the requirements of this Section 4(b) shall be designated as a Performance-Based Award at the time of grant. Nothing in this Plan shall limit the ability of the Committee to grant Options or Stock Appreciation Rights with an exercise price or a base price greater than Fair Market Value on the Date of Grant or to make the vesting of the Options or Stock Appreciation Rights subject to Performance Goals or other business objectives.

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

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

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

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

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

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

(c) Individual Limits.

(1) *Share-Based Awards.* The maximum number of shares of Stock or Share Units that are issuable under the Plan pursuant to Options, Stock Appreciation Rights payable in shares of Stock, Restricted Stock or Stock Units payable in shares of Stock (described under Section 4(a)(5)) that are granted as Performance-Based Awards during any calendar year to any Participant shall not exceed 1,000,000, subject to adjustment as provided in Section 7; provided, that the maximum number of shares of Stock that may be granted as Restricted Stock Awards during any calendar year to any Participant under the Plan (including as Performance-Based Awards) shall not exceed 250,000 shares, subject to adjustment as provided in Section 7. Awards that are canceled during the year shall be counted against this limit.

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

(3) *Cash-Based Awards.* The aggregate amount of compensation to be paid to any Participant in respect of those Cash-Based Awards that are granted during any calendar year as Performance-Based Awards shall not exceed \$5,000,000.

(d) Maximum Term of Awards. No Award that contemplates exercise or conversion may be exercised or converted to any extent, and no other Award that defers vesting, shall remain outstanding and unexercised, unconverted or unvested more than ten (10) years after the date the Award was initially granted.

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

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

(a) Aggregate Share Limit for Share-Based Awards. The maximum number of shares of Stock that may be subject to Options (including Incentive Stock Options), Stock Appreciation Rights, Restricted Stock and Stock Units granted or issued under the Plan is 44,500,000, subject to adjustment as provided in this Section 5 or Section 7.

(b) Annual Share Limit for Share-Based Awards. Subject to Section 5(a), the maximum number of shares of Stock that may be subject to Options (including Incentive Stock Options), Stock Appreciation Rights, Restricted Stock and Stock Units granted or issued in any calendar year is 1.6 percent of the Corporation’s outstanding shares of Stock on December 31 of the calendar year immediately preceding the Date of Grant of the Award, as reported by the Corporation in its Annual Report on Form 10-K or its

Annual Report to Shareholders for such year. The number of shares of Stock available for grant or issuance under this Section 5(b) in any calendar year shall be increased by the number of shares of Stock available under the Plan for grant or issuance under this Section 5(b) in previous calendar years but not covered by Awards granted as Options (including Incentive Stock Options), Stock Appreciation Rights, Restricted Stock and Stock Units in previous calendar years.

(c) Aggregate Share Unit Limit. The maximum number of Share Units that may be issued as Stock Units payable in cash only and Stock Appreciation Rights payable in cash only under the Plan is 22,500,000, subject to adjustment as provided in this Section 5 or Section 7.

(d) Shares Available For Restricted Stock Grants. The maximum number of shares of Stock that may be issued as Restricted Stock under the Plan is 28 percent of the shares authorized under Section 5(a) of the Plan, subject to adjustment as provided in this Section 5 or Section 7.

(e) Reissue of Shares and Share Units. Any unexercised, unconverted or undistributed portion of any Award resulting from termination, expiration or forfeiture of that Award, or any alternative form of consideration under an Award that is not paid in connection with the settlement of an Award or any portion of an Award, shall again be available for Award under Section 5(a), 5(b), 5(c) or 5(d), as applicable, whether or not the Participant has received benefits of ownership (such as dividends or dividend equivalents or voting rights) during the period in which the Participant's ownership was restricted or otherwise not vested. Shares of Stock that are issued pursuant to Restricted Stock Awards and subsequently reacquired by the Corporation due to termination, expiration or forfeiture of the Award shall also be available for reissuance under the Plan.

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

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

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

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

Exchange Act and the Participant subsequently becomes an Insider, then the payment method will no longer be available to the Participant and the Committee shall take whatever steps are necessary to make such payment method void as to such Participant, including but not limited to requiring the immediate payment of any note or loan previously obtained in connection with an Award.

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

#### **SECTION 6. Award Agreements.**

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

(a) Mandatory Provisions for Options. Award Agreements for Options shall be deemed to contain the following provisions:

(1) *Vesting*: A provision providing for a minimum vesting schedule pursuant to which no Award of Options may become fully exercisable prior to the second anniversary of the Date of Grant, and to the extent an Award provides for vesting in installments over a period of no less than two years, no portion of an Award of Options may become exercisable prior to the first anniversary of the Date of Grant. In the event that the Participant is not an Employee on the date on which an Option would otherwise vest and become exercisable, the Options subject to that vesting date will be forfeited. Notwithstanding the foregoing, (i) any Award Agreement governing Options may provide for any additional vesting requirements, including but not limited to longer periods of required employment or the achievement of Performance Goals; (ii) any Award Agreement may provide that all or a portion of the Options subject to an Award vest immediately or, alternatively, vest in accordance with the vesting schedule but without regard to the requirement for continued employment with the Corporation (or a Subsidiary) in the event of a Change in Control, or in the case of termination of employment with the Corporation (or a Subsidiary) due to death, disability, layoff, retirement or divestiture, or in the case of a vesting period longer than two years, vest and become exercisable or fail to be forfeited and continue to vest in accordance with the schedule in the Award Agreement prior to the expiration of any period longer than two years for any reason designated by the Committee; (iii) any Award Agreement may provide that employment by another entity be treated as employment by the Corporation (or a Subsidiary) in the event a Participant terminates employment with the Corporation (or a Subsidiary) on account of a divestiture; and (iv) Award Agreements for Options covering, in the aggregate, up to 1,500,000 shares of Stock may contain a shorter or no vesting requirement for all or a portion of the Options subject to the Award. Notwithstanding the foregoing, no Award Agreement may provide for immediate vesting on account of a layoff.

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

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

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

(1) *Vesting*: A provision prohibiting the sale of any shares of Restricted Stock granted under an Award prior to the third anniversary of the Date of Grant of the Award and requiring the forfeiture of all shares of Restricted Stock subject to the Award in the event that the Participant does not remain an Employee for at least three years following the Date of Grant of the Restricted Stock; provided, that (i) any Award Agreement governing Restricted Stock may provide for any additional vesting requirements, including but not limited to longer periods of required employment or the achievement of Performance Goals; and (ii) any Award Agreement may provide that Restricted Stock vests prior to the third anniversary of the Date of Grant (A) in the event of a Change in Control, (B) in the case of termination of employment with the Corporation (or a Subsidiary) due to death, disability, layoff, retirement or divestiture, or (C) in the case of a vesting period longer than three years, prior to the expiration of any period longer than three years for any reason designated by the Committee. Notwithstanding the foregoing, no Award Agreement may provide for immediate vesting on account of a layoff. The vesting requirements of this Section 6(b) shall also apply to Award Agreements governing Stock Units payable in Stock unless the Stock Units are granted in conjunction with, or part of another Award.

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

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

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

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

(3) *Withholding*: The Participant shall be responsible for payment of any taxes or similar charges required by law to be withheld from an Award, or an amount paid in satisfaction of an Award and these obligations shall be paid by the Participant on or prior to the payment of the Award. In the case of an Award payable in cash, the withholding obligation shall be satisfied by withholding the applicable amount and paying the net amount in cash to the Participant. In the case of an Award paid in shares of Stock, a Participant shall satisfy the withholding obligation as provided in Section 5(i).

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

(1) *Other Terms and Conditions*: Any other terms consistent with the terms of this Plan as are necessary, appropriate, or desirable to effect the Award to the Participant, including

provisions describing the treatment of an Award in the event of the death, disability, layoff, retirement, divestiture or other termination of a Participant's employment with or services to the Corporation or a Subsidiary, any provisions relating to the vesting, exercisability, forfeiture or cancellation of the Awards, any requirements for continued employment, any other restrictions or conditions (including performance requirements and holding periods) of the Award and the method by which the restrictions or conditions lapse, and the effect on the Award of a Change in Control, subject, in the case of Performance-Based Awards, to the requirements for "performance-based compensation" under Code Section 162(m) and in the case of Options and Restricted Stock, to the requirements of Sections 6(a) (b), and (7).

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

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

#### **SECTION 7. Adjustments; Change in Control; Acquisitions.**

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

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

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

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

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

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

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

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

(2) The Corporation is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75 percent of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Corporation (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).

(3) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing 25 percent or more of the combined voting power of the Corporation's then outstanding securities entitled to vote in the election of directors of the Corporation.

(4) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).

(5) The stockholders of the Corporation approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Corporation's business and/or assets as an entirety to an entity that is not a Subsidiary.

With respect to Awards granted on or after April 28, 2005, in the event the Committee determines that an Award could be subject to taxation under Section 409A(a)(1) of the Code, a Change in Control shall have no effect on the Award unless the Change in Control also would constitute a change in the ownership or effective control of the Corporation or in the ownership of a substantial portion of the assets of the Corporation within the meaning of Section 409A(a)(2)(A)(v) of the Code.

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



## **SECTION 8. Administration.**

(a) Committee Authority and Structure. This Plan and all Awards granted under this Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this Plan to comply with the disinterested administration requirements of Rule 16b-3 under the Exchange Act and the “outside director” requirement of Code Section 162(m). The Board shall designate the members of the Committee.

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

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

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

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

(f) Delegation and Reliance. The Committee may delegate to the officers or employees of the Corporation the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose, except that the Committee may not

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

(g) Exculpation and Indemnity. Neither the Corporation nor any member of the Board of Directors or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application of this Plan, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of an Award (or action in respect of an Award) to satisfy Code requirements as to incentive stock options or to realize other intended tax consequences, to qualify for exemption or relief under Rule 16b-3 or to comply with any other law, compliance with which is not required on the part of the Corporation.

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

#### **SECTION 9. Amendment and Termination of this Plan.**

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

#### **SECTION 10. Miscellaneous.**

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

(b) Rights of Employees.

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

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

(c) Effective Date; Duration. This Plan has been adopted by the Board of Directors of the Corporation and shall become effective upon and shall be subject to the approval of the Corporation's stockholders. This Plan shall remain in effect until any and all Awards under this Plan have been exercised, converted or terminated under the terms of this Plan and applicable Award Agreements. Notwithstanding the foregoing, no Award may be granted under this Plan after February 28, 2013. Notwithstanding the foregoing, any Award granted under the Plan on or prior to February 28, 2013 may be amended after such date in any manner that would have been permitted prior to such date, except that no such amendment shall increase the number of shares of Stock or Stock Units subject to, comprising or referenced in such Award (other than in accordance with Section 7(a)).

(d) Compliance with Laws. This Plan, Award Agreements, and the grant, exercise, conversion, operation and vesting of Awards, and the issuance and delivery of shares of Stock and/or other securities or property or the payment of cash under this Plan, Awards or Award Agreements, are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal insider trading, registration, reporting and other securities laws and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Corporation, be necessary or advisable to comply with all legal requirements. Any securities delivered under this Plan shall be subject to such restrictions (and the person acquiring such securities shall, if requested by the Corporation, provide such evidence, assurance and representations to the Corporation as to compliance with any thereof) as counsel to the Corporation may deem necessary or desirable to assure compliance with all applicable legal requirements.

(e) Applicable Law. This Plan, Award Agreements and any related documents and matters shall be governed by and in accordance with the laws of the State of Maryland, except as to matters of federal law.

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

LOCKHEED MARTIN CORPORATION  
SUPPLEMENTAL RETIREMENT PLAN

(Effective December 31, 2008)

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Supplemental Retirement Plan (the "Plan") are:

- (a) to provide certain employees of Lockheed Martin Corporation and its subsidiaries (the "Company") with those benefits that cannot be paid from the Company's tax-qualified plans because of the limitations on contributions and benefits contained in Internal Revenue Code section 415;
- (b) to provide certain key management employees of the Company with those benefits that cannot be paid from the Company's tax-qualified plans because of other limitations on contributions and benefits contained in the Internal Revenue Code, such as the limitations contained in Code section 401(a)(17); and
- (c) to provide certain key management employees of the Company with other supplemental benefits.

The following plans and predecessor plans were amended, restated and merged to form a single Plan, effective July 1, 2004:

1. Supplemental Retirement Benefit Plan of Lockheed Martin Corporation (formerly the Supplemental Retirement Benefit Plan of Lockheed Corporation)
2. Lockheed Martin Corporation Supplemental Excess Retirement Plan (formerly the Martin Marietta Corporation Supplemental Excess Retirement Plan)
3. Lockheed Martin Supplemental Retirement Income Plan (formerly the Martin Marietta Supplemental Retirement Income Plan)
4. Lockheed Martin Tactical Systems Supplemental Executive Retirement Plan (formerly the Loral Supplemental Executive Retirement Plan).

The Plan was amended and restated, effective January 1, 2005, in order to comply with the requirements of Code section 409A. The 2005 amendment and restatement of the Plan, as further amended and restated from time to time, shall apply only to the portion of a Participant's benefit that accrued and vested on or after January 1, 2005. The portion of a Participant's benefit that accrued and vested prior to January 1, 2005 shall be governed by the terms of the Plan in effect on December 31, 2004, attached as Appendix B. The Plan was amended and restated, effective June 26, 2008, in order to clarify certain provisions in accordance with the final Treasury Regulations issued under Code section 409A and to make other clarifications with respect to eligibility and benefits. The Plan is hereby amended and restated effective December 31, 2008 to order to make further clarifications in accordance with the final Treasury Regulations issued under Code section 409A and to make other administrative clarifications.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise or the term is defined below, all terms shall be defined in accordance with the Lockheed Martin Corporation Retirement Program.

1. **ACTUARIAL EQUIVALENT** — The Actuarial Equivalent shall mean a benefit which has the equivalent value computed using the interest rate which would be used by the Pension Benefit Guaranty Corporation to determine the present value of an immediate lump sum distribution on termination of a pension plan, as in effect on the first day of the month of termination of employment plus one percent (1%), and the 1983 Group Annuity Mortality Table with sex distinction; provided that for Years beginning on or after January 1, 2011, in no event shall the interest rate plus 1% exceed 7% or be less than 4%.

2. **BENEFICIARY** — The Beneficiary of a Participant shall be (a) the Participant's Spouse or (b) if there is no Spouse surviving the Participant, the Participant's estate.

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

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

5. **COMMITTEE** — The committee described in Section 1 of Article VIII.

6. **COMPANY** — Lockheed Martin Corporation and its Subsidiaries.

7. **ELIGIBLE EMPLOYEE** — An employee of the Company who (1) participates in a Qualified Pension Plan and whose benefits thereunder are affected by the limitation on benefits imposed by Section 415 or 401(a)(17) of the Code, or (2) is designated by the Committee as eligible to participate in the Plan; and who satisfies such additional requirements for participation in this Plan as the Committee may from time to time establish. The Lockheed Martin Pension Plans Administration Committee (the "Pension Committee") shall interpret the participation requirements established by the Committee for all participants except elected officers subject to Section 16(b) of the Securities and Exchange Act of 1934. Determinations of participation requirements for elected officers shall be made by the Committee.

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

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

to be an active Participant upon termination of employment, when he otherwise ceases to be an Eligible Employee, or when he otherwise ceases to meet the requirements for participation as amended from time to time.

10. QUALIFIED PENSION PLAN — A defined benefit plan specified in Appendix A in which the Participant participates.

11. PLAN — The Lockheed Martin Corporation Supplemental Retirement Plan, or any successor plan.

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

13. YEAR — The calendar year.

### ARTICLE III

#### EXCESS BENEFIT PROVISIONS

1. Introduction. This Article sets forth the terms of the Plan relating to benefits determined by reference to the limitations imposed by Code section 415 and/or Code section 401(a)(17). This Article amends and restates the provisions relating to those benefits previously contained in the following plans:

- (a) the Supplemental Retirement Benefit Plan of Lockheed Martin Corporation (formerly known as the Supplemental Benefit Plan of Lockheed Corporation);
- (b) the Lockheed Martin Corporation Supplemental Excess Retirement Plan (formerly know as the Martin Marietta Corporation Supplemental Excess Retirement Plan); and
- (c) the Lockheed Martin Tactical Systems Supplemental Executive Retirement Plan (formerly known as the Loral Supplemental Executive Retirement Plan).

2. Purpose. Benefits under this Article III supplement the benefits of Eligible Employees to the extent that such benefits cannot be paid from the Company's tax-qualified defined benefit plans because of the limitations on benefits contained in Code section 415 and/or Code section 401(a)(17). It is intended that the provisions of this Article which relate to the limitations imposed by Code section 415 constitute a separate plan for purposes of Section 3(36) of the Employee Retirement Income Security Act of 1974 (ERISA).

3. Eligibility. An Eligible Employee who is entitled to benefits under a Qualified Pension Plan, and whose retirement income benefits are limited by the provisions of the Qualified Pension Plan (as amended from time to time) relating to the limits under Code section 415 and/or Code section 401(a)(17) shall receive benefits pursuant to this Article III.

4. Amount of Benefit. The benefit that each Participant shall be entitled to receive under the Plan is the amount reasonably determined by the Company to be the difference between the Participant's actual benefit under the applicable Qualified Pension Plan and the benefits that would have been payable under that Plan if:

- (a) the Qualified Pension Plan had determined pensionable earnings on a "mix and match" basis, as defined below; and
- (b) the Participant's benefit under the Qualified Pension Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under a Qualified Pension Plan, the Participant's total pensionable earnings shall be determined on a "mix and match" basis. The Participant's annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the three (3) highest years of MICP compensation during the last 10 years shall be added to the average of the three (3) highest years of other pensionable earnings during the last 10 years to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

Benefits under this Article III are intended to supplement the Participant's actual benefit under the applicable Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the applicable Qualified Pension Plan on a "mix and match" basis and without regard to the limitations of Code section 415 and Code section 401(a)(17). To prevent duplication of benefits, the full benefit under the applicable Qualified Pension Plan (without regard to the portion of the benefit attributable to employee contributions, if any) shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the applicable Qualified Pension Plan, and then reduced further by the Grandfathered 2004 Benefit, then further reduced by the benefit payable from other nonqualified pension plans of the Company which corresponds to the benefit payable under the applicable Qualified Pension Plan (including any benefit payable under Annex B of this Plan and excluding any nonqualified plans designed to supplement qualified defined contribution plans) to the extent permitted under Code section 409A. The remaining benefit shall be paid from this Plan pursuant to this Article III. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.



The benefit payable under this Article III shall be payable to the Participant or Beneficiary who is receiving or entitled to receive benefits with respect to the Participant under the Qualified Pension Plan.

If the benefits payable under the Qualified Pension Plan to any Participant are increased following the Participant's retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan.

#### ARTICLE IV

##### SUPPLEMENTAL BENEFITS

In addition to the benefits described in Article III, the Plan also provides benefits to certain key management employees, as set forth in the Annexes. Eligibility for, and the amount of, such benefits is set forth in the applicable Annex. Payment options for such benefits are described in Article V.

#### ARTICLE V

##### PAYMENT OF BENEFITS

1. Vesting. Except as provided in Article VI, and subject to the Company's right to discontinue the Plan as provided in Article VII, a Participant shall have a non-forfeitable benefit payable under this Plan to the same extent as benefits are vested under the applicable Qualified Pension Plan. As provided in Article VI, if a Participant acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

2. Form and Timing of Payment. Except as otherwise provided herein, a Participant may make an initial payment election between an annuity and a lump sum payment under the terms and conditions described in this Section 2. All elections under this Section 2 must be made in the form and manner prescribed by the Senior Vice President, Human Resources. No election made pursuant to this Section 2 may affect a payment due in the same calendar year in which the election is made or accelerate payment into the calendar year in which the election is made.

a. Regular Form. Unless a Participant has elected a lump sum payment under Section 2.b of this Article V, benefits under this Plan shall be paid in the form of an annuity. Participants who first become eligible for participation in the Plan after December 16, 2005 shall receive their benefits in the form of an annuity. Benefits paid in a form described in this Section 2.a. shall commence as soon as administratively practicable (but no more than 90 days) following the later of (i) the month in which the Participant terminates employment, or (ii) the month in which the Participant attains age fifty-five (55). Notwithstanding the foregoing sentence, benefits paid in a form described in this Section 2.a. to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section

409A(2)(B)(i), shall not commence before the later of (i) six (6) months following the month in which the Participant terminates employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of termination of employment or attainment of age fifty-five (55), as applicable, and the payment date.

i. Selection of Annuity Form. Prior to his termination of employment, a Participant may elect to receive benefits in any actuarially equivalent annuity form that is available under the applicable Qualified Pension Plan on the date of the Participant's election that has been designated by the Senior Vice President, Human Resources as available for election under this Plan. If the Participant has not validly elected an annuity form before his termination of employment under this Section 2.a. or a lump sum payment as provided in Section 2.b. of Article V, (i) an unmarried Participant shall be deemed to have elected payment in the form of a monthly annuity for the life of the Participant with no further payments to anyone after his or her death, and (ii) a married Participant shall be deemed to have elected payment in the form of a reduced monthly annuity for the life of the Participant with, after the Participant's death, a 50% survivor annuity for the life of the Participant's spouse. Actuarial adjustments shall be based on the factors set forth in the Qualified Pension Plan.

b. Lump Sum Option. This Section shall not apply to Participants who first become eligible for participation in the Plan after December 16, 2005. In lieu of the forms described in Section 2.a. of Article V, a Participant may make a one-time initial election to receive a full lump sum payment in an amount which is the Actuarial Equivalent of a monthly annuity for the life of the Participant with no further payments to anyone after his or her death, provided the election is filed with the Company in writing no later than December 31, 2008 (or such other date determined by the Senior Vice President, Human Resources and communicated to Participants) and the Participant's employment has not terminated employment prior to filing the election. For all Participants who elect a lump sum under this Section 2.b., the lump sum payment shall be made six (6) months following the later of (i) the month in which the Participant terminates employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of termination of employment or attainment of age fifty-five (55), as applicable, and the payment date. All elections under this Section 2.b. must be made in the form and manner prescribed by the Company.

c. Cash-out of Small Benefits. Notwithstanding the above, if the Value of the sum of the benefits payable to a Participant or Beneficiary under this Plan does not exceed \$10,000, all such benefits will be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits. For purposes of this Section, Value shall be determined as of the Participant's termination of employment or attainment of age fifty-five (55), as applicable, and shall mean the present value of a Participant's or Beneficiary's benefits, excluding the Grandfathered 2004 Benefit, based (i) for terminations prior to January 1, 2008 upon the applicable mortality table and applicable interest rate in Code section 417(e)(3)(ii), or for terminations on or after January 1, 2008, upon the applicable mortality table and applicable interest rate under Code section 417(e)(3), as amended by the Pension Protection Act of 2006, for the calendar month preceding the Plan Year in which the termination of employment or

attainment of age fifty-five (55) occurs. Notwithstanding the foregoing sentence, benefits paid under this Section 2.c. to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(2)(B)(i), shall not commence before six (6) months following the later of (i) the month in which the Participant terminates employment, or (ii) the month in which the Participant attains age fifty-five (55). No interest shall be paid between the date of termination of employment or attainment of age fifty-five (55), as applicable, and the payment date.

d. Payment Upon Death or Disability.

i. Death. No other death benefits are provided under this Plan other than as specified in this Section 2.d.i.

A. Pre-Retirement Survivor Benefit. In the event the Participant dies prior to terminating employment or attaining age 55, a pre-retirement survivor benefit will be payable to the Participant's surviving spouse (if any) (the "Pre-Retirement Survivor Benefit" and the "Surviving Spouse") in the form elected by the Participant under the terms of the Plan. If the Participant's benefit was payable in a lump sum, the lump sum shall be the Actuarial Equivalent of a monthly annuity payable for the life of the Surviving Spouse with no further payments to anyone after his or her death. The Pre-Retirement Survivor Benefit shall commence as soon as administratively practicable following the later of (i) the month in which the Participant dies, or (ii) the month in which the Participant would have attained age fifty-five (55). No Pre-Retirement Survivor Benefit is payable to anyone other than the Participant's Surviving Spouse. Notwithstanding the foregoing, with respect to all Participants who elected a lump sum under Section 2.b., a lump sum Pre-Retirement Survivor Benefit shall be paid to the Participant's Surviving Spouse six (6) months following the later of (i) the month in which the Participant dies, or (ii) the month in which the Participant would have attained age fifty-five (55).

B. Death After Termination of Employment or Attainment of Age 55. If a Participant who is required to wait six (6) months for a lump sum payment (in accordance with Section 2 of Article V) dies after the Participant's termination of employment or attainment of age fifty-five (55), as applicable, but before payment is made, the lump sum payment shall be made to the Participant's Beneficiary.

ii. Disability. Notwithstanding the provisions of this Article V, the benefit of a Disabled Participant who is eligible for a disability pension from the Lockheed Martin Retirement Income Plan, the KAPL Inc. Pension Plan for Salaried Employees, or the Lockheed Martin Corporation Retirement Income Plan III shall be paid in the form elected by the Participant under the terms of the Plan as soon as administratively practicable following the date the Participant is reasonably determined by the Company to be Disabled. For the purposes of this Section 2.d.ii., the terms "Disabled" or "Disability" shall have the meaning set forth in the Lockheed Martin Retirement Income Plan, the KAPL Inc. Pension Plan for Salaried Employees, or the Lockheed Martin Corporation Retirement Income Plan III, as applicable, to the extent consistent with the requirements of Code section 409A(a)(2)(C).

e. Prospective Change of Payment Elections. Participants may elect to change the form of payment of benefits or further delay the commencement of benefits as provided in this Section 2.e. All elections under this Section 2.e. must be made in the form and manner prescribed by the Company. This Section 2.e. does not apply to Surviving Spouses or Beneficiaries. Subject to the requirements of Code section 409A, other changes in the form of benefit, including changes between actuarially equivalent forms of benefit, if any, may be made only as determined by the Senior Vice President, Human Resources, of the Company in accordance with Code section 409A.

i. Form of Payment. A Participant who has validly elected (or deemed to have elected) payment as an annuity (as described in Section 2.a. of Article V) or has validly elected a lump sum payment (in accordance with Section 2.b. of Article V) may later elect to receive payment in any form (annuity or lump sum) designated by the Senior Vice President, Human Resources, of the Company, provided that such election is made in the form and manner determined by the Senior Vice President, Human Resources not less than twelve (12) months before the date the payment would have first commenced under the Participant's prior election. In addition, the first payment under the new election must commence no earlier than sixty (60) months from the date when the payment would have first commenced under the Participant's prior election.

ii. Timing of Payment. Regardless of the form of payment, a Participant may elect to delay payment of his benefit provided such election is made in writing in the form and manner determined by the Senior Vice President, Human Resources, not less than twelve (12) months before the date the payment would have first commenced under the Participant's prior election. In addition, the first payment under the new election must commence no earlier than sixty (60) months from when the payment would have first commenced under the Participant's prior election. No interest shall be paid between the date of termination of employment or attainment of age fifty-five (55), as applicable, and the payment date.

This Section 2.e. does not apply to Surviving Spouses or Beneficiaries.

f. Notwithstanding the above, for periods prior to January 1, 2009, (or such later date as may be provided by the Internal Revenue Service in guidance of general applicability), the Senior Vice President, Human Resources may provide alternative rules for elections with respect to the commencement of payment and form of payment, provided that such rules conform to Code section 409A and Internal Revenue Service guidance issued thereunder.

g. If a Participant participates in more than one supplemental pension plan sponsored by the Corporation, the Participant must make a single election that shall apply to his or her benefits under all such plans with respect to the form of annuity (under Section 2.a. of this Article 5) and with respect to prospective changes of payment (under Section 2.e. of this Article 5).

h. No payment shall commence or be made under this Section 2 on account of a Participant's termination of employment unless the termination of employment constitutes a "separation from service" under Code section 409A(a)(2)(a)(i).

3. Deductibility of Payments. Subject to the requirements of Code section 409A, in the event that the payment of benefits under Section 2 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the form and timing of distributions as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the payment method described in Section 2, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's accrued benefit under this Plan or to pay aggregate benefits less than the Participant's accrued benefit in the event that all or a portion thereof would not be deductible by the Company.

4. Change of Law. Notwithstanding anything herein to the contrary, if the Committee determines in good faith, based on consultation with counsel and in accordance with the requirements of Code section 409A, that the federal income tax treatment or legal status of this Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the benefits of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

5. Acceleration upon Change in Control. Notwithstanding any other provision of the Plan, the accrued benefit of each Participant shall be one-hundred percent (100%) vested and be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

For purposes of this Plan, a Change in Control shall include and be deemed to occur upon the following events:

- (a) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.
- (b) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined

on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).

- (c) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.
- (d) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).
- (e) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

Notwithstanding the foregoing, no distribution shall be made solely on account of a Change in Control and prior to the benefit commencement date specified in Section 2 of Article V unless the Change in Control is both an event qualifying for a distribution of deferred compensation under Section 409A(a)(2)(A)(v) of the Code and an event qualifying under this Section 5. This Section 5 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of benefits under this Plan in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

The Committee may cancel or modify this Section 5 at any time prior to a Change in Control. In the event of a Change in Control, this Section 5 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 5 shall not, for purposes of Section 5, be subject to cancellation or modification during the five year period.

6. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. No benefit payments shall be made to the Participant until the withholding obligation for taxes under Code sections 3101(a) and 3101(b) has been satisfied with respect to the Participant.

7. Retiree Medical Withholding. A Participant may direct the Company to withhold from the Participant's benefit payments hereunder all or a portion of the amount that the Participant is required to pay for Company-provided retiree medical coverage.

8. Reemployment. The retirement benefit otherwise payable hereunder to any Participant who previously retired or otherwise had a Termination of Employment and is subsequently reemployed may not be suspended during the Participant's period of reemployment except as permitted under Code section 409A.

9. Mistaken Payments. No Participant or Beneficiary shall have any right to any payment made (1) in error, (2) in contravention to the terms of the Plan, the Code, or ERISA, or (3) because the Committee or its delegates were not informed of any death. The Committee shall have full rights under the law and ERISA to recover any such mistaken payment, and the right to recover attorney's fees and other costs incurred with respect to such recovery. Recovery shall be made from future Plan payments, or by any other available means.

## ARTICLE VI

### EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Plan be satisfied by payments out of such trust or trusts. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary or transfer of an interest in this Plan to a Participant's spouse, former spouse, or child incident to divorce under a Qualified Domestic Relations Order (which shall be interpreted and administered in accordance with Code sections 414(p)(1)(B) and 409A), provided that the form of payment designated in such order is an annuity as provided in Section 2.a. of Article V.

3. Forfeiture. If, following the date on which a Participant shall retire under this Plan, a Participant shall engage in the operation or management of a business, whether as owner, stockholder, partner, officer, employee, consultant, or otherwise, which at such time is in competition with the Company or any of its subsidiaries, or shall disclose to unauthorized persons information relative to the business of the Company or any of its subsidiaries which the Participant shall have reason to believe is confidential, or otherwise act, or conduct oneself, in a manner which the Participant shall have reason to believe is contrary to the best interest of the Company, or shall be found by the Committee to have committed an act during the term of the Participant's employment which would have justified the Participant being discharged for cause, the Participant's retirement benefit under this Plan shall terminate. Application of this Section will be at the discretion of the Committee.

## ARTICLE VII

### AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's accrued benefit or postponing the time when a Participant is entitled to receive a distribution of his accrued benefit unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and at such times that the Board reasonably determines in its discretion is appropriate and conforms to the requirements of Code section 409A, to pay all Participants their accrued benefits in a lump sum or to make other provisions for the payment of benefits (e.g. purchase of annuities) immediately following such termination or at such time thereafter as the Board may determine.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement with the Company or its subsidiaries to assume all of the obligations of the Company under this Plan with respect to such Participant.

4. Merger. The Board reserves the right to merge all or part of this Plan with or into another plan, provided (1) such other plan preserves all of the obligations of the Company under this Plan with respect to such Participant and (2) each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger (if the Plan had then terminated).



ARTICLE VIII

ADMINISTRATION

1. The Committee. This Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and its delegates shall have full discretion to construe and interpret the terms and provisions of the Plan, which interpretation or construction shall be final, conclusive and binding on all parties, including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. Notwithstanding anything contained in the Plan or in any document issued under the Plan, it is intended that the Plan will at all times conform to the requirements of Code section 409A, including the rules for “grandfathered” benefits under Code section 409A, and any regulations or other guidance issued thereunder, and that the provisions of the Plan will be interpreted to meet such requirements. If any provision of the Plan is determined not to conform to such requirements, the Plan shall be interpreted to omit such offending provision.

2. Delegation and Reliance. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose. In making any determination or in taking or not taking any action under this Plan, the Committee may obtain and rely upon the advice of experts, including professional advisors to the Company. Except as otherwise provided in Section 6, the Committee delegates the authority to adjudicate claims to the Pension Plans Administrative Committee. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of the Plan or any Participant’s rights under the Plan to achieve intended tax consequences, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Pension Plans Administrative Committee may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or Pension Plans Administrative Committee) from all liability with respect thereto.

5. Proof of Claims. The Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is wholly or partially denied by the Claims Administrator are as follows:

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.

- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.
- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.

- (e) If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.
- (f) The Claims Administrator shall be the Lockheed Martin Corporation Pension Plans Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

## ARTICLE IX

### GENERAL AND MISCELLANEOUS PROVISIONS

1. This Plan shall not in any way obligate the Company to continue the employment of a Participant with the Company, nor does this Plan limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan by its terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any benefits accrued under this Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of Pension Plan Services, Human Resource Services. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Plan.

5. Each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Plan.

6. The provisions of this Plan shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

8. This Plan and its operation, including the payment of cash hereunder, is subject to compliance with all applicable Federal and state laws, rules and regulations and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

ARTICLE X

EFFECTIVE DATE

This Plan, including any amendment and restatement of the prior plans, is generally effective December 31, 2008.

WITNESS

LOCKHEED MARTIN CORPORATION

/s/ Robin H. Villanueva

/s/ Kenneth J. Disken

Name: Robin H. Villanueva

By: Kenneth J. Disken

Senior Vice President, Human Resources

Date: 12-18-2008

Date: 12-18-2008



Additional Benefits Previously Provided under the  
Lockheed Martin Corporation Supplemental Excess Retirement Plan

1. Introduction. The benefits described in this Annex previously were provided as part of the Lockheed Martin Corporation Supplemental Excess Retirement Plan. That Plan was formerly known as the Martin Marietta Corporation Supplemental Excess Retirement Plan, and included provisions previously contained in the Lockheed Martin Supplemental Retirement Income Plan.

2. Purpose. This Annex provides a supplemental benefit to salaried employees who were considered highly compensated employees as of December 31, 1990 and who were also participants in the Martin Marietta Corporation Retirement Income Plan as of September 30, 1975, whose benefits are limited by Code section 401(a)(4).

3. Eligibility. This Annex provides benefits to salaried employees who were considered highly compensated employees as of December 31, 1990 (as determined under the Martin Marietta Corporation Retirement Income Plan as in effect on that date) and who were also covered employees in the Martin Marietta Corporation Retirement Income Plan as of September 30, 1975 or were participants for 12 consecutive months prior to September 30, 1975 who receive a pension benefit calculated under the Pre-ERISA formula in the Martin Marietta Corporation Retirement Income Plan.

4. Amount of Benefit. Participants shall receive a retirement benefit from this Plan that is reasonably determined by the Company to equal to the excess, if any, of (1) the pension benefit calculated based on the formula described in Article V(1)(b) or Article IX(2)(b) of the January 1, 1995 Martin Marietta Corporation Retirement Income Plan without regard to the limitation described in Article V(1)(c), Article IX(2)(c) or Code section 415 or Code section 401(a)(17), reduced by the greater of the pension benefits described in Article V(1)(b) or Article IX(2)(b) of the January 1, 1995 Retirement Income Plan. To prevent duplication of benefits, the benefit payable under this Annex shall be coordinated with any benefit payable under Article III of the Plan, as set forth in Article III.

In no event shall the computation of benefits under this Annex take into account any service performed by a Participant after separation from employment with the Company or its subsidiaries.

Qualified Pension Plans

1. Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees
2. Lockheed Martin Corporation Retirement Income Plan
3. Lockheed Martin Account Balance Retirement Plan
4. Lockheed Martin Corporation Retirement Income Plan III
5. Lockheed Martin Pension Plan for Former Salaried and Hourly Employees of Inactive Commercial Divisions
6. KAPL Inc. Pension Plan for Salaried Employees
7. Lockheed Martin Global Telecommunications Retirement Plan



This Appendix B shall govern the portion of a Participant's benefit that accrued and vested under the Plan on or before December 31, 2004. This Appendix B shall not apply to the portion of a Participant's benefit that accrued and vested under the Plan on or after January 1, 2005.

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Supplemental Retirement Plan (the "Plan") are:

- (a) to provide certain employees of Lockheed Martin Corporation and its subsidiaries (the "Company") with those benefits that cannot be paid from the Company's tax-qualified plans because of the limitations on contributions and benefits contained in Internal Revenue Code section 415;
- (b) to provide certain key management employees of the Company with those benefits that cannot be paid from the Company's tax-qualified plans because of other limitations on contributions and benefits contained in the Internal Revenue Code, such as the limitations contained in Code section 401(a)(17); and
- (c) to provide certain key management employees of the Company with other supplemental benefits.

The following plans and predecessor plans are amended, restated and merged to form this Plan, effective July 1, 2004:

- 5. Supplemental Retirement Benefit Plan of Lockheed Martin Corporation (formerly the Supplemental Retirement Benefit Plan of Lockheed Corporation)
- 6. Lockheed Martin Corporation Supplemental Excess Retirement Plan (formerly the Martin Marietta Corporation Supplemental Excess Retirement Plan)
- 7. Lockheed Martin Supplemental Retirement Income Plan (formerly the Martin Marietta Supplemental Retirement Income Plan)
- 8. Lockheed Martin Tactical Systems Supplemental Executive Retirement Plan (formerly the Loral Supplemental Executive Retirement Plan).

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise or the term is defined below, all terms shall be defined in accordance with the Lockheed Martin Corporation Retirement Program.

3. ACTUARIAL EQUIVALENT — The Actuarial equivalent shall mean a benefit which has the equivalent value computed using the interest rate which would be used by the Pension Benefit Guaranty Corporation to determine the present value of an immediate lump sum distribution on termination of a pension plan, as in effect on first day of the month of termination of employment plus one percent (1%), and the 1983 Group Annuity Mortality Table with sex distinction.
4. BENEFICIARY — The person or persons designated by the Participant as his or her beneficiary under the Qualified Pension Plan. If no beneficiary is designated under the Qualified Pension Plan, then the beneficiary shall be (a) the Participant's Spouse or (b) if there is no Spouse surviving the Participant, the Participant's estate.
3. BOARD — The Board of Directors of Lockheed Martin Corporation.
4. CODE — The Internal Revenue Code of 1986, as amended.
5. COMMITTEE — The committee described in Section 1 of Article VIII.
6. COMPANY – Lockheed Martin Corporation and its subsidiaries.

7. ELIGIBLE EMPLOYEE — An employee of the Company who (1) participates in a Qualified Pension Plan and whose benefits thereunder are affected by the limitation on benefits imposed by Section 415 or 401(a)(17) of the Code, or (2) is designated by the Committee as eligible to participate in the Plan; and who satisfies such additional requirements for participation in this Plan as the Committee may from time to time establish. The Lockheed Martin Pension Plans Administration Committee (the "Pension Committee") shall interpret the participation requirements established by the Committee for all participants except elected officers subject to Section 16(b) of the Securities and Exchange Act of 1934. Determinations of participation requirements for elected officers shall be made by the Committee.

8. PARTICIPANT — An Eligible Employee who meets the requirements for participation contained in Article III or the Annexes; the term shall include a former employee and survivors/beneficiaries whose benefit has not been fully distributed. A Participant shall cease to be an active Participant upon termination of employment, when he otherwise ceases to be an Eligible Employee, or when he otherwise ceases to meet the requirements for participation as amended from time to time.

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9. QUALIFIED PENSION PLAN — A defined benefit plan specified in Appendix A in which the Participant participates.

10. PLAN — The Lockheed Martin Corporation Supplemental Retirement Plan, or any successor plan.

11. YEAR — The calendar year.

ARTICLE III

EXCESS BENEFIT PROVISIONS

1. Introduction. This Article sets forth the terms of the Plan relating to benefits determined by reference to the limitations imposed by Code section 415 and/or Code section 401(a)(17). This Article amends and restates the provisions relating to those benefits previously contained in the following plans:

- (a) the Supplemental Retirement Benefit Plan of Lockheed Martin Corporation (formerly known as the Supplemental Benefit Plan of Lockheed Corporation);
- (b) the Lockheed Martin Corporation Supplemental Excess Retirement Plan (formerly know as the Martin Marietta Corporation Supplemental Excess Retirement Plan); and
- (c) the Lockheed Martin Tactical Systems Supplemental Executive Retirement Plan (formerly known as the Loral Supplemental Executive Retirement Plan).

2. Purpose. Benefits under this Article III supplement the benefits of Eligible Employees to the extent that such benefits cannot be paid from the Company's tax-qualified defined benefit plans because of the limitations on benefits contained in Code section 415 and/or Code section 401(a)(17). It is intended that the provisions of this Article which relate to the limitations imposed by Code section 415 constitute a separate plan for purposes of Section 3(36) of the Employee Retirement Income Security Act of 1974 (ERISA).

3. Eligibility. An Eligible Employee who is entitled to benefits under a Qualified Pension Plan, and whose retirement income benefits are limited by the provisions of the Qualified Pension Plan (as amended from time to time) relating to the limits under Code section 415 and/or Code section 401(a)(17) shall receive benefits pursuant to this Article III.

4. Amount of Benefit. The benefit that each Participant shall be entitled to receive is the difference between the Participant's actual benefit under the applicable Qualified Pension Plan and the benefits that would have been payable under that Plan if:

- (a) the Qualified Pension Plan had determined pensionable earnings on a "mix and match" basis, as defined below; and
- (b) the Participant's benefit under the Qualified Pension Plan had not been limited by Code section 415 and/or Code section 401(a)(17).

If a Participant's compensation under the Management Incentive Compensation Plan ("MICP") is included in pensionable earnings under a Qualified Pension Plan, the Participant's total

pensionable earnings shall be determined on a “mix and match” basis. The Participant’s annual compensation earned under the MICP shall be calculated separately from other annual pensionable earnings. The average of the three (3) highest years of MICP compensation during the last 10 years shall be added to the average of the three (3) highest years of other pensionable earnings during the last 10 years to arrive at total final average pensionable earnings for the applicable period under the Qualified Pension Plan.

Benefits under this Article III are intended to supplement the Participant’s actual benefit under the applicable Qualified Pension Plan as necessary to provide the Participant with the full benefit the Participant would have received under the applicable Qualified Pension Plan on a “mix and match” basis and without regard to the limitations of Code section 415 and Code section 401(a)(17). To prevent duplication of benefits, the full benefit under the applicable Qualified Pension Plan shall be calculated without reduction for Code section 415 and Code section 401(a)(17), then reduced by the benefit payable from the applicable Qualified Pension Plan, and then reduced further by the benefit payable from other nonqualified pension plans of the Company which corresponds to the benefit payable under the applicable Qualified Pension Plan (including any benefit payable under Annex B of this Plan and excluding any nonqualified plans designed to supplement qualified defined contribution plans). The remaining benefit shall be paid from this Plan pursuant to this Article III. Participants have no right to duplicate benefits with respect to the same period of service, and the Committee may make such adjustments to the benefits under this Plan as the Committee deems necessary to prevent duplication of benefits.

The benefit payable under this Article III shall be payable to the Participant or Beneficiary or any other person who is receiving or entitled to receive benefits with respect to the Participant under the Qualified Pension Plan.

If the benefits payable under the Qualified Pension Plan to any Participant are increased following the Participant’s retirement as a result of a general increase in the benefits payable to retired employees under that Plan, no such increase will be made under this Plan unless the Committee expressly so provides in writing.

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ARTICLE IV

SUPPLEMENTAL BENEFITS

In addition to the benefits described in Article III, the Plan also provides benefits to certain key management employees, as set forth in the Annexes. Eligibility for, and the amount of, such benefits is set forth in the applicable Annex. Payment options for such benefits are described in Article V.

ARTICLE V

PAYMENT OF BENEFITS

1. Vesting. Except as provided in Article VI, and subject to the Company's right to discontinue the Plan as provided in Article VII, a Participant shall have a non-forfeitable benefit payable under this Plan to the same extent as benefits are vested under the applicable Qualified Pension Plan. As provided in Article VI, if a Participant acquires a right to receive payments under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

2. Form of Payment. Benefits shall be paid in the same form at the same times and for the same period as benefits are paid with respect to the Participant under the applicable Qualified Pension Plan, except as provided in the following paragraphs. Actuarial adjustments shall be based on the factors set forth in the Qualified Pension Plan, except as provided in the following paragraphs. If the benefits payable under this Plan correspond to Qualified Pension Plan benefits with multiple commencement dates, each portion of the benefits payable under this Plan shall be paid at the same time as the corresponding portion of the benefits is paid from the Qualified Pension Plan. If an Employee's benefits under the Qualified Pension Plan are suspended for any month in accordance with the re-employment provisions thereof, the Participant's benefit for that month shall likewise be suspended under this Plan.

Lump Sum Option. A Participant may irrevocably elect to receive a full or partial single lump sum payment in an amount which is the Actuarial Equivalent of the benefit described above, and with no interest for the period between the date of termination of employment and the payment date. This election must be made within the time period for electing the form of benefit under the corresponding Qualified Pension Plan, by filing a written election in the form and manner prescribed by the Company. Payment will be made six (6) months following the date payments would otherwise begin pursuant to the above paragraph.

Pre-Retirement Survivor Benefit. In the event the Participant dies prior to the date his or her retirement has commenced under this Plan and the corresponding Qualified Pension Plan, the pre-retirement survivor benefit payable to the surviving spouse (if any) under this Plan (the "Pre-Retirement Survivor Benefit" and the "Surviving Spouse") will be payable, at the election of the Surviving Spouse, in any of the following forms:

- (a) in the form of a monthly annuity payable to the Surviving Spouse for his lifetime, with no further payments to anyone after his death (which will be referred to as the "Regular Form");

- (b) in the form of a lump sum payment which is the Actuarial Equivalent of the Regular Form (the "100% Lump Sum"), but with Actuarial Equivalent determined as of the Election Date, and with no interest for the period between the Election Date (or, if later, the date the Participant would have attained age 55 had he survived) and the payment date; or
- (c) in the form of a combined lump sum and life annuity benefit of (x) and (y), where (x) equals a lump sum amount selected by the Surviving Spouse which is less than the 100% Lump Sum and (y) is a monthly single life annuity for the life of Surviving Spouse (with no further payments to anyone after his death) in an amount that can be provided with the difference between (x) and the 100% Lump Sum.

Any election to receive the benefit in the form of a lump sum as set forth in (b) above or a combined lump sum and annuity as set forth in (c) above must be made by the Surviving Spouse no later than 90 days after the date of the Participant's death or, if later, the date the Participant would have attained age 55 had he survived (with the date such election is made by the Surviving Spouse referred to as the "Election Date"). In the event the Surviving Spouse makes an election for a lump sum or partial lump sum payment within this period, payment will not be made to the Surviving Spouse until six months after the Election Date (or, if later, six months after the date the benefit would otherwise be payable under this Plan).

Cash-out of Small Benefits. Notwithstanding the above, if the Value of the sum of the benefits payable to a Participant or Beneficiary under this Plan does not exceed the amount that may be distributed without consent under Section 411(a)(11) of the Code, all such benefits will be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits. For purposes of this Section, Value shall be determined as of the Participant's termination of employment, and shall mean the present value of a Participant's or Beneficiary's benefits based upon the applicable mortality table and applicable interest rate in Code section 417(e)(3)(ii) for the calendar month preceding the Plan Year in which the termination of employment occurs.

3. Deductibility of Payments. In the event that the payment of benefits under Section 2 would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the form and timing of distributions as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the payment method described in Section 2, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's accrued benefit under this Plan or to pay aggregate benefits less than the Participant's accrued benefit in the event that all or a portion thereof would not be deductible by the Company.



4. Change of Law. Notwithstanding anything to the contrary herein, if the Committee determines in good faith, based on consultation with counsel, that the federal income tax treatment or legal status of this Plan has or may be adversely affected by a change in the Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the benefits of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

5. Acceleration upon Change in Control.

Notwithstanding any other provision of the Plan, the accrued benefit of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

For purposes of this Plan, a Change in Control shall include and be deemed to occur upon the following events:

- (a) A tender offer or exchange offer is consummated for the ownership of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding voting securities entitled to vote in the election of directors of the Company.
- (b) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).
- (c) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.
- (d) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall

cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).

- (e) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

This Section 5 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of benefits under this Plan in any transaction involving the Company's sale, liquidation, merger, or other disposition of any subsidiary.

The Committee may cancel or modify this Section 5 at any time prior to a Change in Control. In the event of a Change in Control, this Section 5 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 6 shall not, for purposes of Section 5, be subject to cancellation or modification during the five year period

6. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. No benefit payments shall be made to the Participant until the withholding obligation for taxes under Code sections 3101(a) and 3101(b) has been satisfied with respect to the Participant.

7. Retiree Medical Withholding. A Participant may direct the Company to withhold from the Participant's benefit payments hereunder all or a portion of the amount that the Participant is required to pay for Company-provided retiree medical coverage.

8. Reemployment. The retirement benefit otherwise payable hereunder to any Participant who previously retired or otherwise had a Termination of Employment and is subsequently reemployed shall be treated in a manner consistent with the treatment of the benefit under the applicable Qualified Plan.

9. Mistaken Payments. No participant or Beneficiary shall have any right to any payment made (1) in error, (2) in contravention to the terms of the Plan, the Code, or ERISA, or (3) because the Committee or its delegates were not informed of any death. The Committee shall have full rights under the law and ERISA to recover any such mistaken payment, and the right to recover attorney's fees and other costs incurred with respect to such recovery. Recovery shall be made from future Plan payments, or by any other available means.

ARTICLE VI

EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This Plan constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this Plan. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this Plan, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422, and the Company may direct that its obligations under this Plan be satisfied by payments out of such trust or trusts. The assets of any such trust will remain subject to the claims of the general creditors of the Company. It is the Company's intention that the Plan be unfunded for Federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary or transfer of an interest in this Plan to a Participant's former spouse incident to divorce under a Qualified Domestic Relations Order.

3. Forfeiture. If, following the date on which a Participant shall retire under this Plan, a Participant shall engage in the operation or management of a business, whether as owner, stockholder, partner, officer, employee, consultant, or otherwise, which at such time is in competition with the Company or any of its subsidiaries, or shall disclose to unauthorized persons information relative to the business of the Company or any of its subsidiaries which the Participant shall have reason to believe is confidential, or otherwise act, or conduct oneself, in a manner which the Participant shall have reason to believe is contrary to the best interest of the Company, or shall be found by the Committee to have committed an act during the term of the Participant's employment which would have justified the Participant being discharged for cause, the Participant's retirement benefit under this Plan shall terminate. Application of this Section will be at the discretion of the Committee.

ARTICLE VII

AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this Plan at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's accrued benefit or postponing the time when a Participant is entitled to receive a distribution of his accrued benefit unless each affected Participant consents to such change.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their accrued benefits in a lump sum or to make other provisions for the payment of benefits (e.g. purchase of annuities) immediately following such termination or at such time thereafter as the Board may determine.

3. Transfer of Liability. The Board reserves the right to transfer to another entity all of the obligations of Company with respect to a Participant under this Plan if such entity agrees pursuant to a binding written agreement with the Company or its subsidiaries to assume all of the obligations of the Company under this Plan with respect to such Participant.

4. Merger. The Board reserves the right to merge all or part of this Plan with or into another plan, provided (1) such other plan preserves all of the obligations of the Company under this Plan with respect to such Participant and (2) each Participant in the Plan would (if the Plan then terminated) receive a benefit immediately after the merger which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger (if the Plan had then terminated).

ARTICLE VIII

ADMINISTRATION

1. The Committee. This Plan shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and its delegates (including the Claims Administrator) shall have full discretion to construe and interpret the terms and provisions of the Plan, which interpretation or construction shall be final, conclusive and binding on all parties, including but not limited to the Company and any Participant or Beneficiary, except as otherwise provided by law. Except as otherwise provided in Section 6, the Committee delegates the authority to adjudicate claims to the Pension Don's comment—Plans Administrative Committee.

2. Delegation and Reliance. The Committee may delegate to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this Plan in accordance with its terms and purpose. In making any determination or in taking or not taking any action under this Plan, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the Plan.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this Plan, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this Plan or for the failure of the Plan or any Participant's rights under the Plan to achieve intended tax consequences, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Pension Plans Administrative Committee may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is wholly or partially denied by the Claims Administrator are as follows:

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.
- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.

- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.
- (e) If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.
- (f) The Claims Administrator shall be the Lockheed Martin Corporation Pension Plans Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. This Plan shall not in any way obligate the Company to continue the employment of a Participant with the Company, nor does this Plan limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan by its terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any benefits accrued under this Plan shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of Pension Plan Don's comment—Services, Human Resource Services. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this Plan.

5. Each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this Plan and all actions or decisions made by the Company, the Board, or Committee with regard to the Plan.

6. The provisions of this Plan shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. The validity of this Plan or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of Federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.



8. This Plan and its operation, including the payment of cash hereunder, is subject to compliance with all applicable Federal and state laws, rules and regulations and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

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ARTICLE X

EFFECTIVE DATE

This Plan, including any amendment and restatement of the prior plans, is generally effective July 1, 2004.

Additional Benefits under  
Lockheed Martin Corporation Termination Benefits Agreements

1. Introduction. The benefits described in this Annex previously were provided as part of the Supplemental Retirement Benefit Plan of Lockheed Martin Corporation. That Plan was formerly known as the Supplemental Benefit Plan of Lockheed Corporation.
2. Purpose. This Annex provides a supplemental benefit to those employees who entered into certain Termination Benefits Agreements with Lockheed Corporation (now Lockheed Martin Corporation).
3. Eligibility. An Eligible Employee who entered into a Termination Benefits Agreement with Lockheed Corporation (now Lockheed Martin Corporation) prior to August 29, 1994, shall receive benefits pursuant to this Annex.
4. Amount of Benefit. The benefit that each Eligible Employee shall be entitled to receive is any additional benefit to which the Eligible Employee becomes entitled with respect to the Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees pursuant to Section 6(a) of his or her Termination Benefits Agreement on account of the merger of Lockheed Corporation contemplated by the Agreement and Plan of Reorganization, dated as of August 29, 1994, by and among Lockheed Martin Corporation, Martin Marietta Corporation, and Lockheed Corporation.

Additional Benefits Previously Provided under the  
Lockheed Martin Corporation Supplemental Excess Retirement Plan

1. Introduction. The benefits described in this Annex previously were provided as part of the Lockheed Martin Corporation Supplemental Excess Retirement Plan. That Plan was formerly known as the Martin Marietta Corporation Supplemental Excess Retirement Plan, and included provisions previously contained in the Lockheed Martin Supplemental Retirement Income Plan.

2. Purpose. This Annex provides a supplemental benefit to salaried employees who were considered highly compensated employees as of December 31, 1990 and who were also participants in the Martin Marietta Corporation Retirement Income Plan as of September 30, 1975, whose benefits are limited by Code section 401(a)(4).

3. Eligibility. This Annex provides benefits to salaried employees who were considered highly compensated employees as of December 31, 1990 (as determined under the Martin Marietta Corporation Retirement Income Plan as in effect on that date) and who were also covered employees in the Martin Marietta Corporation Retirement Income Plan as of September 30, 1975 or were participants for 12 consecutive months prior to September 30, 1975 who receive a pension benefit calculated under the Pre-ERISA formula in the Martin Marietta Corporation Retirement Income Plan.

4. Amount of Benefit. Participants shall receive a retirement benefit from this Plan equal to the excess, if any, of (1) the pension benefit calculated based on the formula described in Article V(1)(b) or Article IX(2)(b) of the January 1, 1995 Martin Marietta Corporation Retirement Income Plan without regard to the limitation described in Article V(1)(c), Article IX(2)(c) or Code section 415 or Code section 401(a)(17), reduced by the greater of the pension benefits described in Article V(1)(b) or Article IX(2)(b) of the January 1, 1995 Retirement Income Plan. To prevent duplication of benefits, the benefit payable under this Annex shall be coordinated with any benefit payable under Article III of the Plan, as set forth in Article III.

In no event shall the computation of benefits under this Annex take into account any service performed by a Participant after separation from employment with the Company or its subsidiaries.

Qualified Pension Plans

1. Lockheed Martin Corporation Retirement Plan for Certain Salaried Employees
2. Lockheed Martin Corporation Retirement Income Plan
3. Lockheed Martin Account Balance Retirement Plan
4. Lockheed Martin Corporation Retirement Income Plan III
5. Lockheed Martin Pension Plan for Former Salaried and Hourly Employees of Inactive Commercial Divisions
6. KAPL Inc. Pension Plan for Salaried Employees

LOCKHEED MARTIN CORPORATION  
NONQUALIFIED CAPITAL ACCUMULATION PLAN

(Amended and Restated as of December 31, 2008 )

ARTICLE I

PURPOSES OF THE PLAN

The purposes of the Lockheed Martin Corporation Nonqualified Capital Accumulation Plan (the "NCAP" or the "Plan") are (i) to provide contributions for certain key management employees of Lockheed Martin Corporation and its subsidiaries (the "Company") in circumstances where the Company cannot make contributions on behalf of employees under the Lockheed Martin Salaried Corporation Capital Accumulation Plan (the "Qualified CAP") because of the limitations of Code section 401(a)(17) or 415(c)(1)(A); and (ii) to provide a company contribution based on amounts awarded under Lockheed Martin Corporation Management Incentive Compensation Plan ("MICP"). This Plan is also intended to comply with the requirements of Code section 409A.

The Plan was amended and restated, effective January 1, 2008 to modify the annual installment payment option to conform to other nonqualified plans maintained by the Company. The Plan was amended and restated, effective June 26, 2008, to clarify certain provisions in accordance with the final Treasury regulations issued under Code section 409A, and to make other administrative changes.

The Plan is hereby amended and restated, effective December 31, 2008, to clarify additional provisions in accordance with the final Treasury regulations issued under Code section 409A and to make other administrative clarifications.

ARTICLE II

DEFINITIONS

Unless the context indicates otherwise, the following words and phrases shall have the meanings hereinafter indicated:

1. ACCOUNT — The bookkeeping account maintained by the Company for each Participant which is credited with Contributions made on behalf of the Participant, and earnings (or losses) attributable to the Investment Options selected by the Participant, and which is debited to reflect distributions. The portions of a Participant's Account allocated to different Investment Options will be accounted for separately.

2. ACCOUNT BALANCE — The total amount credited to a Participant's Account at any time, including the portions of the Account allocated to each Investment Option.
3. BENEFICIARY — The person or persons designated by the Participant as his or her beneficiary under the Qualified CAP.
4. BOARD — The Board of Directors of Lockheed Martin Corporation.
5. CODE — The Internal Revenue Code of 1986, as amended.
6. COMMITTEE — The committee described in Section 1 of Article IX.
7. COMPANY — Lockheed Martin Corporation and its subsidiaries.
8. COMPANY STOCK INVESTMENT OPTION — The Investment Option under which the Participant's Account is credited as if invested under the investment option in the Qualified CAP for the common stock of the Company.
9. COMPENSATION — An employee's "Compensation" from the Company, as defined in the Qualified CAP.
10. CONTRIBUTIONS — Contributions made by the Company pursuant to Article IV of this NCAP.
11. DMICP — The Lockheed Martin Corporation Deferred Management Incentive Compensation Plan or any successor plan.
12. ELIGIBLE EMPLOYEE — An employee of the Company who participates in the Qualified CAP and either (i) accrues benefits under the Qualified CAP in excess of the Code section 415 limits for a Year; (ii) earns Compensation in excess of the Code section 401(a)(17) limit for a Year; or (iii) is eligible to receive Incentive Compensation with respect to a Year (which may be payable in the following Year); provided that such employee satisfies such additional requirements for participation in this NCAP as the Committee may from time to time establish; provided further that employees who are designated by the Company as eligible to participate in a defined benefit-type nonqualified deferred compensation plan or who are Section 16 Persons shall not be eligible to participate in this NCAP. In the exercise of its authority under this provision, the Committee shall limit participation in the Plan to employees whom the Committee believes to be a select group of management or highly compensated employees within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.
13. EXCHANGE ACT — The Securities Exchange Act of 1934.

14. INCENTIVE COMPENSATION — The MICP amount granted to an employee by the Company for an Award Year (as defined in the MICP), regardless of amounts deferred pursuant to the DMICP.

15. INVESTMENT OPTION — A measure of investment return pursuant to which Contributions credited to a Participant's Account shall be further credited with earnings (or losses). The Investment Options available under this NCAP shall correspond to the investment options available under the Qualified CAP (other than the ESOP Fund or the Self-Managed Account, which are not available under this Plan).

16. MICP — The Lockheed Martin Corporation Management Incentive Compensation Plan or the Lockheed Martin Corporation 2006 Management Incentive Compensation Plan (for Incentive Compensation awarded after February 1, 2006) or any successor plan.

17. NCAP — The Lockheed Martin Corporation Non-Qualified Capital Accumulation Plan, as adopted by the Board of Directors of Lockheed Martin Corporation, originally effective January 1, 2007, and as further amended from time to time.

18. PARTICIPANT — An employee of the Company who is an Eligible Employee and with respect to whom Contributions have been credited to his Account; the term shall include a former employee whose Account Balance has not been fully distributed.

19. QUALIFIED CAP — The Lockheed Martin Corporation Capital Accumulation Plan or any successor plan.

20. SECTION 16 PERSON — A Participant who at the relevant time is subject to the reporting and short-swing liability provisions of Section 16 of the Exchange Act.

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

22. WEEKLY RATE OF COMPENSATION — A Participant's "Weekly Rate of Compensation" as defined in the Qualified CAP.

23. YEAR — The calendar year.



ARTICLE III

ELIGIBILITY

1. Commencement of Participation. An employee of the Company shall become a Participant in the Plan effective on the first of January following the Year (beginning with 2006) in which he or she first became an Eligible Employee. For example, if an employee becomes an Eligible Employee in 2006, he or she shall become a Participant in the Plan effective January 1, 2007. If an employee of the Company terminates employment during the Year in which he or she first became an Eligible Employee, he or she shall not become a Participant in the Plan for the following Year.

2. Cessation of Eligibility While Still An Employee. A Participant who has not terminated employment with the Company will nevertheless cease to be an Eligible Employee on the first to occur of (i) the employee is no longer eligible to participate in the Qualified CAP; (ii) the employee is designated by the Company as eligible to participate in a defined benefit-type nonqualified deferred compensation plan; or (iii) the employee becomes a Section 16 Person. Following cessation of eligibility, the employee will continue to be a Participant in the NCAP but will no longer be eligible to be credited with Contributions under Article IV.

ARTICLE IV

CONTRIBUTIONS

1. Amount of Contributions. The Company shall make annual Contributions on behalf of a Participant equal to:

a. an amount based on the same percentage of the Participant's Weekly Rate of Compensation that would have been contributed to the Qualified CAP on behalf of the Participant for the Year if not for the application of the limits under Code sections 415 and 401(a)(17) for the Year;

b. with respect to the Participant's first year of participation, an amount based on the same percentage of the Participant's Weekly Rate of Compensation for the preceding Year that would have been contributed to the Qualified CAP on behalf of the Participant for such Year if not for the application of the limits under Code sections 415 and 401(a)(17) for such Year; and

c. an amount equal to a Participant's Incentive Compensation for the Year multiplied by the percentage that is used for calculating Company contributions to the Participant's account in the Qualified CAP in the Year in which the Incentive Compensation is earned (as opposed to paid).

2. Crediting of Contributions. Contributions made pursuant to Article IV(1)(a) shall be credited to a Participant's Account as of the day on which such amount would have been credited to the Participant's Account under the Qualified CAP if the Participant's Contributions had been contributed to the Qualified CAP. Contributions made pursuant to Article IV(1)(b) shall be credited to a Participant's Account Contributions no later than March 15 of the Participant's first year of participation in the Plan. Contributions credited pursuant to Article IV(1)(c) shall be credited to a Participant's Account on the same day that Incentive Compensation is credited to the DMICP for the award year on behalf of DMICP's participants.

3. Vesting of Contributions. A Participant shall be vested in the following percentage of his Account based on his "Years of Service," based upon the definition of "Years of Service" in the Qualified CAP applicable to the Participant, including those Years of Service prior to the Year in which the employee became a Participant:

Less than 3 Years of Service	0%
At least 3 Years of Service	100%

Notwithstanding the foregoing, a Participant shall be 100% vested in his Account upon his termination of employment after age 55, layoff or on account of death or permanent disability. A Participant shall be permanently disabled if the Participant would be considered disabled for purposes of qualifying for long term disability benefits under the Company's long term disability plan in which the Participant is eligible to participate A Participant shall be considered to have been laid off if the Participant's employment is terminated by the Company due to lack of work and the Participant is considered to have experienced a "separation from service" under Code section 409A(a)(2)(a)(i). . In the event legislative changes require the vesting of account balances in the Qualified CAP in a period shorter than five Years of Service, then the period required to vest under the NCAP shall be shortened so as to be consistent with the vesting period in the Qualified CAP applicable to the Participant.

4. Crediting of Earnings. Earnings (or losses) shall be credited to a Participant's Account based on the Investment Option or Options to which his or her Account has been allocated, beginning with the day as of which any amounts (or any reallocation of amounts) are credited to the Participant's Account. Any amount distributed from a Participant's Account shall be credited with earnings (or losses) through the date that is four (4) business days before the date on which the distribution is processed. The manner in which earnings (or losses) are credited under each of the Investment Options shall be determined in the same manner as under the Qualified CAP.

5. Selection of Investment Options. A Participant may elect to allocate his or her Account among the Investment Options available under the Qualified CAP (other than the options designated as the ESOP Fund or the Self Managed Account). The procedures for directing allocation and reallocations among the Investment Options in the NCAP shall be the same as the procedures for making allocations under the Qualified CAP. In the event a

Participant does not make an investment allocation for the NCAP, his elections will be deemed to be the elections made by the Participant in the Qualified CAP (except that an election for the ESOP Fund or the Self Managed Account shall be disregarded), or, if no such election exists, the default investment option designated under the Qualified CAP. Notwithstanding the foregoing, no investment election by a Section 16 Person to re-allocate all or a portion of his or her Account to, or from, a Company stock investment option shall be effective unless the reallocation would be exempt from the short-swing profit recovery rules of Section 16 of the Exchange Act.

## ARTICLE V

### PAYMENT OF BENEFITS

1. General. The Company's liability to pay benefits to a Participant or Beneficiary under this NCAP shall be measured by and shall in no event exceed the Participant's Account Balance, which shall be fully vested and nonforfeitable at all times. All benefit payments shall be made in cash and, except as otherwise provided, shall reduce allocations to the Investment Options in the same proportions that the Participant's Account Balance is allocated among those Investment Options.

2. Commencement of Payment. The payment of benefits to a Participant shall commence as soon as administratively feasible (but no more than 90 days) following the Participant's termination of employment with the Company. No payment shall commence or be made under this Section 2 unless the Participant's termination of employment constitutes a "separation from service" under Code section 409A(a)(2)(a)(i). Notwithstanding the foregoing, (i) benefits paid under this Plan to a Participant who is reasonably determined by the Company to be a "specified employee" within the meaning of Code section 409A(2)(B)(i), shall not commence before six (6) months following the month in which the Participant terminates employment; and (ii) benefits payable to a Section 16 Person that would result in a nonexempt short-swing transaction under Section 16 of the Exchange Act shall be delayed until the earliest date upon which the distribution would not result in a nonexempt short-swing transaction.

3. Form of Payment. By December 31 of the later of 2008, or (iii) within 30 days of the date on which an employee of the Company first satisfies the definition of Eligible Employee, he or she shall irrevocably elect the form of payment of his or her Account Balance from among the following options:

(a) A lump sum.

(b) for a period of years not to exceed 20 years (or 20 annual installments). The amount of each annual payment shall be determined by dividing the Participant's Account Balance on the date such payment is processed by the number of years remaining in the designated installment period.

Such election shall be made in writing in the form and manner designated by the Company. Notwithstanding the foregoing, if the Account Balance of a Participant who is entitled to begin payment equals \$10,000 or less, the Participant's Account Balance shall be paid in a single lump sum payment in full discharge of all liabilities with respect to such benefits.

4. Prospective Change of Payment Election.

(a) In the event a Participant does not make a valid election with respect to the form of benefit, the Participant will be deemed to have elected that payment of benefits be made in a lump sum.

(b) A Participant's election (including a "deemed election" in accordance with the preceding paragraph) shall remain in effect unless and until such election is modified by a subsequent election in accordance with (c) below.

(c) Notwithstanding anything to the contrary in this Article V, a Participant may make a new election with respect to the commencement of payment and form of payment with respect to his or her entire Account Balance. A new election under this section shall be made by executing and delivering to the Company an election in such form as prescribed by the Company. To constitute a valid election by a Participant making a prospective change to a previous election, (i) the prospective election must be executed and delivered to the Company at least twelve (12) months before the date the first payment would be due under the Participant's previous election, and (ii) the first payment must be delayed by at least sixty (60) months from the date the first payment would be due under the Participant's previous election, and (iii) such change in election shall not be given effect until twelve (12) months from the date that the change in election is delivered to the Company. In the event an election fails to satisfy the provisions set forth in this paragraph, such election shall be void and, if such an election is void, payment shall be made in accordance with the most recent election which was valid.

(d) Notwithstanding the above, for periods prior to January 1, 2009, (or such later date as may be provided by the Internal Revenue Service in guidance of general applicability), the Senior Vice President, Human Resources may provide alternative rules for elections with respect to the commencement of payment and form of payment that conform to the rules provided in Notice 2005-1, and subsequent Internal Revenue Service guidance providing transition relief under Code section 409A.

(e) A Participant may not make or modify an election with respect to commencement of payment or form of payment after the date a Participant terminates employment.

5. Death Benefits. Upon the death of a Participant before a complete distribution of his or her Account Balance, the Account Balance will be paid to the Participant's Beneficiary in an immediate lump sum.

6. Acceleration Upon Conflict of Interest. Notwithstanding a Participant's form of payment election under Section 3 of this Article V, if following a Participant's termination of employment with the Company, the Participant takes a position (or accepts a position) with a governmental entity, agency, or instrumentality and that employer has determined or indicated that the Participant's continued participation in the Plan may constitute a conflict of interest precluding the Participant from continuing in his position (or from accepting an offered position) with that employer or subjecting the Participant to penalty, sanction, or otherwise limiting the Participant's responsibilities for that employer, then the Participant's Account Balance shall be distributed to him or her in a lump sum as soon as practical following the later of (i) the date on which the Participant commences employment with the government employer; or (ii) the date on which it is determined that the conflict of interest may exist; provided, however, that if a distribution in accordance with the provisions of this Section 6 from the portion of the Participant's Account allocated to the Company Stock Investment Option would otherwise result in a nonexempt short-swing transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to such portion to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt short-swing transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act. This Section 6 of Article V shall apply, however, only to the extent that the accelerated payment upon a conflict of interest determination conforms to Code section 409A

7. Acceleration upon Change in Control.

(a) Notwithstanding any other provision of this NCAP, the Account Balance of each Participant shall be distributed in a single lump sum within fifteen (15) calendar days following a "Change in Control."

(b) For purposes of this NCAP, a Change in Control shall include and be deemed to occur upon the following events:

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

(2) The Company is merged, combined, consolidated, recapitalized or otherwise reorganized with one or more other entities that are not Subsidiaries and, as a result of the merger, combination, consolidation, recapitalization or other reorganization, less than 75% of the outstanding voting securities of the surviving or resulting corporation shall immediately after the event be owned in the

aggregate by the stockholders of the Company (directly or indirectly), determined on the basis of record ownership as of the date of determination of holders entitled to vote on the action (or in the absence of a vote, the day immediately prior to the event).

(3) Any person (as this term is used in Sections 3(a)(9) and 13(d)(3) of the Exchange Act, but excluding any person described in and satisfying the conditions of Rule 13d-1(b)(1) thereunder), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company.

(4) At any time within any period of two years after a tender offer, merger, combination, consolidation, recapitalization, or other reorganization or a contested election, or any combination of these events, the "Incumbent Directors" shall cease to constitute at least a majority of the authorized number of members of the Board. For purposes hereof, "Incumbent Directors" shall mean the persons who were members of the Board immediately before the first of these events and the persons who were elected or nominated as their successors or pursuant to increases in the size of the Board by a vote of at least three-fourths of the Board members who were then Board members (or successors or additional members so elected or nominated).

(5) The stockholders of the Company approve a plan of liquidation and dissolution or the sale or transfer of substantially all of the Company's business and/or assets as an entirety to an entity that is not a Subsidiary.

Notwithstanding the foregoing, no distribution shall be made solely on account of a Change in Control and prior to the benefit commencement date specified in Section 2 of Article V unless the Change in Control is an event qualifying for a distribution of deferred compensation under both the definition of Change in Control in the Plan and in Section 409A(a)(2)(A)(v) of the Code.

(c) Notwithstanding the provisions of Section 7(a), if a distribution in accordance with the provisions of Section 7(a) would result in a nonexempt transaction under Section 16(b) of the Exchange Act with respect to any Section 16 Person, then the date of distribution to such Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.

(d) This Section 7 shall apply only to a Change in Control of Lockheed Martin Corporation and shall not cause immediate payout of an Account Balance in any transaction involving the Company's sale, liquidation, merger, or other disposition of any Subsidiary.

(e) The Committee may cancel or modify this Section 7 at any time prior to a Change in Control. In the event of a Change in Control, this Section 7 shall remain in force and effect, and shall not be subject to cancellation or modification for a period of five years, and any defined term used in Section 7 shall not, for purposes of Section 7, be subject to cancellation or modification during the five year period.

8. Deductibility of Payments. Subject to the provisions of Section Code section 409A, in the event that the payment of benefits in accordance with the Participant's election under Section 3 of this Article V would prevent the Company from claiming an income tax deduction with respect to any portion of the benefits paid, the Committee shall have the right to modify the timing of distributions from the Participant's Account as necessary to maximize the Company's tax deductions. In the exercise of its discretion to adopt a modified distribution schedule, the Committee shall undertake to have distributions made at such times and in such amounts as most closely approximate the Participant's election, consistent with the objective of maximum deductibility for the Company. The Committee shall have no authority to reduce a Participant's Account Balance or to pay aggregate benefits less than the Participant's Account Balance in the event that all or a portion thereof would not be deductible by the Company.

9. Change of Law. Notwithstanding anything herein to the contrary, if the Committee determines in good faith, based on consultation with counsel and in accordance with the requirements of Code section 409A, that the Federal income tax treatment or legal status of this NCAP has or may be adversely affected by a change in the Internal Revenue Code, Title I of the Employee Retirement Income Security Act of 1974, or other applicable law or by an administrative or judicial construction thereof, the Committee may direct that the Accounts of affected Participants or of all Participants be distributed as soon as practicable after such determination is made, to the extent deemed necessary or advisable by the Committee to cure or mitigate the consequences, or possible consequences of, such change in law or interpretation thereof.

10. Tax Withholding. To the extent required by law, the Company shall withhold from benefit payments hereunder, or with respect to any amounts credited to a Participant's Account hereunder, any Federal, state, or local income or payroll taxes required to be withheld and shall furnish the recipient and the applicable government agency or agencies with such reports, statements, or information as may be legally required. However, the amount of Contributions to be credited to a Participant's Account will not be reduced or adjusted by the amount of any tax that the Company is required to withhold with respect thereto.

ARTICLE VI

EXTENT OF PARTICIPANTS' RIGHTS

1. Unfunded Status of Plan. This NCAP constitutes a mere contractual promise by the Company to make payments in the future, and each Participant's rights shall be those of a general, unsecured creditor of the Company. No Participant shall have any beneficial interest in any specific assets that the Company may hold or set aside in connection with this NCAP. Notwithstanding the foregoing, to assist the Company in meeting its obligations under this NCAP, the Company may set aside assets in a trust or trusts described in Revenue Procedure 92-64, 1992-2 C.B. 422 (generally known as a "rabbi trust"), and the Company may direct that its obligations under this NCAP be satisfied by payments out of such trust or trusts. It is the Company's intention that this NCAP be unfunded for federal income tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974.

2. Nonalienability of Benefits. A Participant's rights under this Plan shall not be assignable or transferable and any purported transfer, assignment, pledge or other encumbrance or attachment of any payments or benefits under this Plan, or any interest therein shall not be permitted or recognized, other than the designation of, or passage of payment rights to, a Beneficiary. Notwithstanding, any portion of a Participant's benefit under this Plan may be paid to a spouse, former spouse, or child pursuant to the terms of a domestic relations order (which shall be interpreted and administered in accordance with Code sections 414(p)(1)(B) and 409A), provided that the form of payment designated in such order is a lump sum provided for under Section 3(a) of the NCAP.

ARTICLE VII

AMENDMENT OR TERMINATION

1. Amendment. The Board or its authorized delegate may amend, modify, suspend or discontinue this NCAP at any time subject to any shareholder approval that may be required under applicable law, provided, however, that no such amendment shall have the effect of reducing a Participant's Account Balance or postponing the time when a Participant is entitled to receive a distribution of his or her Account Balance.

2. Termination. The Board reserves the right to terminate this Plan at any time and to pay all Participants their Account Balances in any form and at such times that the Board reasonably determines in its discretion is appropriate and conforms to the requirements of Code section 409A; provided, however, that if a distribution in accordance with the provisions of this Section 2 would otherwise result in a nonexempt transaction under Section 16(b) of the Exchange Act, the date of distribution with respect to any Section 16 Person shall be delayed until the earliest date upon which the distribution either would not result in a nonexempt transaction or would otherwise not result in liability under Section 16(b) of the Exchange Act.



ARTICLE VIII

ADMINISTRATION

1. The Committee. This NCAP shall be administered by the Management Development and Compensation Committee of the Board or such other committee of the Board as may be designated by the Board and constituted so as to permit this NCAP to comply with the requirements of Rule 16b-3 of the Exchange Act. The members of the Committee shall be designated by the Board. A majority of the members of the Committee (but not fewer than two) shall constitute a quorum. The vote of a majority of a quorum or the unanimous written consent of the Committee shall constitute action by the Committee. The Committee and the Claims Administrator (identified in Section 6 below) shall have full authority to interpret the Plan, and interpretations of the Plan by the Committee or the Claims Administrator shall be final and binding on all parties. Notwithstanding anything contained in the Plan or in any document issued under the Plan, it is intended that the Plan will at all times conform to the requirements of Code section 409A and any regulations or other guidance issued thereunder, and that the provisions of the Plan will be interpreted to meet such requirements. If any provision of the Plan is determined not to conform to such requirements, the Plan shall be interpreted to omit such offending provision.

2. Delegation and Reliance. The Committee has delegated to the officers or employees of the Company the authority to execute and deliver those instruments and documents, to do all acts and things, and to take all other steps deemed necessary, advisable or convenient for the effective administration of this NCAP in accordance with its terms and purpose, except that the Committee has not delegated (and may not delegate) any authority the delegation of which would cause this NCAP to fail to satisfy the applicable requirements of Rule 16b-3. In making any determination or in taking or not taking any action under this NCAP, the Committee or its delegate may obtain and rely upon the advice of experts, including professional advisors to the Company. No member of the Committee or officer of the Company who is a Participant hereunder may participate in any decision specifically relating to his or her individual rights or benefits under the NCAP.

3. Exculpation and Indemnity. Neither the Company nor any member of the Board or of the Committee, nor any other person participating in any determination of any question under this NCAP, or in the interpretation, administration or application thereof, shall have any liability to any party for any action taken or not taken in good faith under this NCAP or for the failure of the NCAP or any Participant's rights under the NCAP to achieve intended tax consequences, to qualify for exemption or relief under Section 16 of the Exchange Act and the rules thereunder, or to comply with any other law, compliance with which is not required on the part of the Company.

4. Facility of Payment. If a minor, person declared incompetent, or person incapable of handling the disposition of his or her property is entitled to receive a benefit, make an application, or make an election hereunder, the Committee or the Claims Administrator may

direct that such benefits be paid to, or such application or election be made by, the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. Any payment made, application allowed, or election implemented in accordance with this Section shall completely discharge the Company and the Committee (or the Claims Administrator) from all liability with respect thereto.

5. Proof of Claims. The Committee or the Claims Administrator may require proof of the death, disability, incompetency, minority, or incapacity of any Participant or Beneficiary and of the right of a person to receive any benefit or make any application or election.

6. Claim Procedures. The procedures when a claim under this Plan is wholly or partially denied by the Claims Administrator are as follows:

- (a) The Claims Administrator shall, within 90 days after receipt of a claim, furnish to claimant a written notice setting forth, in a manner calculated to be understood by claimant: (1) the specific reason or reasons for the denial; (2) specific reference to pertinent Plan provisions on which the denial is based; (3) a description of any additional materials or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (4) an explanation of the steps to be taken if the claimant wishes to have the denial reviewed; and (5) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse determination on review. The 90 day period may be extended for not more than an additional 90 days if special circumstances make such an extension necessary. The Claims Administrator shall give the claimant, before the end of the initial 90 day period, a written notice of such extension, stating such special circumstances and the date by which the Claims Administrator expects to render a decision.
- (b) By a written application filed with the Claims Administrator within 60 days after receipt by claimant of the written notice described in paragraph (a), the claimant or his duly authorized representative may request review of the denial of his claim.
- (c) In connection with such review, the claimant or his duly authorized representative may submit issues, comments, documents, records and other information relating to the claim for benefits to the Claims Administrator. In addition, the claimant will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, or other information "relevant" to claimant's claim for benefits. A document, record, or other information is "relevant" if it: (1) was relied upon in making the benefit determination; (2) was submitted, considered or generated in the course of making the benefit determination, without regard to whether such document, record or information was relied upon in making the benefit determination; or (3) demonstrates compliance with administrative processes and safeguards required under federal law.

- (d) The Plan will provide an impartial review that takes into account all comments, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Claims Administrator shall make a decision and furnish such decision in writing to the claimant within 60 days after receipt by the Claims Administrator of the request for review. This period may be extended to not more than 120 days after such receipt if special circumstances make such an extension necessary. The claimant will be notified in writing prior to the expiration of the original 60 day period if such an extension is required, and such notice will include the reason for the extension and the date by which it is expected that a decision will be reached. The decision on review shall be in writing, set forth in a manner calculated to be understood by the claimant and shall include: (1) the specific reasons for the decision; (2) specific reference to the pertinent Plan provisions on which the decision is based; (3) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information "relevant" to the claimant's claim for benefits; (4) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (5) a statement describing any voluntary appeal procedures and the claimant's right to obtain information about such procedures, if any; and (6) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review.
- (e) If in the event that the reviewing committee must make a determination of disability in order to decide a claim, the reviewing committee shall follow the special claims procedures for disability benefits described in Department of Labor Regulation section 2560.503-1(d). The reviewing committee shall render a decision within a reasonable time (not to exceed 90 days) after the claimant's request for review, rather than within 120 days as set forth in the above paragraph.
- (f) The Claims Administrator shall be the Lockheed Martin Corporation Savings Plan Administrative Committee. Notwithstanding the foregoing, with respect to claims and appeals brought by elected officers of the Company, the Claims Administrator shall be the Committee.

ARTICLE IX

GENERAL AND MISCELLANEOUS PROVISIONS

1. Neither this NCAP nor a Participant's elections under this NCAP, either singly or collectively, shall in any way obligate the Company to continue the employment of a Participant with the Company, nor does either this NCAP or a Participant's elections limit the right of the Company at any time and for any reason to terminate the Participant's employment. In no event shall this Plan or a Participant's elections, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company and a Participant. In no event shall this Plan or a Participant's elections, either singly or collectively, by their terms or implications in any way limit the right of the Company to change an Eligible Employee's compensation or other benefits.

2. Any amount credited to a Participant's Account under this NCAP shall not be treated as compensation for purposes of calculating the amount of a Participant's benefits or contributions under any pension, retirement, or other plan maintained by the Company, except as provided in such other plan.

3. Any written notice to the Company referred to herein shall be made by mailing or delivering such notice to the Company at 6801 Rockledge Drive, Bethesda, Maryland 20817, to the attention of the Senior Vice President, Human Resources. Any written notice to a Participant shall be made by delivery to the Participant in person, through electronic transmission, or by mailing such notice to the Participant at his or her place of residence or business address.

4. In the event it should become impossible for the Company or the Committee to perform any act required by this Plan, the Company or the Committee may perform such other act as it in good faith determines will most nearly carry out the intent and the purpose of this NCAP.

5. By electing to become a Participant hereunder, each Eligible Employee shall be deemed conclusively to have accepted and consented to all the terms of this NCAP and all actions or decisions made by the Company, the Board, or Committee with regard to the NCAP.

6. The provisions of this NCAP shall be binding upon and inure to the benefit of the Company, its successors, and its assigns, and to the Participants and their heirs, executors, administrators, and legal representatives.

7. A copy of this NCAP shall be available for inspection by Participants or other persons entitled to benefits under the Plan at reasonable times at the offices of the Company.

8. The validity of this NCAP or any of its provisions shall be construed, administered, and governed in all respects under and by the laws of the State of Maryland, except as to matters of federal law. If any provisions of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

9. This NCAP and its operation, including but not limited to, the mechanics of payment elections, the issuance of securities, if any, or the payment of cash hereunder is subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal insider trading, registration, reporting and other securities laws) and such other approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith.

10. It is the intent of the Company that this NCAP satisfy and be interpreted in a manner, that, in the case of Participants who are or may be Section 16 Persons, satisfies any applicable requirements of Rule 16b-3 of the Exchange Act or other exemptive rules under Section 16 of the Exchange Act and will not subject Section 16 Persons to short-swing profit liability thereunder. If any provision of this NCAP would otherwise frustrate or conflict with the intent expressed in this Section 10, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict. To the extent of any remaining irreconcilable conflict with this intent, the provision shall be deemed disregarded. Similarly, any action or election by a Section 16 Person with respect to the NCAP to the extent possible shall be interpreted and deemed amended so as to avoid liability under Section 16 or, if this is not possible, to the extent necessary to avoid liability under Section 16, shall be deemed ineffective. Notwithstanding anything to the contrary in this NCAP, the provisions of this NCAP may at any time be bifurcated by the Board or the Committee in any manner so that certain provisions of this NCAP are applicable solely to Section 16 Persons. Notwithstanding any other provision of this NCAP to the contrary, if a distribution which would otherwise occur is prohibited or proposed to be delayed because of the provisions of Section 16 of the Exchange Act or the provisions of the NCAP designed to ensure compliance with Section 16, the Section 16 Person involved may affirmatively elect in writing to have the distribution occur in any event; provided that the Section 16 Person shall concurrently enter into arrangements satisfactory to the Committee in its sole discretion for the satisfaction of any and all liabilities, costs and expenses arising from this election.

ARTICLE X

EFFECTIVE DATE

This amendment and restatement of the NCAP shall generally become effective on December 31, 2008. Subsequent amendments to the NCAP are effective as of the date stated in the amendment or the adopting resolution.

WITNESS

LOCKHEED MARTIN CORPORATION

/s/ Robin H. Villanueva

/s/ Kenneth J. Disken

\_\_\_\_\_  
Name: Robin H. Villanueva

\_\_\_\_\_  
By: Kenneth J. Disken  
Senior Vice President, Human Resources

Date: 12-18-2008

Date: 12-18-2008

Intl Stock Option

Grant Date: January 26, 2009

**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, as amended and restated June 26, 2008 (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.

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**EXERCISE PRICE**

The exercise price of the Options granted hereunder is \$\_\_\_\_\_ 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 26, 2010– One-Third

Second Vesting Date: January 26, 2011 – One-Third

Third Vesting Date: January 26, 2012– 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 25, 2019. 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 requiring continued employment. 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 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.

**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 Corporation's 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 25, 2019.

**Resignation, Lay-Off or Termination for Cause** - If you resign or your employment otherwise terminates, 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 a revised expiration date which is the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Revised Expiration Date"). If you die following divestiture but prior to the Revised Expiration Date, all unvested Options will immediately vest as of the date of death and be exercisable by your beneficiary until the Revised 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.benefitaccess.com> 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 their status as Section 16 Insiders 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. 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 Award Agreement by and among the Corporation for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Corporation holds certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares

or directorships held in the Corporation, details of all awards or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Data"). You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Corporation may elect to administer the settlement of any award. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

#### **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 by December 31, 2009. 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 this Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.benefitaccess.com>
- 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 by executing this Award Agreement by December 31, 2009, it will not be effective, you will not be able to exercise the Options and you will forfeit the Options granted hereunder.

## **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 25, 2019 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. The value of the Options awarded to you will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

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

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 (2009-2011 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, as amended and restated June 26, 2008 (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.benefitaccess.com>. 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 SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT BY MARCH 31, 2009. 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 Award Agreement which have a special meaning either shall be defined in this Award Agreement or if not defined in this Award Agreement 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 Award Agreement.

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

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

1.2 Performance Period. The Performance Period under this Award Agreement is a three-year performance period that runs from January 1, 2009, until December 31, 2011.

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 2009 Long Range Plan as presented at the February 2009 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 2009 Long Range Plan as presented at the February 2009 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 2012, but in no event later than March 15, 2012.

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 2014, but in no event later than March 15, 2014.

(a) Between December 31, 2011, and December 31, 2013, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2011, 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 2014, but in no event later than March 15, 2014 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, 2011, to receive a payment of any portion of your Award and through December 31, 2013, 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 Section 3.2(c) to the extent interpolation is necessary) based on the percentile ranking of the Corporation's Total Stockholder Return for the Performance Period under the following chart:

<u>Band</u>	<u>Percentile Ranking</u>	<u>External Performance Factor</u>
One	75th or higher	200%
Two	60 <sup>th</sup>	150%
Three	50 <sup>th</sup>	100%
Four	40 <sup>th</sup>	50%
Five	35 <sup>th</sup>	25%
Six	Below 35th	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 2009 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 2009 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, 2008 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 2009 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 2009 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2009 Long Range Plan on the following table:

<u>Change From 2009 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 2009 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; or (ii) any tax payments or 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 2009 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 2009 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 accept this Award Agreement and 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, 2013, 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, 2013.

(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, 2013, as soon as practicable after December 31, 2013, but in no event later than March 15, 2014 (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, 2013, or, if it is not a trading day, on the last trading day before December 31, 2013.

(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, 2013, 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, 2012 (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 2009 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 2009 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, 2013, 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; Value of 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. The value of the Award will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

**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 specified 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 by March 31, 2009. 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 this internet site (<http://www.benefitaccess.com>) 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 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
Corporation	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
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 <sup>nd</sup> ¶, § 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 26, 2009 (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, as amended and restated June 26, 2008 (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.**

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 (2009-2011 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, as amended and restated June 26, 2008 (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.benefitaccess.com>. 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 SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT BY MARCH 31, 2009. 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 Award Agreement which have a special meaning either shall be defined in this Award Agreement or if not defined in this Award Agreement 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 Award Agreement.

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

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

1.2 Performance Period. The Performance Period under this Award Agreement is a three-year performance period that runs from January 1, 2009, until December 31, 2011.

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 2009 Long Range Plan as presented at the February 2009 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 2009 Long Range Plan as presented at the February 2009 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 2012, but in no event later than March 15, 2012.

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 2014, but in no event later than March 15, 2014.

(a) Between December 31, 2011, and December 31, 2013, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2011, 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 2014, but in no event later than March 15, 2014 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, 2011, to receive a payment of any portion of your Award and through December 31, 2013, 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 Section 3.2(c) to the extent interpolation is necessary) based on the percentile ranking of the Corporation's Total Stockholder Return for the Performance Period under the following chart:

<u>Band</u>	<u>Percentile Ranking</u>	<u>External Performance Factor</u>
One	75th or higher	200%
Two	60 <sup>th</sup>	150%
Three	50 <sup>th</sup>	100%
Four	40 <sup>th</sup>	50%
Five	35 <sup>th</sup>	25%
Six	Below 35th	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 2009 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 2009 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, 2008 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 2009 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 2009 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2009 Long Range Plan on the following table:

<u>Change From 2009 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 2009 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; or (ii) any tax payments or 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 2009 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 2009 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 accept this Award Agreement and 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, 2013, 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, 2013.

(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, 2013, as soon as practicable after December 31, 2013, but in no event later than March 15, 2014 (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, 2013, or, if it is not a trading day, on the last trading day before December 31, 2013.

(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, 2013, 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, 2012 (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 2009 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 2009 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, 2013, 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; Value of 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. The value of the Award will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

**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 specified 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 by March 31, 2009. 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 this internet site (<http://www.benefitaccess.com>) 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 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
Corporation	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
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 <sup>nd</sup> ¶, § 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 26, 2009 (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, as amended and restated June 26, 2008 (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 (2009-2011 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, as amended and restated June 26, 2008 (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.benefitaccess.com>. 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 SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT BY MARCH 31, 2009. 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 Award Agreement which have a special meaning either shall be defined in this Award Agreement or if not defined in this Award Agreement 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 Award Agreement.

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

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

1.2 Performance Period. The Performance Period under this Award Agreement is a three-year performance period that runs from January 1, 2009, until December 31, 2011.

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 2009 Long Range Plan as presented at the February 2009 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 2009 Long Range Plan as presented at the February 2009 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 2012, but in no event later than March 15, 2012.

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 2014, but in no event later than March 15, 2014.

(a) Between December 31, 2011, and December 31, 2013, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2011, 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 2014, but in no event later than March 15, 2014 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, 2011, to receive a payment of any portion of your Award and through December 31, 2013, 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 Section 3.2(c) to the extent interpolation is necessary) based on the percentile ranking of the Corporation's Total Stockholder Return for the Performance Period under the following chart:

<u>Band</u>	<u>Percentile Ranking</u>	<u>External Performance Factor</u>
One	75th or higher	200%
Two	60 <sup>th</sup>	150%
Three	50 <sup>th</sup>	100%
Four	40 <sup>th</sup>	50%
Five	35 <sup>th</sup>	25%
Six	Below 35th	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 2009 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 2009 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, 2008 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 2009 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 2009 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2009 Long Range Plan on the following table:

<u>Change From 2009 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 2009 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; or (ii) any tax payments or 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 2009 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 2009 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 accept this Award Agreement and 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, 2013, 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, 2013.

(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, 2013, as soon as practicable after December 31, 2013, but in no event later than March 15, 2014 (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, 2013, or, if it is not a trading day, on the last trading day before December 31, 2013.

(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, 2013, 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, 2012 (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 2009 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 2009 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, 2013, 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; Value of 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. The value of the Award will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

**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 specified 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 by March 31, 2009. 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 this internet site (<http://www.benefitaccess.com>) 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:

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Signature

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Date

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Print or type name

Appendix A  
Capitalized Terms

Award	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
Corporation	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
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 <sup>nd</sup> ¶, § 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 26, 2009 (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, as amended and restated June 26, 2008 (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 (2009-2011 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, as amended and restated June 26, 2008 (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.benefitaccess.com>. 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 SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT BY MARCH 31, 2009. 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 Award Agreement which have a special meaning either shall be defined in this Award Agreement or if not defined in this Award Agreement 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 Award Agreement.

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

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

1.2 Performance Period. The Performance Period under this Award Agreement is a three-year performance period that runs from January 1, 2009, until December 31, 2011.

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 2009 Long Range Plan as presented at the February 2009 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 2009 Long Range Plan as presented at the February 2009 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 2012, but in no event later than March 15, 2012.

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 2014, but in no event later than March 15, 2014.

(a) Between December 31, 2011, and December 31, 2013, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2011, 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 2014, but in no event later than March 15, 2014 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, 2011, to receive a payment of any portion of your Award and through December 31, 2013, 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 Section 3.2(c) to the extent interpolation is necessary) based on the percentile ranking of the Corporation's Total Stockholder Return for the Performance Period under the following chart:

<u>Band</u>	<u>Percentile Ranking</u>	<u>External Performance Factor</u>
One	75th or higher	200%
Two	60 <sup>th</sup>	150%
Three	50 <sup>th</sup>	100%
Four	40 <sup>th</sup>	50%
Five	35 <sup>th</sup>	25%
Six	Below 35th	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 2009 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 2009 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, 2008 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 2009 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 2009 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2009 Long Range Plan on the following table:

<u>Change From 2009 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 2009 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; or (ii) any tax payments or 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 2009 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 2009 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 accept this Award Agreement and 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, 2013, 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, 2013.

(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, 2013, as soon as practicable after December 31, 2013, but in no event later than March 15, 2014 (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, 2013, or, if it is not a trading day, on the last trading day before December 31, 2013.

(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, 2013, 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, 2012 (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 2009 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 2009 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, 2013, 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; Value of 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. The value of the Award will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

**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 specified 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 by March 31, 2009. 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 this internet site (<http://www.benefitaccess.com>) 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:

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Signature

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Date

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Print or type name

Appendix A  
Capitalized Terms

Award	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
Corporation	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
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 <sup>nd</sup> ¶, § 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 26, 2009 (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, as amended and restated June 26, 2008 (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 (2009-2011 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, as amended and restated June 26, 2008 (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.benefitaccess.com>. 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 SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT BY MARCH 31, 2009. 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 Award Agreement which have a special meaning either shall be defined in this Award Agreement or if not defined in this Award Agreement 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 Award Agreement.

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

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

1.2 Performance Period. The Performance Period under this Award Agreement is a three-year performance period that runs from January 1, 2009, until December 31, 2011.

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 2009 Long Range Plan as presented at the February 2009 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 2009 Long Range Plan as presented at the February 2009 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 2012, but in no event later than March 15, 2012.

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 2014, but in no event later than March 15, 2014.

(a) Between December 31, 2011, and December 31, 2013, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2011, 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 2014, but in no event later than March 15, 2014 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, 2011, to receive a payment of any portion of your Award and through December 31, 2013, 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 Section 3.2(c) to the extent interpolation is necessary) based on the percentile ranking of the Corporation's Total Stockholder Return for the Performance Period under the following chart:

<u>Band</u>	<u>Percentile Ranking</u>	<u>External Performance Factor</u>
One	75th or higher	200%
Two	60 <sup>th</sup>	150%
Three	50 <sup>th</sup>	100%
Four	40 <sup>th</sup>	50%
Five	35 <sup>th</sup>	25%
Six	Below 35th	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 2009 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 2009 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, 2008 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 2009 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 2009 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2009 Long Range Plan on the following table:

<u>Change From 2009 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 2009 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; or (ii) any tax payments or 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 2009 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 2009 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 accept this Award Agreement and 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, 2013, 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, 2013.

(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, 2013, as soon as practicable after December 31, 2013, but in no event later than March 15, 2014 (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, 2013, or, if it is not a trading day, on the last trading day before December 31, 2013.

(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, 2013, 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, 2012 (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 2009 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 2009 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, 2013, 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; Value of 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. The value of the Award will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

**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 specified 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 by March 31, 2009. 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 this internet site (<http://www.benefitaccess.com>), 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,

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Kenneth J. Disken  
Sr. Vice President, Human Resources

Enclosures

ACKNOWLEDGEMENT:

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Signature

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Date

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Print or type name

Appendix A  
Capitalized Terms

Award	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
Corporation	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
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 <sup>nd</sup> ¶, § 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 26, 2009 (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, as amended and restated June 26, 2008 (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 (2009-2011 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, as amended and restated June 26, 2008 (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.benefitaccess.com>. 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 SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT BY MARCH 31, 2009. 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 Award Agreement which have a special meaning either shall be defined in this Award Agreement or if not defined in this Award Agreement 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 Award Agreement.

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

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

1.2 Performance Period. The Performance Period under this Award Agreement is a three-year performance period that runs from January 1, 2009, until December 31, 2011.

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 2009 Long Range Plan as presented at the February 2009 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 2009 Long Range Plan as presented at the February 2009 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 2012, but in no event later than March 15, 2012.

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 2014, but in no event later than March 15, 2014.

(a) Between December 31, 2011, and December 31, 2013, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2011, 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 2014, but in no event later than March 15, 2014 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, 2011, to receive a payment of any portion of your Award and through December 31, 2013, 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 Section 3.2(c) to the extent interpolation is necessary) based on the percentile ranking of the Corporation's Total Stockholder Return for the Performance Period under the following chart:

<u>Band</u>	<u>Percentile Ranking</u>	<u>External Performance Factor</u>
One	75th or higher	200%
Two	60 <sup>th</sup>	150%
Three	50 <sup>th</sup>	100%
Four	40 <sup>th</sup>	50%
Five	35 <sup>th</sup>	25%
Six	Below 35th	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 2009 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 2009 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, 2008 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 2009 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 2009 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2009 Long Range Plan on the following table:

<u>Change From 2009 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 2009 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; or (ii) any tax payments or 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 2009 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 2009 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 accept this Award Agreement and 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, 2013, 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, 2013.

(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, 2013, as soon as practicable after December 31, 2013, but in no event later than March 15, 2014 (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, 2013, or, if it is not a trading day, on the last trading day before December 31, 2013.

(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, 2013, 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, 2012 (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 2009 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 2009 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, 2013, 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; Value of 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. The value of the Award will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

**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 specified 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 by March 31, 2009. 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 this internet site (<http://www.benefitaccess.com>) 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:

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Signature

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Date

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Print or type name

Appendix A  
Capitalized Terms

Award	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
Corporation	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
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 <sup>nd</sup> ¶, § 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 26, 2009 (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, as amended and restated June 26, 2008 (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.**

**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, as amended and restated June 26, 2008 (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.

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**EXERCISE PRICE**

The exercise price of the Options granted hereunder is \$\_\_\_\_\_ 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 26, 2010– One-Third

Second Vesting Date: January 26, 2011 – One-Third

Third Vesting Date: January 26, 2012– 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 25, 2019. 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 requiring continued employment. 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 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.

**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 Corporation's 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 25, 2019.

**Resignation, Lay-Off or Termination for Cause** - If you resign or your employment otherwise terminates, 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 a revised expiration date which is the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Revised Expiration Date"). If you die following divestiture but prior to the Revised Expiration Date, all unvested Options will immediately vest as of the date of death and be exercisable by your beneficiary until the Revised 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.benefitaccess.com> 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 their status as Section 16 Insiders 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. 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 Award Agreement by and among the Corporation for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Corporation holds certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares



or directorships held in the Corporation, details of all awards or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Data"). You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Corporation may elect to administer the settlement of any award. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

#### **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 by December 31, 2009. 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 this Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.benefitaccess.com>
- 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 by executing this Award Agreement by December 31, 2009, it will not be effective, you will not be able to exercise the Options and you will forfeit the Options granted hereunder.

## **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 25, 2019 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. The value of the Options awarded to you will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

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:

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Signature

---

Date

---

Print Name

---

U.S. Social Security Number or Employee ID

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 (2009-2011 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, as amended and restated June 26, 2008 (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.benefitaccess.com>. 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 SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT BY MARCH 31, 2009. 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 Award Agreement which have a special meaning either shall be defined in this Award Agreement or if not defined in this Award Agreement 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 Award Agreement.

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

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

1.2 Performance Period. The Performance Period under this Award Agreement is a three-year performance period that runs from January 1, 2009, until December 31, 2011.

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 2009 Long Range Plan as presented at the February 2009 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 2009 Long Range Plan as presented at the February 2009 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 2012, but in no event later than March 15, 2012.

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 2014, but in no event later than March 15, 2014.

(a) Between December 31, 2011, and December 31, 2013, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2011, 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 2014, but in no event later than March 15, 2014 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, 2011, to receive a payment of any portion of your Award and through December 31, 2013, 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 Section 3.2(c) to the extent interpolation is necessary) based on the percentile ranking of the Corporation's Total Stockholder Return for the Performance Period under the following chart:

<u>Band</u>	<u>Percentile Ranking</u>	<u>External Performance Factor</u>
One	75th or higher	200%
Two	60 <sup>th</sup>	150%
Three	50 <sup>th</sup>	100%
Four	40 <sup>th</sup>	50%
Five	35 <sup>th</sup>	25%
Six	Below 35th	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 2009 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 2009 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, 2008 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 2009 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).



Flow Performance Factor based upon the factor associated with the change from the 2009 Long Range Plan on the following table:

<u>Change From 2009 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 2009 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; or (ii) any tax payments or 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 2009 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 2009 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 accept this Award Agreement and 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, 2013, 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, 2013.

(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, 2013, as soon as practicable after December 31, 2013, but in no event later than March 15, 2014 (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, 2013, or, if it is not a trading day, on the last trading day before December 31, 2013.

(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, 2013, 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, 2012 (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 2009 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 2009 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, 2013, 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; Value of 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. The value of the Award will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

**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 specified 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 by March 31, 2009. 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 this internet site (<http://www.benefitaccess.com>) 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 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
Corporation	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
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 <sup>nd</sup> ¶, § 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 26, 2009 (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, as amended and restated June 26, 2008 (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.**

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 (2009-2011 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, as amended and restated June 26, 2008 (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.benefitaccess.com>. 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 SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT BY MARCH 31, 2009. 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 Award Agreement which have a special meaning either shall be defined in this Award Agreement or if not defined in this Award Agreement 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 Award Agreement.

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

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

1.2 Performance Period. The Performance Period under this Award Agreement is a three-year performance period that runs from January 1, 2009, until December 31, 2011.

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 2009 Long Range Plan as presented at the February 2009 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 2009 Long Range Plan as presented at the February 2009 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 2012, but in no event later than March 15, 2012.

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 2014, but in no event later than March 15, 2014.

(a) Between December 31, 2011, and December 31, 2013, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2011, 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 2014, but in no event later than March 15, 2014 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, 2011, to receive a payment of any portion of your Award and through December 31, 2013, 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 Section 3.2(c) to the extent interpolation is necessary) based on the percentile ranking of the Corporation's Total Stockholder Return for the Performance Period under the following chart:

<u>Band</u>	<u>Percentile Ranking</u>	<u>External Performance Factor</u>
One	75th or higher	200%
Two	60 <sup>th</sup>	150%
Three	50 <sup>th</sup>	100%
Four	40 <sup>th</sup>	50%
Five	35 <sup>th</sup>	25%
Six	Below 35th	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 2009 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 2009 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, 2008 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 2009 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 2009 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2009 Long Range Plan on the following table:

<u>Change From 2009 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 2009 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; or (ii) any tax payments or 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 2009 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 2009 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 accept this Award Agreement and 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, 2013, 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, 2013.

(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, 2013, as soon as practicable after December 31, 2013, but in no event later than March 15, 2014 (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, 2013, or, if it is not a trading day, on the last trading day before December 31, 2013.

(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, 2013, 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, 2012 (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 2009 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 2009 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, 2013, 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; Value of 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. The value of the Award will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

**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 specified 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 by March 31, 2009. 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 this internet site (<http://www.benefitaccess.com>) 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 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
Corporation	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
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 <sup>nd</sup> ¶, § 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 26, 2009 (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, as amended and restated June 26, 2008 (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 (2009-2011 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, as amended and restated June 26, 2008 (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.benefitaccess.com>. 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 SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT BY MARCH 31, 2009. 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 Award Agreement which have a special meaning either shall be defined in this Award Agreement or if not defined in this Award Agreement 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 Award Agreement.

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

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

1.2 Performance Period. The Performance Period under this Award Agreement is a three-year performance period that runs from January 1, 2009, until December 31, 2011.

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 2009 Long Range Plan as presented at the February 2009 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 2009 Long Range Plan as presented at the February 2009 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 2012, but in no event later than March 15, 2012.

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 2014, but in no event later than March 15, 2014.

(a) Between December 31, 2011, and December 31, 2013, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2011, 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 2014, but in no event later than March 15, 2014 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, 2011, to receive a payment of any portion of your Award and through December 31, 2013, 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 Section 3.2(c) to the extent interpolation is necessary) based on the percentile ranking of the Corporation's Total Stockholder Return for the Performance Period under the following chart:

<u>Band</u>	<u>Percentile Ranking</u>	<u>External Performance Factor</u>
One	75th or higher	200%
Two	60 <sup>th</sup>	150%
Three	50 <sup>th</sup>	100%
Four	40 <sup>th</sup>	50%
Five	35 <sup>th</sup>	25%
Six	Below 35th	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 2009 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 2009 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, 2008 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 2009 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 2009 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2009 Long Range Plan on the following table:

<u>Change From 2009 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 2009 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; or (ii) any tax payments or 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 2009 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 2009 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 accept this Award Agreement and 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, 2013, 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, 2013.

(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, 2013, as soon as practicable after December 31, 2013, but in no event later than March 15, 2014 (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, 2013, or, if it is not a trading day, on the last trading day before December 31, 2013.

(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, 2013, 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, 2012 (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 2009 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 2009 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, 2013, 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; Value of 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. The value of the Award will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

**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 specified 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 by March 31, 2009. 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 this internet site (<http://www.benefitaccess.com>) 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:

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Signature

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Date

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Print or type name



Appendix A  
Capitalized Terms

Award	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
Corporation	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
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 <sup>nd</sup> ¶, § 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 26, 2009 (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, as amended and restated June 26, 2008 (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 (2009-2011 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, as amended and restated June 26, 2008 (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.benefitaccess.com>. 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 SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT BY MARCH 31, 2009. 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 Award Agreement which have a special meaning either shall be defined in this Award Agreement or if not defined in this Award Agreement 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 Award Agreement.

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

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

1.2 Performance Period. The Performance Period under this Award Agreement is a three-year performance period that runs from January 1, 2009, until December 31, 2011.

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 2009 Long Range Plan as presented at the February 2009 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 2009 Long Range Plan as presented at the February 2009 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 2012, but in no event later than March 15, 2012.

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 2014, but in no event later than March 15, 2014.

(a) Between December 31, 2011, and December 31, 2013, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2011, 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 2014, but in no event later than March 15, 2014 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, 2011, to receive a payment of any portion of your Award and through December 31, 2013, 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 Section 3.2(c) to the extent interpolation is necessary) based on the percentile ranking of the Corporation's Total Stockholder Return for the Performance Period under the following chart:

<u>Band</u>	<u>Percentile Ranking</u>	<u>External Performance Factor</u>
One	75th or higher	200%
Two	60 <sup>th</sup>	150%
Three	50 <sup>th</sup>	100%
Four	40 <sup>th</sup>	50%
Five	35 <sup>th</sup>	25%
Six	Below 35th	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 2009 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 2009 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, 2008 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 2009 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 2009 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2009 Long Range Plan on the following table:

<u>Change From 2009 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 2009 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; or (ii) any tax payments or 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 2009 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 2009 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 accept this Award Agreement and 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, 2013, 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, 2013.

(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, 2013, as soon as practicable after December 31, 2013, but in no event later than March 15, 2014 (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, 2013, or, if it is not a trading day, on the last trading day before December 31, 2013.

(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, 2013, 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, 2012 (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 2009 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 2009 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, 2013, 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; Value of 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. The value of the Award will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

**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 specified 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 by March 31, 2009. 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 this internet site (<http://www.benefitaccess.com>) 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,

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Kenneth J. Disken  
Sr. Vice President, Human Resources

Enclosures

ACKNOWLEDGEMENT:

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Signature

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Date

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Print or type name

Appendix A  
Capitalized Terms

Award	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
Corporation	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
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 <sup>nd</sup> ¶, § 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 26, 2009 (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, as amended and restated June 26, 2008 (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 (2009-2011 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, as amended and restated June 26, 2008 (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.benefitaccess.com>. 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 SIGN AND RETURN A COPY OF THIS AWARD AGREEMENT BY MARCH 31, 2009. 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 Award Agreement which have a special meaning either shall be defined in this Award Agreement or if not defined in this Award Agreement 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 Award Agreement.

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

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

1.2 Performance Period. The Performance Period under this Award Agreement is a three-year performance period that runs from January 1, 2009, until December 31, 2011.

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 2009 Long Range Plan as presented at the February 2009 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 2009 Long Range Plan as presented at the February 2009 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 2012, but in no event later than March 15, 2012.

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 2014, but in no event later than March 15, 2014.

(a) Between December 31, 2011, and December 31, 2013, the Deferred Portion will be treated as though it was invested by the Corporation on December 31, 2011, 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 2014, but in no event later than March 15, 2014 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, 2011, to receive a payment of any portion of your Award and through December 31, 2013, 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 Section 3.2(c) to the extent interpolation is necessary) based on the percentile ranking of the Corporation's Total Stockholder Return for the Performance Period under the following chart:

<u>Band</u>	<u>Percentile Ranking</u>	<u>External Performance Factor</u>
One	75th or higher	200%
Two	60 <sup>th</sup>	150%
Three	50 <sup>th</sup>	100%
Four	40 <sup>th</sup>	50%
Five	35 <sup>th</sup>	25%
Six	Below 35 <sup>th</sup>	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 2009 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 2009 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, 2008 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 2009 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 2009 Long Range Plan, and then identifying the Cash Flow Performance Factor based upon the factor associated with the change from the 2009 Long Range Plan on the following table:

<u>Change From 2009 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 2009 Long Range Plan to be contributed by the Corporation to the Corporation's defined benefit pension plans during the Performance Period and the actual amounts contributed by the Corporation during the Performance Period; or (ii) any tax payments or 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 2009 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 2009 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 accept this Award Agreement and 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, 2013, 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, 2013.

(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, 2013, as soon as practicable after December 31, 2013, but in no event later than March 15, 2014 (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, 2013, or, if it is not a trading day, on the last trading day before December 31, 2013.

(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, 2013, 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, 2012 (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 2009 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 2009 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, 2013, 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; Value of 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. The value of the Award will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

**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 specified 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 by March 31, 2009. 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 this internet site (<http://www.benefitaccess.com>) 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:

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Signature

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Date

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Print or type name



Appendix A  
Capitalized Terms

Award	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
Corporation	2 <sup>nd</sup> ¶
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 <sup>st</sup> ¶
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 <sup>nd</sup> ¶, § 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 26, 2009 (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, as amended and restated June 26, 2008 (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.**

**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, as amended and restated June 26, 2008 (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.**

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**EXERCISE PRICE**

The exercise price of the Options granted hereunder is \$\_\_\_\_\_ 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 26, 2010 – One-Third

Second Vesting Date: January 26, 2011 – One-Third

Third Vesting Date: January 26, 2012 – 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 25, 2019. 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 requiring continued employment. 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 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.

**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 Corporation's 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 25, 2019.

**Resignation, Lay-Off or Termination for Cause** - If you resign or your employment otherwise terminates, 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 a revised expiration date which is the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Revised Expiration Date"). If you die following divestiture but prior to the Revised Expiration Date, all unvested Options will immediately vest as of the date of death and be exercisable by your beneficiary until the Revised 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.benefitaccess.com> 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 their status as Section 16 Insiders 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 the Federal securities laws and may have 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. 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 by December 31, 2009. 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 this Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.benefitaccess.com>
- 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 by executing this Award Agreement by December 31, 2009, it will not be effective, you will not be able to exercise the Options and you will forfeit the Options granted hereunder.

#### **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 25, 2019 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. The value of the Options awarded to you will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

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 26, 2009 (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, as amended and restated June 26, 2008 (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 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, as amended and restated June 26, 2008 (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.**

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**EXERCISE PRICE**

The exercise price of the Options granted hereunder is \$\_\_\_\_\_ 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 26, 2010 – One-Third

Second Vesting Date: January 26, 2011 – One-Third

Third Vesting Date: January 26, 2012 – 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 25, 2019. 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 requiring continued employment. 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 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.

**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 Corporation's 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 25, 2019.

**Resignation, Lay-Off or Termination for Cause** - If you resign or your employment otherwise terminates, 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 a revised expiration date which is the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Revised Expiration Date"). If you die following divestiture but prior to the Revised Expiration Date, all unvested Options will immediately vest as of the date of death and be exercisable by your beneficiary until the Revised 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.benefitaccess.com> 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 their status as Section 16 Insiders 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 the Federal securities laws and may have 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. 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 by December 31, 2009. 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 this Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.benefitaccess.com>
- 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 by executing this Award Agreement by December 31, 2009, it will not be effective, you will not be able to exercise the Options and you will forfeit the Options granted hereunder.

#### **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 25, 2019 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. The value of the Options awarded to you will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

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 26, 2009 (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, as amended and restated June 26, 2008 (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 Optionee:

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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.**

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**EXERCISE PRICE**

The exercise price of the Options granted hereunder is \$\_\_\_\_\_ 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 26, 2010 – One-Third

Second Vesting Date: January 26, 2011 – One-Third

Third Vesting Date: January 26, 2012 – 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 25, 2019. 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 requiring continued employment. 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 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.

**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 Corporation's 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 25, 2019.

**Resignation, Lay-Off or Termination for Cause** - If you resign or your employment otherwise terminates, 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 a revised expiration date which is the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Revised Expiration Date"). If you die following divestiture but prior to the Revised Expiration Date, all unvested Options will immediately vest as of the date of death and be exercisable by your beneficiary until the Revised 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.benefitaccess.com> 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 their status as Section 16 Insiders 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 the Federal securities laws and may have 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. 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 by December 31, 2009. 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 this Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.benefitaccess.com>
- 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 by executing this Award Agreement by December 31, 2009, it will not be effective, you will not be able to exercise the Options and you will forfeit the Options granted hereunder.

#### **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 25, 2019 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. The value of the Options awarded to you will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

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 26, 2009 (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, as amended and restated June 26, 2008 (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 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, as amended and restated June 26, 2008 (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.**

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**EXERCISE PRICE**

The exercise price of the Options granted hereunder is \$\_\_\_\_\_ 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 26, 2010 – One-Third

Second Vesting Date: January 26, 2011 – One-Third

Third Vesting Date: January 26, 2012 – 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 25, 2019. 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 requiring continued employment. 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 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.

**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 Corporation's 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 25, 2019.

**Resignation, Lay-Off or Termination for Cause** – If you resign or your employment otherwise terminates, 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 a revised expiration date which is the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Revised Expiration Date"). If you die following divestiture but prior to the Revised Expiration Date, all unvested Options will immediately vest as of the date of death and be exercisable by your beneficiary until the Revised 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.benefitaccess.com> 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 their status as Section 16 Insiders 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 the Federal securities laws and may have 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.

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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. 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 by December 31, 2009. 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 this Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.benefitaccess.com>
- 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 by executing this Award Agreement by December 31, 2009, it will not be effective, you will not be able to exercise the Options and you will forfeit the Options granted hereunder.

#### **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 25, 2019 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. The value of the Options awarded to you will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

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 26, 2009 (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, as amended and restated June 26, 2008 (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, as amended and restated June 26, 2008 (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.**

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**EXERCISE PRICE**

The exercise price of the Options granted hereunder is \$\_\_\_\_\_ 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 26, 2010 – One-Third

Second Vesting Date: January 26, 2011 – One-Third

Third Vesting Date: January 26, 2012 – 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 25, 2019. 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 requiring continued employment. 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 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.

**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 Corporation's 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 25, 2019.

**Resignation, Lay-Off or Termination for Cause** - If you resign or your employment otherwise terminates, 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 a revised expiration date which is the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Revised Expiration Date"). If you die following divestiture but prior to the Revised Expiration Date, all unvested Options will immediately vest as of the date of death and be exercisable by your beneficiary until the Revised 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.benefitaccess.com> 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 their status as Section 16 Insiders 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 the Federal securities laws and may have 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. 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 by December 31, 2009. 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 this Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.benefitaccess.com>
- 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 by executing this Award Agreement by December 31, 2009, it will not be effective, you will not be able to exercise the Options and you will forfeit the Options granted hereunder.

#### **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 25, 2019 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. The value of the Options awarded to you will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

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 26, 2009 (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, as amended and restated June 26, 2008 (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 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, as amended and restated June 26, 2008 (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.**

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**EXERCISE PRICE**

The exercise price of the Options granted hereunder is \$\_\_\_\_\_ 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 26, 2010 – One-Third

Second Vesting Date: January 26, 2011 – One-Third

Third Vesting Date: January 26, 2012 – 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 25, 2019. 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 requiring continued employment. 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 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.

**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 Corporation's 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 25, 2019.

**Resignation, Lay-Off or Termination for Cause** - If you resign or your employment otherwise terminates, 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 a revised expiration date which is the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Revised Expiration Date"). If you die following divestiture but prior to the Revised Expiration Date, all unvested Options will immediately vest as of the date of death and be exercisable by your beneficiary until the Revised 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.benefitaccess.com> 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 their status as Section 16 Insiders 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 the Federal securities laws and may have 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. 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 by December 31, 2009. 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 this Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.benefitaccess.com>
- 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 by executing this Award Agreement by December 31, 2009, it will not be effective, you will not be able to exercise the Options and you will forfeit the Options granted hereunder.

#### **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 25, 2019 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. The value of the Options awarded to you will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

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 26, 2009 (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, as amended and restated June 26, 2008 (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 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, as amended and restated June 26, 2008 (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.**

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**EXERCISE PRICE**

The exercise price of the Options granted hereunder is \$\_\_\_\_\_ 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 26, 2010 – One-Third

Second Vesting Date: January 26, 2011 – One-Third

Third Vesting Date: January 26, 2012 – 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 25, 2019. 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 requiring continued employment. 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 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.

**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 Corporation's 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 25, 2019.

**Resignation, Lay-Off or Termination for Cause** - If you resign or your employment otherwise terminates, 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 a revised expiration date which is the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Revised Expiration Date"). If you die following divestiture but prior to the Revised Expiration Date, all unvested Options will immediately vest as of the date of death and be exercisable by your beneficiary until the Revised 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.benefitaccess.com> 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 their status as Section 16 Insiders 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 the Federal securities laws and may have 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. 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 by December 31, 2009. 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 this Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.benefitaccess.com>
- 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 by executing this Award Agreement by December 31, 2009, it will not be effective, you will not be able to exercise the Options and you will forfeit the Options granted hereunder.

#### **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 25, 2019 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. The value of the Options awarded to you will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

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 26, 2009 (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, as amended and restated June 26, 2008 (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 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, as amended and restated June 26, 2008 ("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.benefitaccess.com>.

Capitalized terms not defined in this Award 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.

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**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 specified 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. You will be notified if you are a specified employee for purposes of section 409A. 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.benefitaccess.com> 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 acceptance of this Award Agreement by December 31, 2009 and your continued employment with the Corporation from the Award Date until January 26, 2012 (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 accept this Award Agreement as provided below by December 31, 2009 and 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 26, 2012, 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 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 total 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 26, 2010, 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 26, 2010, 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 26, 2010) but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2010, you will forfeit all of your RSUs in accordance with the general rule set forth above requiring continuous employment during the Restricted Period. If you retire with an effective date on or after January 26, 2010, 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 26, 2010) but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2012, 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**

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 Award Agreement by and among the Corporation for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Corporation holds certain personal information about you, including, but not limited to, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares or directorships held in the Corporation, details of all awards or any other entitlement to shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the purpose of implementing, administering and managing the Plan ("Data"). You understand that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, and that the recipient's country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of the Data by contacting your local human resources representative. You authorize the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party



with whom the Corporation may elect to administer the settlement of any award. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local human resources representative. You understand, however, that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

#### **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.benefitaccess.com>
- 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 Award from this internet site (<http://www.benefitaccess.com>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited as 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 this 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 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, as amended and restated June 26, 2008 ("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.benefitaccess.com>.

Capitalized terms not defined in this Award 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.

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**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 specified 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. You will be notified if you are a specified employee for purposes of section 409A. 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.benefitaccess.com> 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 acceptance of this Award Agreement by December 31, 2009 and your continued employment with the Corporation from the Award Date until January 26, 2012 (the "Restricted Period"). If any of these requirements are 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, 2009, 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 (\$\_\_\_\_\_) ("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, 2009 (with the product being referred to as the "RSU Performance Goal"). If your RSU Award Value exceeds your RSU Performance Goal (with the amount of that excess referred to as the "Performance Shortfall") then you will forfeit the number of whole RSUs that are equal to the Performance Shortfall divided by the Fair Market Value of Stock on the Award Date (\$\_\_\_\_\_).

For purposes of this Award Agreement, Cash Flow for any period means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2009 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 accept this Award Agreement as provided below by December 31, 2009 and 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 26, 2012, 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 total 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 26, 2010, 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 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2010, you will forfeit all of your RSUs in accordance with the general rule set forth above requiring continuous employment during the Restricted Period. If you retire with an effective date on or after January 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January, 26 2012).

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 26, 2012, 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 specified 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.

Unless you deliver cash to the Corporation to satisfy any withholding tax on Stock deliverable to you in respect of vested RSUs in accordance with procedures established in advance by the Corporation's Senior Vice President of Human Resources, you will be deemed to have automatically elected to pay any withholding tax on Stock deliverable to you by means of the Corporation reducing the number of shares of Stock deliverable to you in respect of vested RSUs, based upon the minimum rate of withholding prescribed by law.

As an administrative practice in accordance with IRS regulations, the Corporation generally will delay application of these FICA taxes on retirement-eligible participants until December of the year of withholding (or when the Stock is deliverable, if earlier). 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.benefitaccess.com>
- 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 Award from this internet site (<http://www.benefitaccess.com>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited as 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 this 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

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 26, 2009 (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, as amended and restated June 26, 2008 (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.**

**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, as amended and restated June 26, 2008 ("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.benefitaccess.com>.

Capitalized terms not defined in this Award 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.

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**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 specified 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. You will be notified if you are a specified employee for purposes of section 409A. 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.benefitaccess.com> 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 acceptance of this Award Agreement by December 31, 2009 and your continued employment with the Corporation from the Award Date until January 26, 2012 (the "Restricted Period"). If any of these requirements are 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, 2009, 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 (\$\_\_\_\_\_) ("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, 2009 (with the product being referred to as the "RSU Performance Goal"). If your RSU Award Value exceeds your RSU Performance Goal (with the amount of that excess referred to as the "Performance Shortfall") then you will forfeit the number of whole RSUs that are equal to the Performance Shortfall divided by the Fair Market Value of Stock on the Award Date (\$\_\_\_\_\_).

For purposes of this Award Agreement, Cash Flow for any period means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2009 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 accept this Award Agreement as provided below by December 31, 2009 and 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 26, 2012, 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 total 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 26, 2010, 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 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2010, you will forfeit all of your RSUs in accordance with the general rule set forth above requiring continuous employment during the Restricted Period. If you retire with an effective date on or after January 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2012, 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 specified 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.

Unless you deliver cash to the Corporation to satisfy any withholding tax on Stock deliverable to you in respect of vested RSUs in accordance with procedures established in advance by the Corporation's Senior Vice President of Human Resources, you will be deemed to have automatically elected to pay any withholding tax on Stock deliverable to you by means of the Corporation reducing the number of shares of Stock deliverable to you in respect of vested RSUs, based upon the minimum rate of withholding prescribed by law.

As an administrative practice in accordance with IRS regulations, the Corporation generally will delay application of these FICA taxes on retirement-eligible participants until December of the year of withholding (or when the Stock is deliverable, if earlier). 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.benefitaccess.com>
- 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 Award from this internet site (<http://www.benefitaccess.com>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited as 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 this 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

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 26, 2009 (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, as amended and restated June 26, 2008 (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 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, as amended and restated June 26, 2008 ("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.benefitaccess.com>.

Capitalized terms not defined in this Award 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.

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**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 specified 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. You will be notified if you are a specified employee for purposes of section 409A. 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.benefitaccess.com> 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 acceptance of this Award Agreement by December 31, 2009 and your continued employment with the Corporation from the Award Date until January 26, 2012 (the "Restricted Period"). If any of these requirements are 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, 2009, 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 (\$\_\_\_\_\_) ("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, 2009 (with the product being referred to as the "RSU Performance Goal"). If your RSU Award Value exceeds your RSU Performance Goal (with the amount of that excess referred to as the "Performance Shortfall") then you will forfeit the number of whole RSUs that are equal to the Performance Shortfall divided by the Fair Market Value of Stock on the Award Date (\$\_\_\_\_\_).

For purposes of this Award Agreement, Cash Flow for any period means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2009 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 accept this Award Agreement as provided below by December 31, 2009 and 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 26, 2012, 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 total 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 26, 2010, 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 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2010, you will forfeit all of your RSUs in accordance with the general rule set forth above requiring continuous employment during the Restricted Period. If you retire with an effective date on or after January 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2012, 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 specified 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.

Unless you deliver cash to the Corporation to satisfy any withholding tax on Stock deliverable to you in respect of vested RSUs in accordance with procedures established in advance by the Corporation's Senior Vice President of Human Resources, you will be deemed to have automatically elected to pay any withholding tax on Stock deliverable to you by means of the Corporation reducing the number of shares of Stock deliverable to you in respect of vested RSUs, based upon the minimum rate of withholding prescribed by law.

As an administrative practice in accordance with IRS regulations, the Corporation generally will delay application of these FICA taxes on retirement-eligible participants until December of the year of withholding (or when the Stock is deliverable, if earlier). 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.benefitaccess.com>
- 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 Award from this internet site (<http://www.benefitaccess.com>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited as 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 this 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



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 26, 2009 (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, as amended and restated June 26, 2008 (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 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, as amended and restated June 26, 2008 ("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.benefitaccess.com>.

Capitalized terms not defined in this Award 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.

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**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 specified 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. You will be notified if you are a specified employee for purposes of section 409A. 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.benefitaccess.com> 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 acceptance of this Award Agreement by December 31, 2009 and your continued employment with the Corporation from the Award Date until January 26, 2012 (the "Restricted Period"). If any of these requirements are 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, 2009, 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 (\$\_\_\_\_\_) ("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, 2009 (with the product being referred to as the "RSU Performance Goal"). If your RSU Award Value exceeds your RSU Performance Goal (with the amount of that excess referred to as the "Performance Shortfall") then you will forfeit the number of whole RSUs that are equal to the Performance Shortfall divided by the Fair Market Value of Stock on the Award Date (\$\_\_\_\_\_).

For purposes of this Award Agreement, Cash Flow for any period means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2009 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 accept this Award Agreement as provided below by December 31, 2009 and 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 26, 2012, 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 total 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 26, 2010, 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 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2010, you will forfeit all of your RSUs in accordance with the general rule set forth above requiring continuous employment during the Restricted Period. If you retire with an effective date on or after January 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2012, 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 specified 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.

Unless you deliver cash to the Corporation to satisfy any withholding tax on Stock deliverable to you in respect of vested RSUs in accordance with procedures established in advance by the Corporation's Senior Vice President of Human Resources, you will be deemed to have automatically elected to pay any withholding tax on Stock deliverable to you by means of the Corporation reducing the number of shares of Stock deliverable to you in respect of vested RSUs, based upon the minimum rate of withholding prescribed by law.

As an administrative practice in accordance with IRS regulations, the Corporation generally will delay application of these FICA taxes on retirement-eligible participants until December of the year of withholding (or when the Stock is deliverable, if earlier). 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.benefitaccess.com>
- 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 Award from this internet site (<http://www.benefitaccess.com>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited as 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 this 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

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 26, 2009 (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, as amended and restated June 26, 2008 (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 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, as amended and restated June 26, 2008 ("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.benefitaccess.com>.

Capitalized terms not defined in this Award 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.

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**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 specified 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. You will be notified if you are a specified employee for purposes of section 409A. 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.benefitaccess.com> 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 acceptance of this Award Agreement by December 31, 2009 and your continued employment with the Corporation from the Award Date until January 26, 2012 (the "Restricted Period"). If any of these requirements are 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, 2009, 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 (\$\_\_\_\_\_) ("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, 2009 (with the product being referred to as the "RSU Performance Goal"). If your RSU Award Value exceeds your RSU Performance Goal (with the amount of that excess referred to as the "Performance Shortfall") then you will forfeit the number of whole RSUs that are equal to the Performance Shortfall divided by the Fair Market Value of Stock on the Award Date (\$\_\_\_\_\_).

For purposes of this Award Agreement, Cash Flow for any period means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2009 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 accept this Award Agreement as provided below by December 31, 2009 and 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 26, 2012, 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 total 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 26, 2010, 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 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2010, you will forfeit all of your RSUs in accordance with the general rule set forth above requiring continuous employment during the Restricted Period. If you retire with an effective date on or after January 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2012, 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 specified 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.

Unless you deliver cash to the Corporation to satisfy any withholding tax on Stock deliverable to you in respect of vested RSUs in accordance with procedures established in advance by the Corporation's Senior Vice President of Human Resources, you will be deemed to have automatically elected to pay any withholding tax on Stock deliverable to you by means of the Corporation reducing the number of shares of Stock deliverable to you in respect of vested RSUs, based upon the minimum rate of withholding prescribed by law.

As an administrative practice in accordance with IRS regulations, the Corporation generally will delay application of these FICA taxes on retirement-eligible participants until December of the year of withholding (or when the Stock is deliverable, if earlier). 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.benefitaccess.com>
- 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 Award from this internet site (<http://www.benefitaccess.com>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited as 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 this 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

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 26, 2009 (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, as amended and restated June 26, 2008 (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 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, as amended and restated June 26, 2008 ("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.benefitaccess.com>.

Capitalized terms not defined in this Award 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.

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**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 specified 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. You will be notified if you are a specified employee for purposes of section 409A. 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.benefitaccess.com> 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 acceptance of this Award Agreement by December 31, 2009 and your continued employment with the Corporation from the Award Date until January 26, 2012 (the "Restricted Period"). If any of these requirements are 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, 2009, 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 (\$\_\_\_\_\_) ("RSU Award Value"). The Committee will then compare your RSU Award Value to the product of 0.125% and the Corporation's Cash Flow for the year ending December 31, 2009 (with the product being referred to as the "RSU Performance Goal"). If your RSU Award Value exceeds your RSU Performance Goal (with the amount of that excess referred to as the "Performance Shortfall") then you will forfeit the number of whole RSUs that are equal to the Performance Shortfall divided by the Fair Market Value of Stock on the Award Date (\$\_\_\_\_\_).

For purposes of this Award Agreement, Cash Flow for any period means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2009 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 accept this Award Agreement as provided below by December 31, 2009 and 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 26, 2012, 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 total 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 26, 2010, 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 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2010, you will forfeit all of your RSUs in accordance with the general rule set forth above requiring continuous employment during the Restricted Period. If you retire with an effective date on or after January 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2012, 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 specified 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.

Unless you deliver cash to the Corporation to satisfy any withholding tax on Stock deliverable to you in respect of vested RSUs in accordance with procedures established in advance by the Corporation's Senior Vice President of Human Resources, you will be deemed to have automatically elected to pay any withholding tax on Stock deliverable to you by means of the Corporation reducing the number of shares of Stock deliverable to you in respect of vested RSUs, based upon the minimum rate of withholding prescribed by law.

As an administrative practice in accordance with IRS regulations, the Corporation generally will delay application of these FICA taxes on retirement-eligible participants until December of the year of withholding (or when the Stock is deliverable, if earlier). 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.benefitaccess.com>
- 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 Award from this internet site (<http://www.benefitaccess.com>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited as 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 this 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



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 26, 2009 (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, as amended and restated June 26, 2008 (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 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, as amended and restated June 26, 2008 ("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.benefitaccess.com>.

Capitalized terms not defined in this Award 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.

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**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 specified 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. You will be notified if you are a specified employee for purposes of section 409A. 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.benefitaccess.com> 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 acceptance of this Award Agreement by December 31, 2009 and your continued employment with the Corporation from the Award Date until January 26, 2012 (the "Restricted Period"). If any of these requirements are 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, 2009, 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 (\$\_\_\_\_\_) ("RSU Award Value"). The Committee will then compare your RSU Award Value to the product of 0.125% and the Corporation's Cash Flow for the year ending December 31, 2009 (with the product being referred to as the "RSU Performance Goal"). If your RSU Award Value exceeds your RSU Performance Goal (with the amount of that excess referred to as the "Performance Shortfall") then you will forfeit the number of whole RSUs that are equal to the Performance Shortfall divided by the Fair Market Value of Stock on the Award Date (\$\_\_\_\_\_).

For purposes of this Award Agreement, Cash Flow for any period means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2009 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 accept this Award Agreement as provided below by December 31, 2009 and 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 26, 2012, 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 total 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 26, 2010, 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 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2010, you will forfeit all of your RSUs in accordance with the general rule set forth above requiring continuous employment during the Restricted Period. If you retire with an effective date on or after January 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2012, 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 specified 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.

Unless you deliver cash to the Corporation to satisfy any withholding tax on Stock deliverable to you in respect of vested RSUs in accordance with procedures established in advance by the Corporation's Senior Vice President of Human Resources, you will be deemed to have automatically elected to pay any withholding tax on Stock deliverable to you by means of the Corporation reducing the number of shares of Stock deliverable to you in respect of vested RSUs, based upon the minimum rate of withholding prescribed by law.

As an administrative practice in accordance with IRS regulations, the Corporation generally will delay application of these FICA taxes on retirement-eligible participants until December of the year of withholding (or when the Stock is deliverable, if earlier). 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.benefitaccess.com>
- 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 Award from this internet site (<http://www.benefitaccess.com>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited as 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 this 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

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 26, 2009 (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, as amended and restated June 26, 2008 (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 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, as amended and restated June 26, 2008 ("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.benefitaccess.com>.

Capitalized terms not defined in this Award 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.

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**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 specified 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. You will be notified if you are a specified employee for purposes of section 409A. 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.benefitaccess.com> 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 acceptance of this Award Agreement by December 31, 2009 and your continued employment with the Corporation from the Award Date until January 26, 2012 (the "Restricted Period"). If any of these requirements are 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, 2009, 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 (\$\_\_\_\_\_) ("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, 2009 (with the product being referred to as the "RSU Performance Goal"). If your RSU Award Value exceeds your RSU Performance Goal (with the amount of that excess referred to as the "Performance Shortfall") then you will forfeit the number of whole RSUs that are equal to the Performance Shortfall divided by the Fair Market Value of Stock on the Award Date (\$\_\_\_\_\_).

For purposes of this Award Agreement, Cash Flow for any period means net cash flow from operations but not taking into account: (i) the aggregate difference between the amount forecasted in the Corporation's 2009 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 accept this Award Agreement as provided below by December 31, 2009 and 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 26, 2012, 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 total 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 26, 2010, 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 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2010, you will forfeit all of your RSUs in accordance with the general rule set forth above requiring continuous employment during the Restricted Period. If you retire with an effective date on or after January 26, 2010, 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 26, 2010), but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2012, 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 specified 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.

Unless you deliver cash to the Corporation to satisfy any withholding tax on Stock deliverable to you in respect of vested RSUs in accordance with procedures established in advance by the Corporation's Senior Vice President of Human Resources, you will be deemed to have automatically elected to pay any withholding tax on Stock deliverable to you by means of the Corporation reducing the number of shares of Stock deliverable to you in respect of vested RSUs, based upon the minimum rate of withholding prescribed by law.

As an administrative practice in accordance with IRS regulations, the Corporation generally will delay application of these FICA taxes on retirement-eligible participants until December of the year of withholding (or when the Stock is deliverable, if earlier). 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.benefitaccess.com>
- 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 Award from this internet site (<http://www.benefitaccess.com>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited as 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 this 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

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 26, 2009 (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, as amended and restated June 26, 2008 (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.**

**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, as amended and restated June 26, 2008 ("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.benefitaccess.com>.

Capitalized terms not defined in this Award 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.

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**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 specified 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. You will be notified if you are a specified employee for purposes of section 409A. 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.benefitaccess.com> 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 acceptance of this Award Agreement by December 31, 2009 and your continued employment with the Corporation from the Award Date until January 26, 2012 (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 accept this Award Agreement as provided below by December 31, 2009 and 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 26, 2012, 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 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 total 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 26, 2010, 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 26, 2010, 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 26, 2010) but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2010, you will forfeit all of your RSUs in accordance with the general rule set forth above requiring continuous employment during the Restricted Period. If you retire with an effective date on or after January 26, 2010, 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 26, 2010) but before the second anniversary of the Award Date (January 26, 2011); 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 26, 2011) but before the third anniversary of the Award Date (January 26, 2012).

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 26, 2012, 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 specified 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.

Unless you deliver cash to the Corporation to satisfy any withholding tax on Stock deliverable to you in respect of vested RSUs in accordance with procedures established in advance by the Corporation's Senior Vice President of Human Resources, you will be deemed to have automatically elected to pay any withholding tax on Stock deliverable to you by means of the Corporation reducing the number of shares of Stock deliverable to you in respect of vested RSUs, based upon the minimum rate of withholding prescribed by law.

As an administrative practice in accordance with IRS regulations, the Corporation generally will delay application of these FICA taxes on retirement-eligible participants until December of the year of withholding (or when the Stock is deliverable, if earlier). 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.benefitaccess.com>
- 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 Award from this internet site (<http://www.benefitaccess.com>). This consent can only be withdrawn by written notice to the Vice President of Compensation and Benefits at the address noted above.

If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited as 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 this 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, as amended and restated June 26, 2008 (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.

**If you do not acknowledge your acceptance of this Award Agreement by December 31, 2009, this Award will be forfeited.**

**EXERCISE PRICE**

The exercise price of the Options granted hereunder is \$\_\_\_\_ 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 26, 2010 – One-Third

Second Vesting Date: January 26, 2011 – One-Third

Third Vesting Date: January 26, 2012 – 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 25, 2019. 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 requiring continued employment. 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 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.

**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 Corporation's 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 25, 2019.

**Resignation, Lay-Off or Termination for Cause** - If you resign or your employment otherwise terminates, 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 a revised expiration date which is the first to occur of (i) the fifth anniversary of the effective date of the divestiture; or (ii) the original expiration date ("Revised Expiration Date"). If you die following divestiture but prior to the Revised Expiration Date, all unvested Options will immediately vest as of the date of death and be exercisable by your beneficiary until the Revised 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.benefitaccess.com> 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 their status as Section 16 Insiders 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 the Federal securities laws and may have 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. 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 by December 31, 2009. 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 this Award Agreement, either electronically or by signing and returning a copy of this letter as follows:

- Electronic Acceptance: Go to <http://www.benefitaccess.com>
- 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 by executing this Award Agreement by December 31, 2009, it will not be effective, you will not be able to exercise the Options and you will forfeit the Options granted hereunder.

#### **MISCELLANEOUS**

For the purpose of calculating the expiration date of the Options, all Options will be deemed to expire on January 25, 2019 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. The value of the Options awarded to you will not be taken into account for other benefits offered by the Corporation, including but not limited to pension benefits.

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

**LOCKHEED MARTIN CORPORATION**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**  
**YEAR ENDED DECEMBER 31, 2008**  
(In millions, except ratio)

**EARNINGS**

Earnings before income taxes	\$4,702
Interest expense	341
Losses (undistributed earnings) of 50% and less than 50% owned companies, net	(44)
Portion of rents representative of an interest factor	57
Amortization of debt premium and discount, net	(6)
Adjusting earnings before income taxes	<u>\$5,050</u>

**FIXED CHARGES**

Interest expense	\$ 341
Portion of rents representative of an interest factor	57
Amortization of debt premium and discount, net	(6)
Capitalized interest	—
Total fixed charges	<u>\$ 392</u>

**RATIO OF EARNINGS TO FIXED CHARGES**

12.9



**CONSENT OF 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 333-56926 on Form S-8, dated March 12, 2001;
- 16) Registration Statement Number 333-84154 on Form S-8, dated March 12, 2002;
- 17) Registration Statement Number 333-105118 on Form S-8, dated May 9, 2003;
- 18) Registration Statement Numbers: 333-113769, 333-113770, 333-113771, 333-113772, and 333-113773 on Form S-8, each dated March 19, 2004;
- 19) Registration Statement Number 333-115357 on Form S-8, dated May 10, 2004;
- 20) Registration Statement Number 333-127084 on Form S-8, dated August 1, 2005;
- 21) Registration Statement Number 333-138352 on Form S-4, dated November 14, 2006;
- 22) Registration Statement Number 333-146963 on Form S-8, dated October 26, 2007;
- 23) Registration Statement Number 333-149630 on Form S-3, dated March 11, 2008;
- 24) Registration Statement Number 333-155682 on Form S-3, dated November 25, 2008;
- 25) Registration Statement Number 333-155684 on Form S-8, dated November 25, 2008; and
- 26) Registration Statement Number 333-155687 on Form S-8, dated November 25, 2008.

of our reports dated February 24, 2009, 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, 2008.

/s/ ERNST & YOUNG LLP

Baltimore, Maryland  
February 24, 2009

**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, 2008 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ E. C. "PETE" ALDRIDGE JR.

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E. C. "PETE" ALDRIDGE JR.

Director

February 26, 2009

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

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/s/ NOLAN D. ARCHIBALD

\_\_\_\_\_  
NOLAN D. ARCHIBALD

Director

February 26, 2009

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

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/s/ DAVID B. BURRITT

\_\_\_\_\_  
DAVID B. BURRITT

Director

February 26, 2009

**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, 2008 ("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 O. ELLIS JR.

\_\_\_\_\_  
JAMES O. ELLIS JR.

Director

February 26, 2009

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

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/s/ GWENDOLYN S. KING

\_\_\_\_\_  
GWENDOLYN S. KING

Director

February 26, 2009

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

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/s/ JAMES M. LOY

\_\_\_\_\_  
JAMES M. LOY

Director

February 26, 2009

**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, 2008 ("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/ DOUGLAS H. McCORKINDALE

\_\_\_\_\_  
DOUGLAS H. McCORKINDALE

Director

February 26, 2009



**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, 2008 ("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/ JOSEPH W. RALSTON

\_\_\_\_\_  
JOSEPH W. RALSTON

Director

February 26, 2009

**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, 2008 ("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/ FRANK SAVAGE

FRANK SAVAGE

Director

February 26, 2009

**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, 2008 ("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 26, 2009

**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, her lawful attorney-in-fact and agent, with full power of substitution, for her and in her name, place and stead, in any and all capacities, including, but not limited to, that listed below, to execute and file, or cause to be filed, with exhibits thereto and other documents in connection therewith, the Lockheed Martin Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 2008 ("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/ ANNE STEVENS

\_\_\_\_\_  
ANNE STEVENS

Director

February 26, 2009

**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, 2008 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ ROBERT J. STEVENS

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ROBERT J. STEVENS

Chairman, Chief Executive Officer,  
President, and Director

February 26, 2009

**POWER OF ATTORNEY**

**LOCKHEED MARTIN CORPORATION**

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/s/ JAMES R. UKROPINA

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JAMES R. UKROPINA

Director

February 26, 2009

**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, 2008 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ BRUCE L. TANNER

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BRUCE L. TANNER

Executive Vice President and Chief  
Financial Officer

February 26, 2009

**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, 2008 ("Form 10-K"), with the Securities and Exchange Commission ("Commission") under the Securities Exchange Act of 1934, as amended, and amendments thereto, with exhibits and other documents in connection therewith, and all matters required by the Commission in connection with such Form 10-K.

Further, the undersigned grants unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ MARTIN T. STANISLAV

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MARTIN T. STANISLAV

Vice President and Controller  
(Chief Accounting Officer)

February 26, 2009



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.

Date: February 26, 2009

/s/ ROBERT J. STEVENS

ROBERT J. STEVENS

Chairman, President and Chief Executive Officer

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

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BRUCE L. TANNER

Executive Vice President and Chief Financial Officer

Date: February 26, 2009

**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, 2008 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 26, 2009

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, 2008 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

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BRUCE L. TANNER

Executive Vice President and Chief Financial Officer

Date: February 26, 2009

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.